



SONATA SOFTWARE LIMITED



CMMIDEV/5SM
Exp. 2017-04-16 / Appraisal #22067

15th August, 2017

National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Mumbai
Kind Attn: Manager, Listing Department
Email Id: neaps@nse.co.in
Stock Code - SONATSOFTW

BSE Limited
P.J. Towers, Dalal Street
Mumbai
Kind Attn: Manager, Listing Department
Email Id: listing.centre@bseindia.com
Stock Code - 532221

Dear Sir/Madam,

Sub: Annual Report for the Financial Year 2016-17

With reference to the captioned subject and in terms of Regulation 34(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are hereby forwarding a copy of Annual Report for the Financial Year 2016-17 duly approved and adopted by the members in the 22nd Annual General Meeting of the Company as per the provisions of the Companies Act, 2013.

Kindly take the same on record.

Thanking you,

Yours faithfully
For Sonata Software Limited

Kundan K Lal
Company Secretary and Head of Legal

Encl: as above

Pioneering with
PLATFORMATION



Platform based Digital Transformation

FORWARD LOOKING STATEMENTS

Certain statements in this annual report concerning our future growth prospects are forward-looking statements, which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. We have tried wherever possible to identify such statements by using words such as anticipate, estimate, expect, project, intend, plan, believe and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions.

The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, our actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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Pioneering with Platformation

Today our world has become a digital economy built on the free flow of information, services and goods. Technology is rapidly collapsing the gap between producers and consumers. Businesses must adapt to the opportunities and challenges the new environment presents. It should be able to expand to new markets, segments, geographies and demographics it makes accessible - all at a pace set by a new breed of competition built on disruptive, digital technology-led paradigms. In this theme to our annual report for fiscal 2017, we would like to share with you our perspectives on how 'Platformation' a new paradigm that Sonata is pioneering can be the key to transform business and thrive in the emerging digital economy.

If one takes a look at the most successful companies in today's digital economy, it won't be wrong to say: "Behind every successful business stands a well-designed platform". Amazon, AirBnB, Uber, Alibaba are some of the more notable examples of success stories built on platforms. A careful examination of what makes these businesses successful reveals four important elements – all of which are powerful benefits of Platforms, which are as follows:



Open Networks - They enable customers, vendors, business and the ecosystem to plug in anytime, anywhere, any device to engage and form a large network that can create mutual value.

Intelligent - They use the data that they capture and primarily generate intelligence to make the platform more effective and automated.

Networked Systems - They ensure that the power of networked systems are allowed to operate on behalf of the participants.

Scalable - The systems are designed to be immensely scalable to ensure the platform can scale with business needs.



The 'born digital' players have been disrupting business as their platform business models have been supported by very innovative use of information technology to enable successful platform businesses.

Given the learning from born digital platform players, we at Sonata Software believe that the time is right for proactive businesses and IT leaders to realize that the challenges of digital business are best met through a new approach that we call Platformation – Platform based digital business transformation. Sonata's platformation approach is based on a unique IT framework that ensures a true platform is created that is intelligent, networked, scalable and open.



Sonata Software is uniquely positioned to help customers with their 'platform' enablement journey. Our experience in engineering platform ecosystems for leading Software Companies and a portfolio of platform based IP solutions that we have built and operate for multiple customers have ensured that Platforms are not just our key focus area, but it is in our DNA. We are focused on helping transform existing business systems in a way that is tailor fit for an organization's unique needs.

Sonata's solution approach reflect three key ways of executing effective digital platform programs. All approaches are based on Sonata's platformation philosophy and unique framework and methodology.

- An end to end digital business platform to gain an early mover advantage may need a decision to migrate to industry specific cloud platforms that are being set up by innovators such as Sonata in this space.

- Specific business processes on leading ISV stacks, that a business is already invested into, can be deployed if time, cost and risks need to be moderated.
- A very unique set of business features and the willingness to invest time and money in setting up a differentiated platform may mandate an approach where a significant part of the platform is custom built.



Our expertise in three verticals – travel, retail & distribution, and software is proven and has been built over decades of serving leading Fortune 500 companies. As we have shifted to platform based solution approaches, we have retained this vertical focus giving us industry specific platformation experience. Our efforts to emerge as a preferred strategic partner for digital transformation in these industry verticals has seen us acquire and build our own Platform IP such as Brick & Click Retail, Rezopia and Modern Distribution Platform. Our strong alliances have seen us build industry solutions on top of leading ISV platforms such as Microsoft Dynamics 365, Microsoft Cortana Intelligence Suite and SAP Hybris Commerce.

Sonata has consciously invested further in the past year in a comprehensive portfolio of platform based solutions, deep industry expertise, quality and processes, proven platform delivery processes, strategic client engagement models

and global reach. With these in place, we are confident of being a preferred partner for best of breed customers as they move to realize the business value from the new paradigm of Platformation.

Operational Highlights

Entry to the Microsoft Enterprise Cloud Alliance



IP Brick & Click Retail and ASCS listed on Microsoft Appsource

Microsoft Country Partner of Year 2016 Award



New alliances - Aeris (IoT) and Snowflakes (Data Warehouse)

US patent for Halosys Mobility Platform features



Leadership zone of Zinnov product engineering report - 5th year

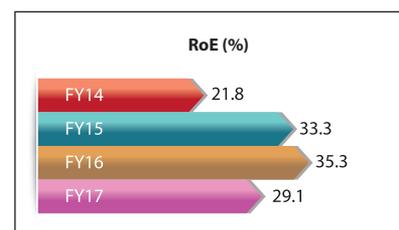
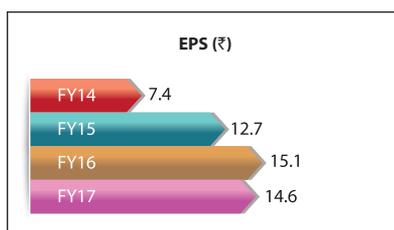
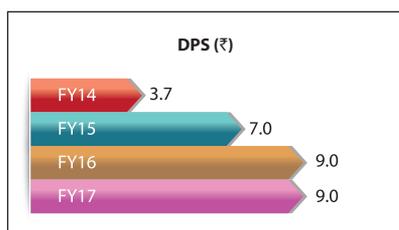
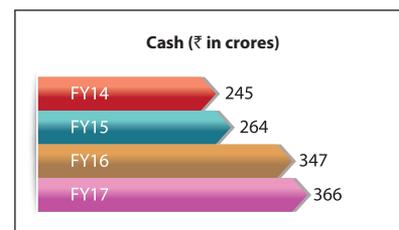
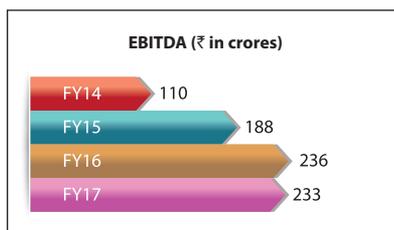
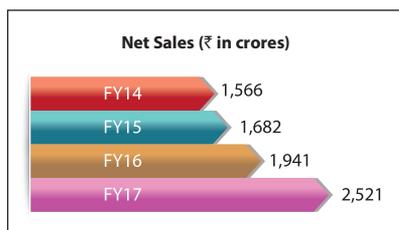
SAP® APJ Partner Excellence Award 2017 for a Top Sell Partner



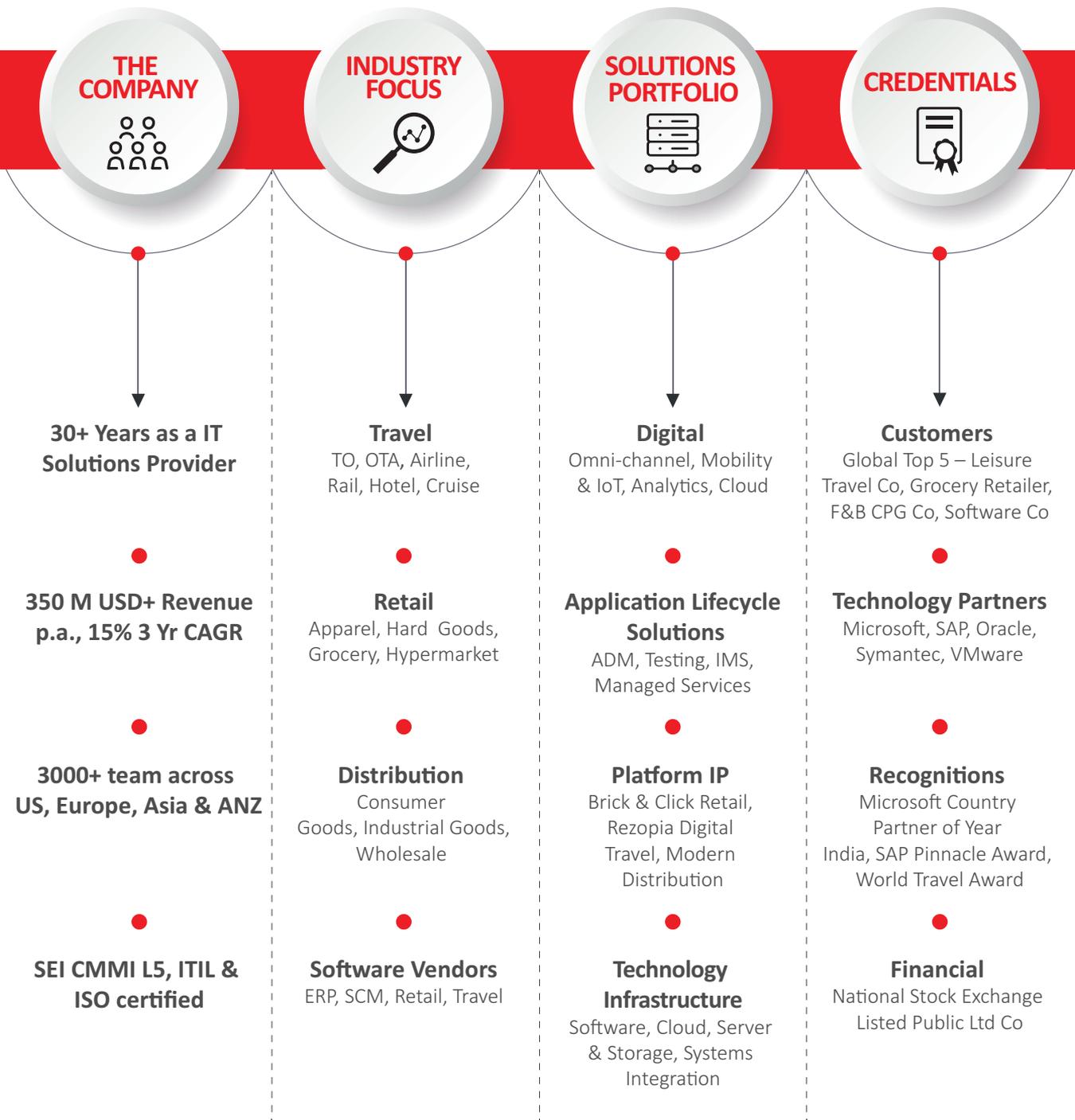
Financial Highlights

CONSOLIDATED				
Key Financials (₹ crores)	FY17	FY16	FY15	FY14
Net Sales	2,521	1,941	1,682	1,566
EBITDA	233	236	188	110
PAT	154	159	134	78
Net Worth	585	471	428	374
Debt	55	176	24	6
Debtors	523	354	310	208
Cash	366	347	264	245
Per Share Ratio (₹)				
EPS	14.6	15.1	12.7	7.4
DPS	9.0*	9.0	7.0	3.7
BVPS	55.6	44.8	40.7	35.6
Margin Ratio (%)				
EBITDA Margin	9.2	12.1	11.1	7
Net Profit Margin	6.1	8.2	8.0	5.0
RoE	29.1	35.3	33.3	21.8
RoCE	25.3	30.4	32.8	21.8

* This includes a final dividend of ₹ 5.50 (550% on par value of ₹ 1) per equity share, recommended by the Board of Directors. The payment is subject to approval of shareholders in the ensuing Annual General Meeting of the Company.



SONATA SOFTWARE AT A GLANCE



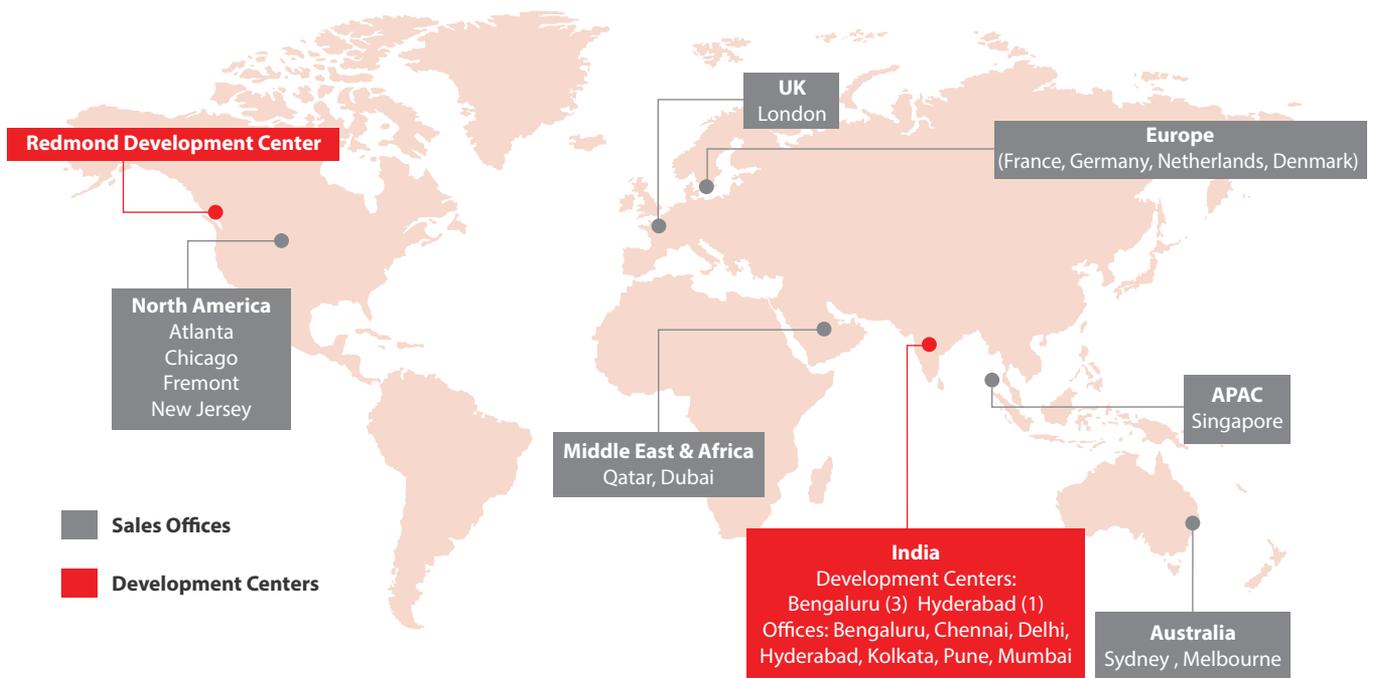
“ Sonata Software is a global IT solutions firm focused on catalyzing business transformation initiatives of its clients through deep domain knowledge, technology expertise and customer commitment. The Company delivers innovative solutions for Travel, Retail & Distribution and Software Product companies through IP based Platforms, Products and Services. Sonata’s solutions bring together new digital technologies such as Omni-channel commerce, Mobility, Analytics, Cloud and ERP, to drive enhanced customer engagement, operations efficiency and return on IT investments. A trusted long-term service provider to Fortune 500 companies across both the software product development and enterprise business segments, Sonata seeks to add differentiated value to leadership who want to make an impact on their businesses, with IT. ”



Vision

To become a world class firm that is a benchmark for Catalyzing Business Transformation for our Clients, Fulfilling Employee Aspirations & Caring for our wider Community through Depth of Thought Leadership, Customer Centricity and Execution Excellence.

Business Footprints



Sonata's Social Platformation



Designed and developed an omni-channel enabled craft storefront to drive market access for handicraft producers

Partner: Industree Crafts Foundation



Built a multi-purpose technology platform combining storefront, virtual classrooms and digital archives

Partner: WomenWeave - The Handloom School



Fostering next-gen business ideas through technology incubation in a top Indian engineering college

Partner: CEDI-NITT

Your Company extended the Platformation capabilities for CSR activities as well.

Industree Foundation - Leveraging our deep understanding of the retail industry, Sonata designed and deployed an e-Commerce and m-Commerce enabled storefront for Industree's creative manufacturing clusters. The platform will connect artisans, especially those from remote, underserved zones to directly connect with urban consumers. It will help enhance their livelihoods in more meaningful ways, to positively impact their family incomes, improve their social standing and access to education, healthcare and other services.

The Handloom House - Sonata designed a customer facing platform that allows weavers to showcase their design collections to prospective customers. The platform also enables weavers to receive orders and customization requests with regard to colors, design themes and yardage

Similarly, we partnered with CEDI-NITT to build a platform that fosters next-gen business ideas through technology incubation.

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

B K Syngal
Director

S N Talwar
Director

COMMITTEES OF THE BOARD

Audit Committee
B K Syngal, Chairman
S B Ghia
Pradip P Shah
S N Talwar
Radhika Rajan

Stakeholders Relationship Committee

S B Ghia, Chairman
P Srikar Reddy
Radhika Rajan

Nomination & Remuneration Committee

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

Corporate Social Responsibility Committee

S B Ghia, Chairman
S N Talwar
P Srikar Reddy

Risk Management Committee

Pradip P Shah
S N Talwar
P Srikar Reddy

SOLICITORS

M/s Talwar, Thakore & Associates
M/s Dua & Associates
M/s Fladgate LLP
M/s Tattva Legal
M/s Anand and Anand
M/s Law Offices of Gebran Majdalany
M/s K & S Partners
M/s B C Prabhakar Associates
M/s Chugh LLP

AUDITORS

Deloitte Haskins & Sells

COMPANY SECRETARY

Kundan K Lal

INVESTOR QUERIES

investor@sonata-software.com

WEBSITE

www.sonata-software.com

BANKERS

Standard Chartered Bank
ICICI Bank
HDFC Bank
Yes Bank
BNP Paribas
Citibank NA

REGISTERED OFFICE

208, T V Industrial Estate
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Tel : 91-22-24943055; Fax: 91-22-24936973
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CORPORATE OFFICE

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SUBSIDIARY COMPANIES

Sonata Information Technology Limited

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Rezopia Inc

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Halosys Technologies Inc.

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Sonata Software GmbH

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Sonata Software FZ – LLC

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Sonata Software (Qatar) LLC

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P.O. Box 58176,
1040 HD Amsterdam
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Board's Report

To The Members,

Your Directors' have pleasure in presenting before you the Twenty-Second Annual Report of your Company together with the Audited Financial Statements for the Financial Year ended 31st March, 2017.

FINANCIAL RESULTS

(₹ in Crores)

Description	Standalone		Consolidated	
	Financial Year ended 31.03.2017	Financial Year ended 31.03.2016	Financial Year ended 31.03.2017	Financial Year ended 31.03.2016
Total Income	630.26	543.74	2,561.46	1,984.28
Total Expenditure	442.59	376.82	2,328.88	1,748.60
EBITDA	187.67	166.92	232.58	235.68
Depreciation and Amortization Expense	4.57	4.37	9.31	6.16
Finance Cost	3.99	3.91	9.05	7.95
Profit before Tax & Exceptional Items	179.11	158.64	214.22	221.57
Exceptional (Income)/Expenses	(5.65)	-	(7.72)	(3.68)
Provision for Tax (Net)	47.53	41.20	68.22	66.65
Net Profit/ (Loss)	137.23	117.44	153.72	158.59
Appropriations:				
Interim Dividend	36.81	94.64	36.81	94.64
Dividend Tax	6.81	17.89	7.49	19.27
Earnings Per Share (in ₹)	13.05	11.17	14.62	15.08

BUSINESS PERFORMANCE

Your Company is primarily engaged in the business of providing IT Services and Software Solutions to its global customers in the US, Europe, Middle East, Asia Pacific, Australia, New Zealand and value added re-selling of IT products from global technology companies in India. The consolidated results of your Company include operations of its Indian and Overseas Subsidiaries.

The Company has successfully completed another year of consistent performance. The year gone by saw significant progress in the efforts to emerge as a platform-led digital solutions provider. During the year, your Company continued to invest in the development of IP including products and platforms, go-to-market initiatives and business development activities which enabled to strengthen its client portfolio. Your Company saw an industry leading year-on-year growth in revenues of 15% in the international solutions and services business and 39% in their Indian software products business.

Your Company continued to grow in the industry segments it operates across industry verticals of Travel, Retail & Distribution and Software solutions. During the year, your Company expanded its alliances with its strategic partners. The Company entered into the Microsoft Enterprise Cloud Alliance and two of its solutions Brick & Click Retail and Advanced Supply Chain Software listed on the Microsoft Appsource application store. During the year, Sonata's unified enterprise mobility

platform Halosys was granted a US patent for multi-channel delivery of augmented messages. Sonata's SAP alliance on Hybris Ecommerce also gained momentum with closer partnership in serving retail and travel industry needs and joint programs to reach customers in these verticals. The Company continued to hire new talent to strengthen its leadership team. Investments in marketing, especially in joint event and programs with alliance partners, was enhanced. The year saw significant new client wins in addition to the growth in existing customers.

The fiscal year 2017 performance reflects Sonata's journey to reposition itself as a unique "Platformation" partner that is committed to develop and deploy platforms enabling its customers to gain competitive advantage through digital transformation initiatives.

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.

Standalone Financials

Total Income has shown a growth of 16%. The Earnings before Interest, taxes, Depreciation and Amortization (EBITDA) stood at 30% of total income and Net Profit at 22% of total income with Earnings per share at ₹ 13.05.

Consolidated financials

Total income has shown a growth of 29%. The Earnings before Interest, taxes, Depreciation and Amortization (EBITDA) stood at 9% of total income and Net Profit at 6% of total income with Earnings per share at ₹ 14.62.

Analyzing your Company's consolidated results by the two segments it operates in, International IT services contributed 32% of total revenues and 78% of PAT while Domestic products and services contributed to 68% of the total revenues and 22% of PAT.

International IT Services total revenue is ₹ 815 crores, growth of 15% and \$ 121 million in US \$ terms with a growth of 12% in revenues. Your Company has achieved consistently good results because of its focus on serving and growing its existing customers. 20 new customers were added throughout the Financial Year, maintaining resource utilization at levels in excess of 85% over the Financial Year under review.

Domestic products and services has showed growth of 39% in revenues. The focus in this business has always been to manage Return on Capital Employed (ROCE), which was approximately 31% for the year under review.

Your Company during the Financial Year under review had a stronger Consolidated Balance Sheet and has approximately ₹ 311 crores of cash and cash equivalents (net), showing Return on Capital employed (ROCE) of 25.30% and Earnings per share at ₹ 14.62 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 is disclosed separately in this Annual Report.

DIVIDEND / TRANSFER TO RESERVES

Considering the better liquidity position of your Company, the Directors are pleased to recommend payment of a final dividend of ₹ 5.50 per equity share @ 550% on par value of Re.1/- each, subject to the approval of the shareholders at the forthcoming Annual General Meeting (AGM), which along with the interim dividend of ₹ 3.50 per equity share adds upto a total dividend of ₹ 9.00 per equity share for Financial Year 2016-17.

If approved, the final dividend will be paid to all those equity shareholders whose names appear on the Register of Members of the Company on 4th August, 2017 and to those whose names appear as beneficial owners in the records of the National Security Depository Limited and Central Depository Services (India) Limited on the said date.

Your Company has not transferred any amounts to reserve for the Financial Year ended 31st March, 2017.

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 four times. The Meetings were held on 23rd May, 2016, 8th August, 2016, 2nd November, 2016 and 3rd February, 2017.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Mr. Viren Raheja (DIN 00037592) Director, retires by rotation and being eligible, offers himself for re-appointment at the ensuing Annual General Meeting (AGM). Brief profile of Mr. Viren Raheja is given in the notes to the Notice of the ensuing AGM.

During the Financial Year under review, Ms Priya Manoj Jaswani, Company Secretary, also designated as a Key Managerial Personnel, resigned from the services of the Company with effect from 7th October, 2016.

Subsequently, Mr. Kundan K Lal, was appointed as a Company Secretary and designated as a Key Managerial Personnel of your Company with effect from 2nd November, 2016. Mr. Lal is a Member of the Institute of Company Secretaries of India since the year 2001 and holds a degree in Law from University of Delhi. He has about 18 years of experience in the Legal, Corporate Governance and Secretarial functions. Over the span of 18 years he has served various organizations engaged in Engineering, Manufacturing, IT and Emerging Growth Technology companies in the field of Corporate & Secretarial, Legal, Labour, Indirect Taxation, Real estate, Intellectual Property, setting up units in DTA and SEZ, and Litigation Matters.

During the year under review the Board re-appointed Mr P Srikar Reddy (DIN 00001401), Managing Director and CEO of your Company for a further period of three years with effect from 14th February, 2017 as per the recommendation of the Nomination and Remuneration Committee and subject to approval of the Shareholders at the ensuing AGM of your Company. Brief profile of Mr P Srikar Reddy, is given in the notes to the Notice of the ensuing AGM.

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 to contribute significantly to your Company.

Your Company has received necessary declarations from the Independent Directors under Section 149(7) of the Companies Act, 2013 that they meet the criteria of their Independence laid down in Section 149(6) of the Companies Act, 2013.

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 had been followed along with proper explanation relating to material departures;
- b) the Directors had 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 had 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 had prepared the Annual Accounts on a going concern basis;
- e) the Directors had 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 had 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 the financial position of your Company between the end of the Financial Year under review and date of this Report.

AUDIT COMMITTEE

The Audit Committee comprises of Mr. B K Syngal (Chairman), Mr. Pradip P Shah, Mr. S B Ghia, Mr S N Talwar and Ms Radhika Rajan as its members. During the Financial Year the Board nominated Mr S N Talwar and Ms Radhika Rajan as members of the Committee. 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 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 comprises of Mr. S. N. Talwar (Chairman), Mr. Viren Raheja, Mr. B K Syngal and Mr.

S B Ghia 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 as **ANNEXURE I**.

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 SEBI (LODR) Regulations, 2015 your Company has established Dividend Distribution Policy. A copy of the Policy forms part of this Report as **ANNEXURE II**.

SUBSIDIARY COMPANIES

The Consolidated Accounts of your Company and its Subsidiaries viz., Sonata Information Technology Limited, 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 and Rezopia Inc., USA, Halosys Technologies Inc., USA and Interactive Business Information Systems Inc. USA (I.B.I.S.) duly audited are presented as part of this Report in accordance with the Companies Act, 2013, Accounting Standard 21 and the Listing Agreement with the Stock Exchanges, wherever applicable. The statement pursuant to the proviso of section 129(3) of the Companies Act, 2013, containing salient features of the Financial Statement of the Company's Subsidiaries in Form AOC-1 is given in **ANNEXURE III**.

The Accounts of the Subsidiaries audited for the purpose of consolidation shall be placed on your Company's website and made available for inspection by any Shareholder at the Company's Registered Office and at the respective registered offices of the Subsidiary companies. Copies can be made available on request, to the shareholders of the Company.

Your Company's Subsidiaries are continuously developing its operations globally. I.B.I.S Inc., one of the Subsidiaries offered its services in newer segments such as a debt management and collection software platform and a healthcare provider. On the mobility front, your Company is developing a series of apps on the Halosys Inc. platform for a Silicon Valley start-up to make the Company 'Mobile First' and are augmenting a talent pool for various long term projects, for a leading US based bank, with operations in more than 70 countries.

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 http://www.sonata-software.com/sites/default/files/Policy_on_Determining_Material_Subsidiries.pdf.

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. P Srikar Reddy, Managing Director & CEO who was granted Options to purchase equivalent shares under the Plan, had during the Financial Year under review, exercised 75,000 Options at an exercise price of ₹ 18.10 per share. Further, 75,000 Options of your Company have been vested in him as on 31st March, 2017 which have not as on date of this Report been exercised by him.

During the Financial Year under review, Mr. Ranganath Puranik, Chief Growth Officer was granted an Option to purchase 1,60,000 ESOP shares of the Company to be vested equally over a period of 4 years, subject to terms and conditions as set forth in the ESOP Plan, 2013 of the Company. Accordingly, the first tranche of 40,000 Options shall vest in him for exercise on 7th August, 2017.

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 Auditors of the Company confirming that the Plan has been implemented in accordance with the said Regulations and in accordance with the resolution passed by the members of the Company. A copy of the Certificate shall be placed before the Shareholders for inspection at the ensuing Annual 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, 2017 are uploaded on the website of the Company www.sonata-software.com.

SECRETARIAL AUDIT

The Board had appointed Mr. Sriram Parthasarathy, Practising Company Secretary as the Secretarial Auditor for the Financial Year 2016-17. The Secretarial Audit Report for the Financial Year ended 31st March, 2017 is annexed to this Report as **ANNEXURE IV**. 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 Auditors' Report and the Secretarial Audit Report for the year under review.

STATUTORY AUDITORS

The Auditors are liable to retire at the conclusion of 22nd AGM. Hence the Board on 29th May, 2017 on proposal of the Audit Committee

recommended appointment of Deloitte Haskins & Sells, LLP, Chartered Accountants, Bengaluru, (Firm Registration No. 117366W) as Statutory Auditors of the Company, in place of Deloitte, Haskins and Sells (FRN 008072S) due to its re-structuring which belongs to same network of firm, from the conclusion of Twenty Second (22nd) AGM till conclusion of Twenty Seventh (27th) AGM subject to the approval of the Shareholders at the ensuing AGM.

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 V**.

QUALITY

Your Company continues to enhance customer satisfaction by aligning its processes to industry standards and best practices. During the year under review, your Company's quality management system was upgraded to ISO 9001:2015. Your Company also underwent surveillance audits successfully for ISO 20000-1 (IT Service Management) and ISO 27001 (Information Security).

Your Company continues to enhance the effectiveness of its delivery. Your Company got re-appraised successfully for CMMI at the highest maturity level (CMMI-DEV v1.3, Level 5).

The year under review also saw a greater focus on tools and automation, in order to enhance the effectiveness and efficiency of the delivery processes.

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, 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 minimize the usage of energy by adaption of new technology and innovation.

- 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;
- Control measures at HVAC vertical to create advanced air cooling since HVAC contributes 70% of the energy utilization;
- Installation of LCD/LED monitors (energy efficient) in place of normal CRT monitors, thereby saving energy;

- Turning off air conditioners during non-peak hours and on weekends; and
- operating only one elevator in buildings having two elevators after 7 pm.

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:

- Installation of new technology air conditioners with built in inverter option which has better air circulation and reduces energy consumption up to 20% compared to the normal air conditioners;
- As an environment sustainability initiative, UVGI (ultraviolet germicidal irradiation) has been installed in our HVAC systems in Global Village and Hyderabad facilities. This has resulted in the improvement of IAQ (Indoor Air Quality) upwards by 70% and reduction of power consumption up to 10%. The life span of the cooling coil of the AHU increases thereby reducing maintenance costs in the long run;
- Replacing CFL with LED lightings in corridors & conference rooms; and
- Air-conditioning staggered mode of operation resulting in reduction in fuel consumption.

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

(B) Technology absorption

During the Financial Year under review, your Company focused its efforts and built competencies in areas of Mobility, Omni channel commerce, Analytics and Cloud. Dedicated Competency teams were setup for each of these. Your Company developed and acquired IPs and platforms specific for industry verticals and business processes.

(C) Foreign exchange earnings and outgo

During the Financial Year under review, 89% 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 ₹ 96 crores and Foreign Exchange inflow on account of export of software services (net), goods and other operating revenues was ₹ 529 crores.

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 following activities:

- Senior Leadership Development through customised programs on Business Leadership, Design Thinking & sponsoring leaders to Strategic Leadership Programs with B-schools.
- Took the Sonata Reimagined concept to the next phase through the Platformation concept.
- The competency framework created last year was reviewed for its refined usage for performance management & development and compensation.
- Organized several employee engagement & Corporate Social Responsibility events across our facilities enabling employees to engage, participate, contribute and do their bit to our society – the Go Green Initiative in the Global Village Office, mentoring the Entrepreneurship case presenters at CEDI program in NIT Trichy, support to the Chennai / Tamil Nadu flood victims, supporting the NGOs as part of the Daan Utsav program, creating the e-commerce platform for Industree Crafts Foundation and a design repository and platform for Women's Weave.

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. In sync with the Go Digital theme, this year, the ACM went digital and was telecast from the Head Office to all locations.
- Unveiled your Company's future way of working under the Platformation concept.

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 and 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 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 complaint was received under this Policy during the Financial Year 2016-17.

DETAILS OF ADEQUACY OF INTERNAL CONTROL SYSTEM

Sonata has deployed adequate Internal Control Systems (ICS) in place to ensure a smooth functioning of its business. The processes and the systems are reviewed constantly and changed to address the changing regulatory and business environment.

The Control Systems provide a reasonable assurance of recording the transactions of its operations in all material aspects and of providing protection against misuse or loss of Company's assets. The ERP system has helped in further strengthening the ICS that are in place.

The existing ICS and their adequacy have been reviewed extensively during the year under review by Internal Auditors and Statutory Auditors. The Internal Financial Control Systems, related policies and procedures have been tested by the Statutory Auditors and Internal Auditors during the year. They have expressed their satisfaction with regard to the adequacy and effectiveness of the financial control systems in place to address risk management and mitigation strategies.

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. for meeting its working capital requirements. The balance outstanding as on 31st March, 2017 is NIL. The maximum amount outstanding at any point of time during the Financial Year has been ₹ 88.8 crores.

Also, your Company has given Corporate Guarantees on behalf of Subsidiaries for facilitating its business needs. The outstanding amount as on 31st March, 2017 is as below:

Name of the Subsidiary	Amount in ₹ Crores
Sonata Software North America Inc., USA	58.37
Sonata Information Technology Limited, India	102.28

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. 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 RESPONSIBILITY (CSR)

During the Financial Year, your Company has spent ₹ 175.96 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:

- Remained committed to NIT Trichy CEDI to promote entrepreneurship and innovation amongst students. Company

currently has three projects incubated which have completed a year and have also identified three more new Projects that have been given seed fund for this Year.

- Developed a Back-End Invoicing Module for the e-commerce platform to facilitate direct interaction between craftspeople and their customers for the Industry's Crafts Foundation, who operate the Mother Earth chain with an aim to improve the livelihood of artisans by providing access to Markets with the latest technologies.
- Partnered with the Indian Institute of Science, Bengaluru to help students to pursue new research initiatives at the Department, & to effectively transmit the excitement of computer science research through targeted student outreach programs, and to materially upgrade the pedagogical infrastructure, resulting in potent learning environments.
- Sonata is supporting a programme with RIVER Foundation that addresses today's educational challenges with a unique "School in a box" - a (MGML) multi-grade multi-level methodology kit & Digital learning, with an integrated curriculum that is made relevant to the local needs. The current platform is under development stage and is planned to be rolled out by RIVER in the Schools in Chittoor & Telangana.

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

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 500 listed entities based on market capitalization. In compliance with the said Regulation and in view of green initiative, BRR for the Financial Year ended 31st March, 2017 has been hosted on the Company's website at www.sonata-software.com. The BRR contains a detailed report on Business Responsibilities vis-à-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. Any shareholder interested in obtaining a copy may write to the Company Secretary at the Registered Office of the Company.

RELATED PARTY TRANSACTIONS

The policy on related party transactions is available on the Company's website at http://www.sonata-software.com/sites/default/files/Policy_on_Related_party_Transactions.pdf

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 – VII**.

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.

BOARD 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 on a performance scale of 1-4. The average scores were then arrived at to conclude the performance/ contributions of the relevant evaluation.

The outcome of the process was used to list out areas and categorize them as exemplary, satisfactory, or areas that required improvement. Thereafter, corrective measures were recommended for implementation with immediate effect.

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 – VIII**.

LISTING WITH STOCK EXCHANGES

Your Company confirms that it has paid the Annual Listing Fees for the Financial Year 2016-17 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.

Certificate from Mr. P. Sriram, a practising Company Secretary, Proprietor of P. Sriram & Associates, 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
SONATA SOFTWARE LIMITED**

Place: Mumbai
Date: 29th May, 2017

**PRADIP P SHAH
CHAIRMAN**

Annexure I

NOMINATION AND REMUNERATION POLICY

1] PREAMBLE

This Policy is formulated by the Nomination and Remuneration Committee of the Company and all its Subsidiaries including but not limited to Sonata Information Technology Ltd, Sonata Europe Limited, Sonata Software North America Inc., etc. to attract, motivate and retain high-calibre senior executives/directors in a competitive market, who possess the required core competencies, professional backgrounds and skill sets in line with the nature and identity of the Company and its business. This Policy reflects the Company's objectives for good corporate governance as well as sustained long-term value creation for stakeholders.

The policy is framed in terms of section 178 of the Companies Act, 2013 and Securities and exchange Board of India (Listing Obligations And Disclosure Requirements) Regulations, 2015 and amendments made thereto.

2] DEFINITIONS

- 1) "Act" means the Companies Act, 2013 (as amended or modified from time to time) and applicable rules prescribed thereunder;
- 2) "Company" means M/s. Sonata Software Limited and its Subsidiary Sonata Information Technology Limited.
- 3) "Board" means the Board of Directors of the respective Company
- 4) "Director" means the Director appointed to the Board of the respective Company.
- 5) "Committee" means Nomination and Remuneration Committee of M/s. Sonata Software Limited and M/s Sonata Information Technology Limited as constituted or reconstituted by the Board of the respective Company.
- 6) "Independent Director" means a Director referred to in Section 149(6) of the Act.
- 7) "Key Managerial Personnel" (KMP) means-
 - The Chief Executive Officer or the Managing Director or the Manager;
 - The Company Secretary;
 - The Whole-time Director;
 - The Chief Financial Officer
- 8) "Policy" means this Nomination and Remuneration Policy.
- 9) "Senior Management Personnel" (SMP) means personnel of the Company in cadre Senior Vice President and above.

Note:

- i) Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the Act shall have the meaning respectively assigned to them therein.
- ii) Words imparting the singular shall include the plural and vice versa. Words imparting a gender include every gender.

3] OBJECTIVES

The objectives and purpose of this Policy are as follows:

- To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors (executive and non-executive) and persons who may be appointed in Senior Management and Key Managerial positions and to determine their Remuneration.
- To determine remuneration based on the Company's size, financial position and trends and practices on Remuneration prevailing in peer companies, in the software industry.
- To carry out evaluation of the performance of Directors, as well as KMP and SMP.
- To provide them reward linked directly to their performance and potential relating to the Company's operations.

4] APPLICABILITY

- 1) This Policy is applicable to Directors (executive and non-executive); KMP and SMP of Sonata Software Limited.
- 2) This Policy is also applicable to the subsidiaries to the extent required under the applicable laws.

5] EFFECTIVE DATE

In the context of the aforesaid objectives, this Policy has been formulated by the Company and adopted by the Board of Directors of the Company on 30th September 2014 and this date will be deemed to be the effective date of this Policy. The same was modified in the board meeting held on 3rd February, 2017.

6] CONSTITUTION OF THE COMMITTEE

The Committee which is inter alia responsible for recommending the Remuneration for Directors, KMP and SMP comprises of following Directors:

a) Sonata Software Limited

- i) Mr. S. N. Talwar, Chairman (Non – Executive Independent Director)
- ii) Mr. S. B. Ghia, Member (Non-Independent Non – Executive Director)
- iii) Mr. B. K. Syngal, Member (Non – Executive Independent Director)
- iv) Mr. Viren Raheja, Member (Non Independent Non – Executive Director)

b) Sonata Information Technology Limited

- i) Mr Brijendra Kumar Syngal, Chairman (Non – Executive Independent Director)
- ii) Mr Srikar Palem Reddy, Member (Non-Independent Non – Executive Director)
- iii) Ms Radhika Govind Rajan, Member (Non – Executive Independent Director)

The Board has the power to reconstitute the Committee consistent with the Company's policies and applicable statutory requirement.

7] MATTERS TO BE DEALT WITH AND RECOMMENDED TO THE BOARD BY THE COMMITTEE

The Committee shall:

- Formulate the criteria for determining qualifications, positive attributes and independence of a Director;
- Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this Policy; and
- Recommend to the Board, appointment and removal of Directors, KMPs and SMPs.

8] CRITERIA FOR APPOINTMENT AND REMOVAL OF DIRECTORS, KMPs AND SMPs**8.1] Appointment criteria and qualifications:**

8.1.1 The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person who is proposed for appointment as Director, KMP or SMP and recommend to the Board about such proposed appointment.

8.1.2 A person should possess adequate qualification, expertise and experience for the position he is considered for appointment. The Committee has the discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.

8.1.3 The Company shall not appoint or continue the employment of any person as Managing Director, whole-time Director or Manager who is below the age of twenty one years or who has attained the age of seventy years. Provided that the term of the person holding the described position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution which shall be based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond the age of seventy years.

8.2] Term / Tenure:

8.2.1 Managing Director/whole-time Director/Manager:

- The Company shall not appoint or employ at the same time a Managing Director and a Manager;
- The Company shall not appoint or re-appoint any person as a Managing Director or a whole-time Director or a Manager for a term exceeding five years at a time. Provided that no re-appointment shall be made earlier than one year before the expiry of his term.

8.2.2 Independent Director:

- An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company in this regard.

- No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director of the Company. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly. However, if a person who has already served as an Independent Director for 5 (Five) years or more in the Company as on 1st October, 2014 or such other date as may be determined by the Committee as per regulatory requirement, he shall be eligible for appointment for one more term of 5 (Five) years only.

- At the time of appointment of an Independent Director, it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director and three Listed companies as an Independent Director in case such person is serving as a whole-time Director in any Listed company.

8.2.3 KMP:

A whole-time KMP of the Company cannot hold the office in any other company except in its Subsidiary at the same time. However a Managing Director of the Company can hold the office in one another company provided such appointment is approved by a resolution passed at a meeting of the Board of Directors with the consent of all the Directors present at the meeting and of which meeting and of all the resolutions to be moved thereat, specific notice has been given to all the Directors then in India.

8.3] Evaluation:

The Committee shall diligently carry out annual evaluation of performance of every Director, KMP and SMP on the basis of the criteria(s) laid down by the Committee or the Company or under the Act, if applicable.

8.4] Removal:

Due to the reasons for any disqualification prescribed under the Act or under any other applicable Acts, rules and regulations, the Committee may recommend, to the Board with reasons recorded in writing for removal of a Director, KMP or SMP and such removal shall be in compliance with the Act or any other applicable Acts, rules and regulations.

8.5] Retirement:

The Director, KMP and SMP shall retire as per the applicable provisions of the Act and in accordance with the applicable policy of the Company. The Committee or the Board will have the discretion to retain the Director, KMP, and SMP in the same position / Remuneration or otherwise even after their attaining of retirement age, for the benefit of the Company.

9] TERMS OF REMUNERATION FOR THE DIRECTOR, KMP AND SMP**9.1] General:**

9.1.1 The Remuneration payable to the Director, KMP and SMP will be determined by the Committee and recommended to the Board for approval.

9.1.2 The Committee shall have the power to determine the Remuneration and commission to be paid to the Director which shall be in accordance with the provisions laid down in the Articles of Association of the Company and the Act.

9.1.3 Increments to the existing Remuneration/compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of Whole-time Director.

9.1.4 Where any insurance is taken by the Company on behalf of its Directors, KMP and SMP for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the Remuneration payable to any such personnel. Provided that if such personnel is proved to be guilty, the premium paid on such insurance shall be treated as part of the Remuneration.

9.1.5 Compensation:

The Director, KMP and SMP at the discretion of the Committee may be entitled to fixed Pay on a monthly or yearly basis which may be divided into Basic, Performance Bonus, House Rent Allowance, Medical Allowance, Grade Allowance, etc. Appointment letter or contract will form the basis of eligibility of such pay/ allowances.

9.1.6 Benefits:

To continually enhance the standard of living of the Director, KMP and SMP and to ensure continual long term engagement, the Committee may extend benefits/welfare facilities such as group mediclaim insurance policy, long service award and such other benefits that the Committee deems fit, to the Director, KMP and SMP in accordance with the HR policies of the Company.

9.2] Remuneration to Executive Director, KMP and SMP:**9.2.1 Fixed pay:**

The Executive Director, KMP and SMP shall be eligible for a monthly Remuneration as may be approved by the Board on the recommendation of the Committee. The break-up of the pay scale and quantum of perquisites including, employer's contribution to provident fund, pension scheme, medical expenses, etc. shall be decided and approved by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, whenever necessary.

9.2.2 Minimum pay:

If, in any Financial Year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing Director, Whole-time Director and Manager in accordance with the provisions of Schedule V of the Act.

9.2.3 Provisions for excess Remuneration:

If any Whole-time Director draws or receives, directly or indirectly by way of Remuneration any such sums in excess of the limits prescribed under the Act or without the prior sanction of the Central Government, where required, he shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

9.3] Remuneration to Non- Executive / Independent Director:**9.3.1 Remuneration:**

If required, Non-executive/Independent Directors may be paid Remuneration, which shall be fixed as per the slabs and conditions as deemed fit by the Committee and which shall be in accordance with the Articles of Association of the Company and the Act.

9.3.2 Sitting Fees:

The Non- Executive / Independent Director shall receive Remuneration by way of fees for attending Meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed Rupees One lakh per Meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

9.3.3 Commission:

Commission may be paid within the monetary limit approved by shareholders, Central Government subject to the limit prescribed under the Companies Act, 2013 and the rules made thereunder.

9.3.4 Stock Options:

An Independent Director and any Director who either himself or through his relative or through any Body Corporate, directly or indirectly, holds more than ten percent of the outstanding equity shares of the Company shall not be entitled to any stock option of the Company.

10] AMENDMENTS

The Committee or the Board reserves its right to amend or modify this Policy in whole or in part, at any time without assigning any reason whatsoever.

Annexure II

DIVIDEND DISTRIBUTION POLICY

1. Background

The Securities and Exchange Board of India ("SEBI"), vide its Notification dated July 8, 2016, has issued SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016 ("Regulations"). The Regulations mandate top 500 listed entities based on market capitalization to formulate a dividend distribution policy which shall be disclosed in their annual reports and on their websites. It is in this context that the Dividend Distribution Policy ("Policy") is being framed and implemented.

The regulation prescribes that the dividend distribution policy shall include the following parameters:

- the circumstances under which the shareholders of the listed entities may or may not expect dividend;
- the financial parameters that shall be considered while declaring dividend;
- internal and external factors that shall be considered for declaration of dividend;
- policy as to how the retained earnings shall be utilized; and
- parameters that shall be adopted with regard to various classes of shares:

Provided that if the listed entity proposes to declare dividend on the basis of parameters in addition to clauses (a) to (e) or proposes to change such additional parameters or the dividend distribution policy contained in any of the parameters, it shall disclose such changes along with the rationale for the same in its annual report and on its website.

2. Objective of the Policy

This Policy is framed in accordance with the requirement under Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2015 (including any amendments thereof).

3. Considerations

The Board of Directors of the Company ("Board") recommends dividend distribution based on the following factors:

- Current year profits and outlook in line with the development of internal and external environment.
- Operating cash flows and treasury position keeping in view the total debt to equity ratio.

- Possibilities of alternate usage of cash, e.g. capital expenditure, anticipated investments in Merger & Acquisitions, Amalgamations, Corporate Restructuring and working capital requirements for current and projected periods etc. with potential to create greater value for shareholders.
- Providing for unforeseen events and contingencies with financial implications.
- Internal and/or external factors.
- Retained earnings may be used for corporate actions in accordance with applicable law and for investments towards growth of business.

The Board may declare interim dividend(s) or special dividend(s) as and when they consider it fit, and recommend final dividend to the shareholders for their approval in the general meeting of the Company.

The dividend distribution shall be in accordance with the applicable provisions of the Companies Act, 2013, Rules framed thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other legislations governing dividends and the Articles of Association of the Company, as in force and as amended from time to time.

4. Circumstances under which the shareholders of the listed entities may not expect dividend

The Board may choose not to recommend a dividend, if there are important strategic priorities which require large investments or uncertainties in the business performance in the near to medium term.

5. Effective Date

The Policy, as approved by the Board of Directors, shall be effective 3rd February, 2017.

6. Amendments

This Policy shall be subject to review as may be deemed necessary by the Board of Directors.

Annexure III

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										Amount in ₹
S I. No.	Name of the subsidiary	Sonata Information Technology Ltd.	Sonata Software North America Inc.	Sonata Software FZ LLC	Sonata Software GmbH	Sonata Europe Ltd., UK	Sonata Software (Qatar) LLC	Rezopia Inc.	Halosys Technologies Inc.	Interactive Business Information Systems Inc.
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
2	Reporting currency	INR	USD	USD	EURO	GBP	USD	USD	USD	USD
3	Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	-	USD = ₹ 64.85	USD = ₹ 64.85	Euro = ₹ 69.31	GBP = ₹ 80.92	USD = ₹ 64.85	USD = ₹ 64.85	USD = ₹ 64.85	USD = ₹ 64.85
4	Share capital	33,753,940	19,455,000	8,827,934	1,732,750	199,092,331	3,571,938	5,577	4,056,043	32,441,213
5	Reserves and surplus	1,307,509,901	209,877,233	(39,086,457)	17,783,668	269,806,539	(26,083,124)	1,964,177	(61,207,635)	(86,430,588)
6	Total assets	5,737,355,697	1,931,435,267	116,398,487	21,439,909	538,265,355	2,144,706	75,791,159	36,293,537	153,579,840
7	Total Liabilities	4,396,091,856	1,702,103,035	146,657,010	1,923,491	69,366,485	24,655,892	73,821,405	93,445,128	207,569,216
8	Investments	-	874,019,442	-	-	-	-	-	-	-
9	Turnover	17,341,481,275	4,083,294,134	192,851,060	25,182,933	316,887,980	-	95,682,198	729,563	382,341,787
10	Profit / (Loss) before taxation	509,220,042	57,957,872	(69,204,613)	6,389,828	4,212,533	(4,824,581)	11,055,304	(18,213,817)	(36,508,280)
11	Provision for taxation	172,809,531	4,495,997	-	3,071,740	3,592,848	-	-	(95,459)	20,850,702
12	Profit / (Loss) after taxation	336,410,511	53,461,874	(69,204,613)	3,318,087	619,685	(4,824,581)	11,055,304	(18,118,358)	(57,358,982)
13	% of shareholding	100	100	100	100	100	49	60	100	100

Notes:

- 1) For foreign subsidiaries, the amounts in reporting currency have been converted to ₹ at the closing exchange rate of 31st March, 2017.
- 2) Proposed dividend from any of the subsidiary is "NIL".

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 under review.

PRADIP P SHAH
Chairman

P SRIKAR REDDY
Managing Director & CEO

PRASANNA OKE
Chief Financial Officer

R SATHYANARAYANA
VP - Finance & Accounts

Place: Mumbai

Date: 29th May, 2017

KUNDAN K LAL
Company Secretary

Annexure IV

SECRETARIAL AUDIT REPORT

FINANCIAL YEAR ENDED 31st MARCH, 2017

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

To,

The Members
Sonata Software Limited
CIN : L72200MH1994PLC082110
No 208, TV Industrial Estate, S K Ahire Marg,
Worli, Mumbai 400 030

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

Based on my verification of Company's 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, 2017 complied with the statutory provisions listed here under 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 the Company for the Financial Year ended on 31st March, 2017 according to the provisions of:

- 1) The Companies Act, 2013 (the Act) and the rules made there under;
- 2) The Securities Contracts (Regulation) Act, 1956 ("SCRA") and the rules made thereunder;
- 3) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- 4) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ("SEBI Act") :-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;

- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (d) The Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines 1999/ Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014
 - (e) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (f) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
 - (g) SEBI (Buyback of Securities) Regulations, 1998
- 5) The Special Economic Zone Act, 2005 and Policy relating to Software Technology Parks of India and its regulations.

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Listing Agreement entered into by the Company with BSE Limited and National Stock Exchange of India Limited pursuant to SEBI (LODR) Regulation;

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

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, 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.

All decisions were carried out with unanimous approval of the Board and there was no instance of dissent voting by any member during the period under review.

I have examined the systems and processes established by the Company to ensure the compliance with general laws including Labour Laws, Employees Provident Funds Act, Employees State

Annexure A

Insurance Act & other State Laws, considering and relying upon representations made by the Company and its Officers for systems and mechanisms formed by the Company for compliance under these laws and other applicable sector specific Acts, Laws, Rules and Regulations applicable to the Company and its observance by them.

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 other applicable laws and the rules made thereunder.

I further report that during the audit period, there were no instances of:

- (i) Public / Rights / Preferential issue of shares / debentures / sweat equity.
- (ii) Redemption / buy-back of securities.
- (iii) Major decisions taken by the Members in pursuance to Section 180 of the Companies Act, 2013.
- (iv) Merger / amalgamation / reconstruction etc.
- (v) Foreign technical collaborations.

This Report is to be read with my testimony of even date which is annexed as Annexure A and forms an integral part of this report.

Place: Chennai
Date: 29th May, 2017

To

The Members,
Sonata Software Limited

My report of even date is to be read along with this supplementary testimony.

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 my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, the Company had followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
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.

Signature:
(P. Sriram)

P. Sriram & Associates
FCS No. 4862/C P No: 3310

Annexure V

EXTRACT OF ANNUAL RETURN

For the Financial Year ended on 31.03.2017

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	18 th 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 TV Industrial Estate, 2 nd Floor, S K Ahire Marg, Worli, Mumbai - 400030, Tel : 91-22-24943055, Email: info@sonata-software.com
vi	Whether listed company	Listed on NSE and BSE
vii	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Karvy Computershare Pvt Ltd Registrars and Share Transfer Agents Karvy Selenium-Tower B, Plot No.31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500 032, India Tel : (080) 67782408

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 North America (Inc.)	Not Applicable	Subsidiary	100	2(87)(ii)
3	Sonata Europe Limited	Not Applicable	Subsidiary	100	2(87)(ii)
4	Sonata Software GmbH	Not Applicable	Subsidiary	100	2(87)(ii)
5	Rezopia Inc.	Not Applicable	Subsidiary	60% held by Sonata Software North America Inc.	Expln(a) to Section 2(87)
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	Halosys Technologies Inc.	Not Applicable	Subsidiary	100% held by Sonata Software North America Inc.	Expln(a) to Section 2(87)
9	Interactive Business Information Systems Inc.	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 1 st April 2016)				No. of Shares held at the end of the year (as on 31 st March, 2017)				% change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A.	Promoters									
(1)	Indian									
a)	Individual/HUF	29452210	0	29452210	28.01	29452210	0	29452210	28.01	0.00
b)	Central Govt. or State Govt.	0	0	0	0.00	0	0	0	0.00	0.00
c)	Bodies Corporates	3097951	0	3097951	2.95	3098217	0	3098217	2.95	0.00
d)	Bank/FI	0	0	0	0.00	0	0	0	0	0.00
e)	Any other	0	0	0	0.00	0	0	0	0	0.00
	SUB TOTAL (A) (1)	32550161	0	32550161	30.95	32550427	0	32550427	30.95	0.00
(2)	Foreign									
a)	NRI- Individuals	0	0	0	0	0	0	0	0	0.00
b)	Other Individuals	0	0	0	0	0	0	0	0	0.00
c)	Bodies Corp.	0	0	0	0	0	0	0	0	0.00
d)	Banks/FI	0	0	0	0	0	0	0	0	0.00
e)	Any other...	0	0	0	0	0	0	0	0	0.00
	SUB TOTAL (A) (2)	0	0	0	0	0	0	0	0	0.00
	Total Shareholding of Promoter (A)= (A)(1)+(A)(2)	32550161	0	32550161	30.95	32550427	0	32550427	30.95	0.00
B.	Public Shareholding									
(1)	Institutions									
a)	Mutual Funds	3010451	0	3010451	2.86	1567757	0	1567757	1.49	-1.37
b)	Banks/FI	33824	0	33824	0.03	73755	0	73755	0.07	0.04
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	14080169	0	14080169	13.39	15062778	0	15062778	14.32	0.93
h)	Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00

	Category of Shareholders	No. of Shares held at the beginning of the year (as on 1 st April 2016)				No. of Shares held at the end of the year (as on 31 st March, 2017)				% change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
i)	Others (specify)	0	0	0	0.00	0	0	0	0.00	0.00
	Beneficial holdings under MGT-4	8409	0	8409	0.01	8409	0	8409	0.01	0.00
	SUB TOTAL (B)(1)	17132853	0	17132853	16.29	16712699	0	16712699	15.89	-0.40
(2)	Non Institutions									
a)	Bodies corporates	6761646	0	6761646	6.43	8538328	16000	8554328	8.13	1.70
b)	Individuals									
i)	Individual shareholders holding nominal share capital upto ₹ 1 lakh	22395262	1479494	23874756	22.70	21788890	1340419	23129309	21.99	-0.71
ii)	Individuals shareholders holding nominal share capital in excess of ₹ 1 lakh	21214918	0	21214918	20.17	20137209	0	20137209	19.15	-1.02
c)	Others (specify)									
	Directors	1290228	0	1290228	1.23	1365228	0	1365228	1.30	0.07
	Clearing members	135898	0	135898	0.13	126691	0	126691	0.12	-0.01
	Non Resident Indians	600986	0	600986	0.57	1050605		1050605	1.00	0.43
	Trusts	505075	1071300	1576375	1.50	1485875	0	1485875	1.41	-0.09
	NBFC	21485	0	21485	0.02	46935	0	46935	0.04	0.02
	Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
	SUB TOTAL (B) (2):	52925498	2550794	55476292	52.75	54539761	1356419	55896180	53.15	0.40
	Total Public Shareholding (B)= (B)(1)+(B)(2)	70058351	2550794	72609145	69.05	71252460	1356419	72608879	69.05	0.00
C.	Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0.00
	Grand Total (A+B+C)	102608512	2550794	105159306	100	103802621	1356419	105159306	100	0.00

(ii) Shareholding of Promoters

Sl. No.	Shareholders Name	Shareholding at the beginning of the year (1 st April, 2016)			Shareholding at the end of the year (31 st March, 2017)			% 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	BHUPATI INVESTMENTS AND FINANCE PRIVATE LIMITED	1561951	1.49	0.35	1562217	1.49	0.35	0
6	MUKUND D DALAL	1036260	0.99	0	1036260	0.99	0	0
7	EXCELSIOR CONSTRUCTION COMPANY PRIVATE LIMITED	1150000	1.09	0	1150000	1.09	0	0
8	BELA M DALAL	223500	0.21	0	223500	0.21	0	0
9	TROPHY INVESTMENT & FINANCE PRIVATE LIMITED	143000	0.14	0	143000	0.14	0	0
10	GSTAAD INVESTMENT & FINANCE PRIVATE LIMITED	143000	0.14	0	143000	0.14	0	0
11	DALTREYA INVESTMENT & FINANCE PRIVATE LTD	100000	0.10	0	100000	0.10	0	0
12	SHYAM BHUPATIRAI GHIA	5000	0.00	0	5000	0.00	0	0
	Total	32550161	30.95	0.35	32550427	30.95	0.35	0.00

(iii) Change in Promoters' 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
1	Bhupati Investments and Finance Private Limited				
	At the beginning of the year	1561951	1.49	1561951	1.49
	Purchase of shares	266	0.00	1562217	1.49
	At the end of the year			1562217	1.49

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

Sl. No.	Name	Shareholding		Date	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during the year (1 st April 2016 to 31 st March, 2017)	
		No. of Shares at the beginning (1 st April 2016)/end of the year 31 st March, 2017	% of total shares of the Company				No of shares	% of total shares of the Company
1	HEMENDRA M KOTHARI	10660026	10.14	1/4/2016	-	Nil movement during the year		
				31/03/2017	-		10660026	10.14
2	GOLDMAN SACHS INDIA FUND LIMITED	3578649	3.40	1/4/2016				
				31/03/2017	29871	Transfer	3608520	3.43
3	PRESCIENT SECURITIES PRIVATE LIMITED	2500000	2.38	1/4/2016				
				30/09/2016	-1450000	Transfer	1050000	1.00
				31/03/2017			1050000	1.00
4	BIRLA SUN LIFE TRUSTEE COMPANY PRIVATE LIMITED A/C	2016359	1.92	1/4/2016				
				22/04/2016	27200	Transfer	2043559	1.94
				30/06/2016	17000	Transfer	2060559	1.96
				05/08/2016	-19000	Transfer	2041559	1.94
				02/09/2016	-6000	Transfer	2035559	1.94
				09/09/2016	-110000	Transfer	1925559	1.83
				23/09/2016	-301468	Transfer	1624091	1.54
				30/09/2016	-18800	Transfer	1605291	1.53
				07/10/2016	-92425	Transfer	1512866	1.44
				14/10/2016	-63000	Transfer	1449866	1.38
				21/10/2016	-113000	Transfer	1336866	1.27
				28/10/2016	-7000	Transfer	1329866	1.26
				18/11/2016	-132000	Transfer	1197866	1.14
				02/12/2016	-42100	Transfer	1155766	1.10
				09/12/2016	-51000	Transfer	1104766	1.05
				06/01/2017	-50000	Transfer	1054766	1.00
				13/01/2017	-90866	Transfer	963900	0.92
				20/01/2017	-30000	Transfer	933900	0.89
				17/03/2017	-22300	Transfer	911600	0.87
				31/03/2017	10000	Transfer	921600	0.88
				31/03/2017	-10000	Transfer	911600	0.87
5	ORANGE MAURITIUS INVESTMENTS LIMITED	1844171	1.75	1/4/2016		Nil movement during the year	1844171	1.75
				31/03/2017			1844171	1.75
6	SANKARAN RAMACHANDRAN (SSLEW TRUST)	1559875	1.48	01/04/2016				
				11/11/2016	-75000	Transfer	1484875	1.41
				31/03/2017			1484875	1.41
7	OCEAN DIAL GATEWAY TO INDIA MAURITIUS LIMITED	1550000	1.47	1/4/2016		Transfer		

Sl. No.	Name	Shareholding		Date	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during the year (1 st April 2016 to 31 st March, 2017)	
		No. of Shares at the beginning (1 st April 2016)/end of the year 31 st March, 2017	% of total shares of the Company				No of shares	% of total shares of the Company
				06/05/2016	12666	Transfer	1562666	1.49
				13/05/2016	12909	Transfer	1575575	1.50
				20/05/2016	7783	Transfer	1583358	1.51
				27/05/2016	116642	Transfer	1700000	1.62
				11/11/2016	-60000	Transfer	1640000	1.56
				02/12/2016	-3000	Transfer	1637000	1.56
				09/12/2016	-71000	Transfer	1566000	1.49
				16/12/2016	-166000	Transfer	1400000	1.33
				03/03/2017	-52000	Transfer	1348000	1.28
				10/03/2017	-67015	Transfer	1280985	1.22
				17/03/2017	-80985		1200000	1.14
				31/03/2017			1200000	
8	CREDIT SUISSE (SINGAPORE) LIMITED	1187217	1.13	1/4/2016				
				13/05/2016	1528	Transfer	1188745	1.13
				20/05/2016	-408	Transfer	1188337	1.13
				10/06/2016	-4168	Transfer	1184169	1.13
				01/07/2016	-1120	Transfer	1183049	1.13
				31/03/2017			1183049	
9	SHOBITA SAIGAL	1049855	1.00	1/4/2016				
				06/05/2016	-51	Transfer	1049804	1.00
				13/05/2016	-749	Transfer	1049055	1.00
				20/05/2016	-6500	Transfer	1042555	0.99
				03/06/2016	-3000	Transfer	1039555	0.99
				10/06/2016	1000	Transfer	1040555	0.99
				24/06/2016	500	Transfer	1041055	0.99
				01/07/2016	50	Transfer	1041105	0.99
				22/07/2016	1000	Transfer	1042105	0.99
				29/07/2016	1000	Transfer	1043105	0.99
				05/08/2016	850	Transfer	1043955	0.99
				12/08/2016	10600	Transfer	1054555	1.00
				19/08/2016	1000	Transfer	1055555	1.00
				26/08/2016	2500	Transfer	1058055	1.01
				28/10/2016	-1000	Transfer	1057055	1.01
				04/11/2016	-6000	Transfer	1051055	1.00
				25/11/2016	3000	Transfer	1054055	1.00
				09/12/2016	-8344	Transfer	1045711	0.99
				16/12/2016	-9610	Transfer	1036101	0.99
				23/12/2016	18954	Transfer	1055055	1.00
				30/12/2016	-1000	Transfer	1054055	1.00
				06/01/2017	3000	Transfer	1057055	1.01
				13/01/2017	110	Transfer	1057165	1.01
				20/01/2017	-24313	Transfer	1032852	0.98
				27/01/2017	5203	Transfer	1038055	0.99

Sl. No.	Name	Shareholding		Date	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during the year (1 st April 2016 to 31 st March, 2017)	
		No. of Shares at the beginning (1 st April 2016)/end of the year 31 st March, 2017	% of total shares of the Company				No of shares	% of total shares of the Company
				03/02/2017	5500	Transfer	1043555	0.99
				10/02/2017	-2500	Transfer	1041055	0.99
				17/02/2017	-2000	Transfer	1039055	0.99
				24/02/2017	-6500	Transfer	1032555	0.98
				03/03/2017	-3500	Transfer	1029055	0.98
				17/03/2017	-5000	Transfer	1024055	0.97
				24/03/2017	5000	Transfer	1029055	0.98
				31/03/2017	-11100	Transfer	1017955	0.97
				31/03/2017			1017955	0.97
10	OPTIMUM STOCK TRADING CO. PVT LTD*	0	0.00	1/4/2016				
				23/09/2016	218300	Transfer	218300	0.21
				30/09/2016	781700	Transfer	1000000	0.95
				31/03/2017			1000000	0.95
11	REETH PROPERTIES LLP*	0	0.00	1/4/2016				
				27/05/2016	8426	Transfer	8426	0.01
				03/06/2016	85492	Transfer	93918	0.09
				10/06/2016	33672	Transfer	127590	0.12
				17/06/2016	3373	Transfer	130963	0.12
				12/08/2016	14470	Transfer	145433	0.14
				19/08/2016	169682	Transfer	315115	0.30
				26/08/2016	2207	Transfer	317322	0.30
				02/09/2016	12534	Transfer	329856	0.31
				09/09/2016	466	Transfer	330322	0.31
				16/09/2016	309555	Transfer	639877	0.61
				23/09/2016	360123	Transfer	1000000	0.95
				31/03/2017			1000000	0.95
12	GARONDA REAL ESTATE LLP*	0	0	1/4/2016				
				07/10/2016	615870	Transfer	615870	0.59
				21/10/2016	184457	Transfer	800327	0.76
				11/11/2016	36680	Transfer	837007	0.80
				18/11/2016	104993	Transfer	942000	0.90
				25/11/2016	58000	Transfer	1000000	0.95
				31/03/2017			1000000	0.95
13	KOMAL DIXIT SHAH*	965000	0.92	1/4/2016	-	Nil movement during the year	965000	0.92
				31/03/2017	-		965000	0.92

* Not in the list of top 10 shareholders as on 01-04-2016. The same has been reflected above since the shareholder was one of the top 10 shareholders as on 31-03-2017.

Ceased to be in the list of top 10 shareholders as on 31-03-2017. The same is reflected above since the shareholder was one of the top 10 shareholders as on 01-04-2016.

(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	MUKUND D DALAL¹				
	At the beginning of the year	1036260	0.99	1036260	0.99
	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)	1036260	0.99	1036260	0.99
3	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
4	SURESH N TALWAR				
	At the beginning of the year	50000	0.05	50000	0.05
	Increase/decrease in Shareholding during the year		0.00	0	0.00
	At the end of the year (or on the date of separation, if separated during the year)	50000	0.05	50000	0.05
5	SRIKAR PALEM REDDY				
	At the beginning of the year	1240228	1.18	1240228	1.18
	Purchase (through ESOP)	75000	0.07	1315228	1.25
	At the end of the year	1315228	1.25	1315228	1.25

¹ Mr. M D Dalal ceased to be a Director w.e.f. 8th August, 2016.

V INDEBTEDNESS

₹ in Crores

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					
i)	Principal Amount	38.54	57.97	-	96.51
ii)	Interest due but not paid	NIL	-	-	0.00
iii)	Interest accrued but not due	-	-	-	-
	Total (i+ii+iii)	38.54	57.97	-	96.51
Change in Indebtedness during the Financial Year					
	Additions	534.47	60.17	-	594.64
	Reduction	573.01	118.14	-	691.15
	Net Change	(38.54)	(57.97)	-	(96.51)
Indebtedness at the end of the Financial Year					
i)	Principal Amount	-	-	-	-
ii)	Interest due but not paid	-	-	-	-
iii)	Interest accrued but not due	-	-	-	-
	Total (i+ii+iii)	-	-	-	-

VI REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Sl. No.	Particulars of Remuneration	Name of the MD/WTD/Manager		Total Amount in ₹
		Mr. P Srikar Reddy	Mr. M D Dalal ¹	
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income Tax. 1961.	24,250,310	1,550,004	25,800,314
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	985,296	-	985,296
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-	-
2	Stock option	11,013,750	-	11,013,750
3	Sweat Equity		-	-
4	Commission as % of profit	7,686,227	-	7,686,227
	others (specify)	-	-	-
5	Others, please specify	-	-	-
	Total (A)	43,935,583	1,550,004	45,485,587
	Ceiling as per the Act			192,950,283

¹ Mr. MD Dalal ceased to be a Director w.e.f. 8th August, 2016.

B. Remuneration to other Directors:

Sl. No.	Particulars of Remuneration	Name of the Directors				Total Amount ₹
		Mr. Pradip P Shah	Mr. B K Syngal	Mr. S N Talwar	Ms. Radhika Rajan	
1	Independent Directors					
	(a) Fee for attending board committee meetings	180,000	240,000	240,000	140,000	800,000
	(b) Commission	3,215,838	3,215,838	3,215,838	3,215,838	12,863,352
	(c) Others, please specify	Nil	Nil	Nil	Nil	Nil
	Total (1)	3,395,838	3,455,838	3,455,838	3,355,838	13,663,352
2	Other Non Executive Directors					
	(a) Fee for attending board committee meetings	120,000	360,000			480,000
	(b) Commission	3,215,838	3,215,838			6,431,676
	(c) Others, please specify.	Nil	Nil			0
	Total (2)	3,335,838	3,575,838			6,911,676
	Total (B)=(1+2)	6,731,676	7,031,676	3,455,838	3,355,838	20,575,028
	Ceiling as per the Act					19,295,028
	Total Managerial Remuneration					66,060,615
	Overall Ceiling as per the Act					212,245,312

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

Sl. No.	Particulars of Remuneration	Key Managerial Personnel				
		CEO	Company Secretary (Ms. Priya Jaswani)*	Company Secretary (Mr. Kundan K Lal)**	CFO	Total
1	Gross Salary					
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961.		1,388,327	1,927,155	9,827,481	13,142,963
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961		5,000	-	-	5,000
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961		-	-	-	-
2	Stock Option	Already stated above	-	-	-	-
3	Sweat Equity		-	-	-	-
4	Commission		-	-	-	-
	as % of profit		-	-	-	-
	others, specify		-	-	-	-
5	Others, please specify		-	-	-	-
	Total		1,393,327	1,927,155	9,827,481	13,147,963

*upto 7th October, 2016**joined w.e.f. 2nd November, 2016**VII PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES**There were no penalties/punishment/compounding of offences for the Financial Year ending 31st March, 2017.FOR AND ON BEHALF OF THE BOARD
SONATA SOFTWARE LIMITEDPlace: Mumbai
Date: 29th May, 2017PRADIP P SHAH
CHAIRMAN

Annexure VI

ANNUAL REPORT ON CSR

- 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.

- The CSR Committee comprises of the following Members-
 - S B Ghia (Chairman)
 - S N Talwar
 - P Srikar Reddy
- Average net profits of the Company for the last three Financial Years is ₹ 950,800,626.
- Prescribed CSR Expenditure (two per cent of the amount as in item 3 above) is ₹ 19,016,013.
- Details of CSR spend during the Financial Year 2016-17:
 - Total amount spent for the Financial Year 2016-17 was ₹ 17,595,701.
 - Amount unspent was ₹ 1,420,312.
 - Manner in which the amount spent during the Financial Year 2016-17 is detailed below-

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		Cumulative expenditure upto the reporting period.	Amount spent: Direct or through implementing agency
					Sub Heads: (1) Direct expenditure on projects or programs. (2) Overheads			
1	Creation of Back-end Invoicing module for Ecommerce platform	Arts and Crafts	HSR, Bengaluru	6,265,740	(1) 4,776,061		4,776,061	Direct
2	Developing a Virtual tour guide	Culture and Heritage	Bidar, Karnataka	24,67,603	(1) 1,652,471		16,52,471	Direct
3	Developing a collaborative teacher-student app	Education	Chitoor, Andhra Pradesh	66,49,000	(1) 2,702,169		2,702,169	Direct
4	Empowering Entrepreneurship and startups through incubation	Technology Incubation	Trichy, Tamil Nadu	35,00,000	(1) 35,00,000 (2) 1,75,000		36,75,000	CEDI-NIT Trichy
5	Support Education, Research and Outreach programs	Research	Bengaluru, Karnataka	35,00,000	(1) 35,70,000 (2) 1,70,000		37,40,000	IISc Bengaluru
6	Provide Infrastructure development support for second adoption centre for animal welfare	Environment	Bengaluru, Karnataka	10,00,000	(1) 10,00,000 (2) 50,000		10,50,000	CUPA, Bengaluru
	TOTAL			2,33,82,343			17,595,701	

- 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 Company however could not achieve the target since the projects undertaken are multi-year projects which are implemented in a phased manner. However the spend has increased as compared to last year and the Company will continue its efforts towards channelizing the funds allocated for this purpose.
- 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

S. B. Ghia
Chairman of CSR Committee

Place: Mumbai
Date: 29th May, 2017

Annexure VII

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, 2017, which were not at arm's length basis.

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

Name of the related party	Amount in ₹								
	Sonata Information Technology Ltd.	Sonata Software North America Inc.	Sonata Software FZ LLC	Sonata Software GmbH	Sonata Europe Ltd., UK	Sonata Software (Qatar) LLC	Rezopia Inc.	Halosys Technologies Inc	Interactive Business Information Systems Inc.
Nature of relationship	Wholly owned subsidiary	Wholly owned subsidiary	Wholly owned subsidiary	Wholly owned subsidiary	Wholly owned subsidiary	Subsidiary with 49% holding	Subsidiary with 60% holding	Wholly owned subsidiary	Wholly owned subsidiary
Nature of contracts/ arrangements/ transactions:									
Rendering of services	168,926,888	2,444,143,880	201,262,797	-	290,827,988	-	30,511,375	-	-
Software license fees paid	115,002,597	-	-	-	-	-	-	-	-
Service charges recovered	42,332,669	-	-	-	-	-	-	-	-
Reimbursement of expenses	15,195,099	9,313,275	-	876,033	4,664,955	-	399,989	300,025	-
Inter corporate deposits given	5,155,211,505	-	-	-	-	-	-	-	-
Inter corporate deposits recovered	5,174,711,505	-	-	-	-	-	-	-	-
Interest on inter corporate deposits received	23,761,353	-	-	-	-	-	-	-	-
Recovery of rent	5,147,273	-	-	-	-	-	-	-	-
Dividend received	33,753,940	-	-	-	-	-	-	-	-
Commission received on guarantees given on behalf of Subsidiary	4,969,255	2,869,762	-	-	-	-	-	-	-
Received on redemption of preference shares	-	-	-	-	227,291,204	-	-	-	-

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.

**FOR AND ON BEHALF OF THE BOARD
SONATA SOFTWARE LIMITED**

Place: Mumbai
Date: 29th May, 2017

**PRADIP P SHAH
CHAIRMAN**

Annexure VIII

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 2016-17:

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	15.32	4.54	0.06	0.25
Srikar Palem Reddy	MD & CEO	1.41	58.72	0.74	3.20
*Mukund Dharamdas Dalal	Director	5.08	2.07	0.03	0.11
Shyam Bhupatirai Ghia	Director	15.92	4.78	0.06	0.26
Viren Rajan Raheja	Director	14.84	4.46	0.06	0.24
Suresh Narsappa Talwar	Director	17.36	4.62	0.06	0.25
Brijendra Kumar Syngal	Director	15.79	4.62	0.06	0.25
Radhika Rajan	Director	17.15	4.48	0.06	0.24

*Upto 8th August, 2016

(ii) the percentage increase in remuneration of Chief Financial Officer & Company Secretary, in the Financial Year 2016-17:

Name of Person	Designation	% of increase compared to previous year	% of Revenues	% of Profits after tax
Mr. Prasanna Oke	Chief Financial Officer	NA	0.17	0.72
*Ms. Priya Manoj Jaswani	Company Secretary	NA	0.03	0.14
**Mr. Kundan K Lal	Company Secretary	NA	0.02	0.10

*Upto 7th October, 2016

**Joined on 2nd November, 2016

(iii) The percentage increase in the median remuneration of employees in the Financial Year 2016-17:

The percentage increase in the median remuneration of Sonata during the Financial Year under review is 7%. This has been arrived at by comparing the median remuneration of the cost-to-the Company as on 31st March, 2017 as compared to previous year 31st March, 2016.

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

The total employee strength as on 31st March, 2017 was 3,004 as against 2,859 as on 31st March, 2016.

(v) Average percentile 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 7% as compared to the average increase in the managerial remuneration of 6%.

(vi) 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
SONATA SOFTWARE LIMITED**

Place: Mumbai

Date: 29th May, 2017

**PRADIP P SHAH
CHAIRMAN**

Management Discussion & Analysis Report

The following discussion and analysis should be read in conjunction with the Company's financial statements included herein and the notes thereto. 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 forward-looking 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.

ECONOMIC AND INDUSTRY TRENDS

Economic Overview

The global economy witnessed slowdown in growth during FY 2016-17. According to the Organization for Economic Co-operation and Development (OECD) interim outlook, the world economy grew by 3% in 2016 and is expected to grow modestly by 3.3% and 3.6% in 2017 and 2018 respectively. The modest pickup in global activity can be attributed to the effects of ongoing fiscal initiatives in economies like China and the United States, coupled with an easier stance in the euro area and forward initiatives undertaken.

The Indian economy, despite the momentary slowdown from the demonetization act, has succeeded in keeping its growth rate in line. It is projected that the Indian economy will grow to 7.3% in FY 2017-18 and 7.7% in FY 2018-19.

GLOBAL IT INDUSTRY

According to Gartner, the global IT spending is projected to be a total of \$3.5 trillion in 2017, a 1.4% increase from 2016. By 2018, spending is forecast to exceed \$3.56 trillion, a growth of 2.9% over 2017 spending. The Indian IT spending is forecast to reach \$72.3 billion in the year 2017, up by 6.9% from 2016's estimated spending of \$67.7 billion. Some of the key verticals driving IT spending growth in India are BFSI, media, telecommunications, utilities and manufacturing markets. Software spending is projected to grow at 12.8% in 2017 to a total

of \$5 billion. Digital technologies play an important role in defining the sector and is expected to have 23% share by 2020 and 38% share by 2025. Digital technologies will bring about a significant change in the way the Indian IT-BPM industry functions. Geographically, North America and Western Europe contributed 39.33% and 31.74% respectively to the overall global IT spending.

KEY INDUSTRY FOCUS AREAS

Software Products

Global Engineering Research and Development (ER&D) spend grew a little less than 1% to \$1.5 trillion, impacted by strengthening of US dollar against major currencies. As digital forces disrupt and transform businesses, R&D spend is seeing a shift from products to software services. This shift is not restricted to just embedding software features into their products, IT firms that are adopting to the digital world are also developing their own software platform. Global sourcing of ER&D continued to grow at 11% to reach \$80 billion in 2016. Europe is the leading location of outsourcing ER&D with 29% share and India is the 2nd most popular destination with the share of 28%. The Indian ER&D segment, which is currently a \$24 billion market, continued to remain the fastest growing segment in IT services. The Indian ER&D segment has almost doubled in size since FY2012, driven by demand for smart/connected solutions led by the Internet of Things (IoT) revolution. Demand for migration, porting and re-platforming of traditional on-premise application to SaaS from both clients and ISVs opens significant opportunity to grow. Software and services have been redefining the ER&D market as increasing investments into technologies such as robotics, Artificial intelligence, 3-D printing, etc. have proved to be a major growth driver for this segment.

Travel and Tourism

IT continues to be an integral part in the advancement of the travel and tourism industry, playing a major role in aiding the day to day operations while helping to increase efficiency. From a time when word-of-mouth recommendations and advertising were the only way to set travel agendas to travel planning and booking applications on smart phones, technology has helped the world bring about a new travel experience. Online travel technologies are also changing the booking patterns of travelers. With the rise of mobile technologies and applications, consumers are more aware and adopt more cost effective ways of travel, hence bringing about an overall change in the consumer behavior and spending habits. It is estimated that the global mobile travel sales will reach \$260 billion by 2019, 25% of the revenue would be accounted to online travel bookings. The introduction of mobile technology has garnered huge revenues for the travel industry whilst disrupting the traditional brick and mortar travel booking model altogether.

Sonata's vast experience in working with complex global travel content, inventory and distribution management systems with its travel IP such as Rezopia, Halosys and Transit, makes it a specialist partner of choice for travel companies. Sonata's solutions integrate

technologies such as Mobility and Analytics to improve reach, conversion, yield management and enhance operational efficiencies, unlocking the hidden value in their travel business.

Retail & Distribution Industry

The retail & distribution sector continues to witness rapid digital adoption. It has entered a period of transformation. Global market forces, rapidly changing technologies, an ever-increasing proliferation of retail purchase channels and widespread commoditization have combined to increase the consumer's expectations. 2016 emerged as the year marking the inflection point between online and offline/physical retail.

In 2016, the total retail sales across the globe is estimated to have reached \$22.05 trillion, up by 6% from last year and is expected to rise by 4.8% in 2017. It is projected that the worldwide retail sales will exceed \$27 trillion by 2020. Technavio's reports predict that the US online retail market is set to grow consistently with a CAGR of approximately 16% between 2016 and 2020. The US online retail market accounts for around 7% of the total retail market in terms of revenue. The Asia-Pacific market maintains its position as the world's largest retail market. By 2025, most of the Indian retail businesses are expected to have transformed their models using digital technology to offer customized products and services, provide multiple channels for customers, improve processes and enhance decision making using big data analytics. An increased need to find customer insights from a large pool of structured and unstructured data is a major driver for investment by retailers on big data analytics technology.

One of the major factors contributing to the growth of the e-Commerce industry is its diverse portfolio of several product segments. Technology has contributed heavily to the success of the retail industry, including e-Commerce and brick and mortar arm of the sector. Top retailers have listed technology and IT up-gradation as one of their top priorities. Increased penetration of the internet and the growing use of smart phones are the key drivers for the e-Commerce retail sector. Online retailers are now a driving force in creating a shopping experience for consumers around an omnichannel strategy that integrates IoT devices and multiple payment options.

Our expertise in the retail vertical working with global world leaders as well as the range of IP led platform solutions such as Brick & Click Retail, Retina, Halosys and Sonata digital commerce platform make us a partner of choice for retailers seeking to success with the above trends.

Digital & Platform

Digital transformation has helped in reshaping every form of business processes. As digital technology continues to evolve, it is important to have careful collaboration, thoughtful planning and inclusion for a successful digital transformation. Digital technologies are now influencing today's businesses by efficiently leveraging itself to create optimum operating models. Leading analysts predict that over the next three to five years, the percentage of enterprises with advanced digital strategies and implementations will more than double, with an overwhelming majority of Global 2000 enterprises' CEO's anchoring their corporate strategy on digital transformation. It is estimated that the global IT services market will reach \$4 trillion by 2025, with

over 80% of the total IT functions going to be driven by the digital technologies platforms such as Cloud technologies, social media, mobile applications, big data analytics and cyber securities.

A further big driver of change is the manner in which these digital solutions will be developed and delivered to aid business. It is estimated that in the next two years over two thirds of all new applications will use Cloud native application architectures and be delivered in Cloud enabled continuous delivery and continuous integration mode using DevOps procedures to ensure business agility and innovation. This trend will go beyond just applications at a specific process level, with industry Cloud platforms — the strategic hubs for massively scaling up digital business processes within, and across, industries — projected to grow more than five-fold. Even large enterprises will plug in and use these platforms to achieve digitally scalable ecosystems across sourcing, distribution and other core business processes to avoid being isolated from a growing portion of their industry and markets. This is the new reality of how industry and technology platforms will change the way business and IT needs to be done to succeed in the emerging world.

In sum, Digital technologies and platforms are currently dramatically changing the landscape of the IT services sector, as more firms are now embracing the multifaceted spectrum of Digital transformation. Today most of the IT organizations are focusing on cross vertical sell, deeper client mining, adding local talent and increasing onshore presence and increasing digital capabilities in order to succeed in this new era. At the next stage, IT services firms, by integrating technologies such as Automation, Analytics, DevOps and lean processes, can streamline their ability to aptly cater to the needs of the new age business clientele. Sonata seeks to go further in this direction by adding a further layer of an IP based industry and technology platform driven digital transformation approach to meet the needs of customers. We believe this will be a precursor to a new phase of IT transformation, where digital capabilities, platform and IP will become the differentiating assets.

Company Overview:

Sonata Software is a global IT solutions Company focused on catalyzing business transformation initiatives of its clients through deep domain knowledge, technology expertise and customer commitment. The Company delivers innovative solutions for Travel, Retail, Distribution and Software Product companies through IP based Platforms, Products and Services that bring together new digital platforms leveraging technologies such as Omni- Channel Commerce, Mobility, Analytics, Cloud IMS and Enterprise Data Warehousing. These drive enhanced customer engagement, operations efficiency and return on IT investments. In India, Sonata as a group is one of the largest software systems integrators with an array of digital technology infrastructure deployment services to help clients maximize the effectiveness and productivity of their investments in software.

The Company has over the last two years, as highlighted in it's previous annual reports, invested significantly into enhancing its industry specific digital technology enabled business solutions capability by building a portfolio of assets. These include end to end industry specific digital platforms such as Rezopia Travel platform, Brick & Click Retail platform and a Modern Distribution platform

built to enhance the scope of the Advanced Supply Chain Software IP it acquired with IBIS Inc. In the course of the year, the Company also upgraded and enhanced its ability to deliver solutions based on the technology platforms of its key alliance partners, such as on the Microsoft Dynamics 365, Azure, Cortana and SAP Hybris commerce stack. A significant effort in the current year was in enhancing the integration and alignment of a range of our own IP solutions and Go to Market initiatives with those of our alliance partners. These have seen the Company win a range of valuable new customers across multiple geos.

1. New Products & Service Highlights in FY 2017:

- Entered into the Microsoft Enterprise Cloud Alliance. Sonata's IP Brick & Click Retail and Advanced Supply Chain Software were listed on the Microsoft Appsource enterprise application store. The Company's Rezopia travel platform will also be hosted on the Azure enterprise solution ecosystem.
- Rezopia Travel platform continued to maintain its salience as a leading travel technology solution with further wins where its core IP was leveraged to enable the launch of digital transformation initiatives for the customer.
- Continued to focus on consolidating the acquired business i.e. Halosys, a mobility platform solution provider and Advanced Supply chain Software from the acquisition of Interactive Business Information Systems, INC., (I.B.I.S.) a leading Distribution and Supply Chain solutions provider on Dynamics, with new features and functionalities. Halosys, a subsidiary of your Company was granted a US Patent for 'Multi-channel delivery of augmented messages' for Halosys mobility Platform.
- Started a Cloud consulting offerings called Cloud Assessment Services which is launched as a tool-based service that helps customers assess Cloud-ability of their on-premise applications.
- Won a significant number of projects in Dynamics, SAP Hybris Commerce, Enterprise Data Warehousing, Mobility & Cloud IMS service areas.
- The Company won significant recognitions for its solutions and services. Sonata was featured in the leadership zone of Zinnov Zones report on PES (Product Engineering Services) report for a fifth consecutive year. Won the Microsoft Country Partner of Year 2016 Award and were one of the finalists for the Hybrid Cloud Infrastructure Award. The Company also won the SAP® APJ Partner Excellence Award 2017 for a Top Sell Partner.

2. Investment in People

FY17 saw a steady addition of senior leaders at Sonata. Mr. Ranganath Puranik joined the Company as the Chief Growth Officer, Mr. Tridip Saha as the Head of Europe, Mr. Srinidhi G S as a Delivery Director and Mr. Kundan Kumar Lal as the Head of Legal and Secretarial. These additions brought the additional fillip the company needed to strengthen the respective functions.

During the year, the Company also conducted Design Thinking workshops for its senior employees. The program covering

a significant part of the Company's managerial team was targeted at building skills to ensure that the proper confluence of customer need, technology feasibility and business value is at the center of all significant new initiatives that Sonata takes to meet stakeholder expectations.

3. CSR Activities

As part of the CSR initiatives undertaken by Sonata, the Company helped The Handloom School (THS) to launch an e-Commerce platform to connect the alumni of THS to the end users (buyers) who would want to buy traditional textiles and handicrafts from the comfort of their homes.

The company also announced a grant to support scientific research, education outreach and infrastructure development at the Department of Computer Science and Automation (CSA), Indian Institute of Science (IISc), under its CSR initiatives. The 3-year project will focus on boosting research activities in cutting-edge areas of computer science that are of contemporary relevance to both industry and academia. The programs are aimed at benefiting students from all over the country to look at research and ideation at IISc.

OPERATIONAL REVIEW:

The Company's strategy of strengthening its sales, infrastructure, converting existing account into strategic account, focused go-to-market strategy towards acquiring new strategic accounts, leveraging technology alliance partnerships and focusing on enhancing talent has turned out well during the year. During the year, the Company added a total of 20 new clients and enhanced its delivery center and customer service presence globally.

a) IP led services:

The Company has significantly increased its investment in platform and IP led solutions for focused verticals such as Travel, Distribution and Retail, e.g. Rezopia, Brick & Click Retail, Modern Distribution, Halosys, Retina Retail Analytics and Transit Travel Analytics to name a few. The company also invested into developing and enhancing a range of horizontal technology platforms that underpin these industry solutions such as the Sonata Digital Commerce Platform, Halosys Mobility platform, Unified Data Analytics platform and the Rapid DevOps & CloudOps platforms. Identified product councils and development teams were set up to steer these IP to next level. The Company by doing this, moved onto the path towards becoming a provider of end-to-end IT platforms for digital businesses in selected verticals.

(b) Delivery Process Excellence:

The Company has been successfully re-appraised at Level 5 of the CMMI Institute's Capability Maturity Model Integration - CMMI DEV v1.3, for its development centers covering customer engagements across domains and technologies. This marks the Sonata Development centers being rated at the highest maturity level for the successively third time.

Some of the Process initiatives implemented in the past year were highlighted as organizational strengths by the CMMi Appraisal team, which include Adaptation of Agile framework within CMMI umbrella across various projects, increased adoption of DevOps for CI / CD across development projects, a gamut of tools under the umbrella of Sonata Advanced Delivery and Engineering Process Tools (ADEPT) to simplify various Delivery processes, usage of statistical techniques for Performance Baseline and Performance modelling among others. In FY17, Sonata's total headcount was 3,366 out of which 2,985 represents at delivery while rest as SG&A.

(c) Marketing Initiatives:

The Company executed on a range of initiatives to enhance its brand presence and reach in the market. These included -

- Articulated its value proposition as an innovative provider of digital transformation solutions based on platform and IP, leveraging social media, events and PR.
- Executed a series of events across the US, Europe and Asia on Digital Retail, including a Digital Retail Innovation Workshop in Singapore jointly with Microsoft Singapore.
- Sonata and SAP Hybris jointly held a series of Travel industry webinar and roundtable in the US and Europe.
- Sonata, along with 451 Research, presented a webinar on 'How Next-Gen Mobile Platforms are Conquering Mobile App Challenges' sharing insights on various important challenges faced by enterprises such as, security across apps, data, cost and speed of development, seamless connectivity among others.
- Sonata partnered with NASSCOM for an event titled "Platforms and Harnessing its power as Digital Deepens". The event featured keynote addresses by prominent technologists and a deep-dive panel discussion by industry experts on how business and technology are impacted by platforms.

Segment Wise Performance

Your Company is primarily engaged in the business of providing IT Services and Solutions to its customers in the US, Europe, Middle East, Asia Pacific and Distribution of Software Products in India. The consolidated results of your Company include operations of its Indian and Overseas Subsidiaries and operates under the two distinct segments - International IT Services contributed 32% of total revenues and 78% of PAT and Domestic Products and Services contributed to 68% of the total revenues and 22% of PAT.

During the year, the International IT services total revenue stood at ₹ 815 crores, a growth of 15% on Y-o-Y basis and \$121 million in US \$ terms with a growth of 12% in revenues. Domestic products and services witnessed a growth of 39% to ₹ 1,734 crores of revenues. The total consolidated revenue was at ₹ 2,521 crores, a growth of 30% on Y-o-Y basis. The company added 20 new logos during the year across verticals, regions in the International Services segment. The key drivers for the growth was continuous investment to develop IP products, go-to-market initiatives and strong relationship with Partners and Customers.

From geography perspective, 60% of our services revenue was contributed by the USA while Europe including UK contributed 25% and 15% was from rest of the world. The onsite revenue contributed 43% while the balance was from offshore activities.

From a vertical perspective, Travel & Tourism contributed 28% in the revenues, OPD contributed 30%, retail distribution contributed 25% while the balance came from other services.

From a competency perspective, 15% of our revenue was from AX business, 25% was contributed by Application Development and Maintenance while the balance came from ERP and other services. Overall 31% 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 competitive advantage through Company's future-ready digital transformation initiatives.

FINANCIAL OVERVIEW:

Consolidated Financial Highlights:

1. Revenue

Revenue increased by 30% at ₹ 2,521 crores for the year ended 31st March, 2017 as compared to ₹ 1,941 crores for the same period last year. International IT services contributed 32 % of revenues while Domestic products and services contributed 68 % of the total revenues for the year ended 31st March, 2017.

2. EBITDA

The EBITDA was at 9% at ₹ 233 crores for the year ended 31st March, 2017 as compared to 12% at ₹ 236 crores for the same period last year. International IT services contributed 79% while Domestic products and services contributed 21% of the EBITDA for the year ended 31st March, 2017.

3. Profit after Tax After Minority Interest

Profit after Tax was at 6% at ₹ 154 crores for the year ended 31st March, 2017 as compared to 8% at ₹ 159 crores for the same period last year. International IT services contributed 78% while Domestic products and services contributed 22% of the PAT for the year ended 31st March, 2017.

4. Interest and Borrowings

During the year the Company has incurred ₹ 9.05 crores as interest cost. The Company had a Net Cash balance of ₹ 311 crores (including investment in Mutual Funds and net of bank borrowing).

5. Capital Employed

The Return on Average Capital Employed (ROCE) for the year ended 31st March, 2017 was 25.3%.

6. Net Worth

The Return on Average Net Worth (RONW) for the year ended 31st March, 2017 was 29.1%.

7. Fixed Assets

The Company added fixed assets to the extent of ₹ 9.70 crores. Net cash generated from operations is ₹ 185 crores for the year ended 31st March, 2017.

8. Manpower

The total employee strength as on 31st March, 2017 was 3,366 as against 3,259 as on 31st March, 2016.

Financial Highlights of SSL Standalone:

1. Revenue

Revenue increased by 17% at ₹ 593 crores for the year ended 31st March, 2017 as compared to ₹ 505 crores for the same period last year.

2. Operating Expenses

The ratio of operating expenditure to total income has increased by 1% over the same period last year.

3. EBITDA

The EBITDA was at 30% for the year ended 31st March, 2017 as compared to 31% for the same period last year.

4. Profit after Tax

Profit after Tax was at 23% for the year ended 31st March, 2017 as compared to same percentage for the same period last year.

5. Interest and Borrowings

During the year the Company has incurred ₹3.99 crores as interest cost. The Company had a Net Cash balance of ₹ 231 crores (including investment in Mutual Funds and net of bank borrowing).

6. Capital Employed

The Return on Average Capital Employed (ROCE) for the year ended 31st March, 2017 was 30.93%.

7. Net Worth

The Return on Average Net Worth (RONW) for the year ended 31st March, 2017 was 33.61%.

8. Fixed Assets

The Company added fixed assets to the extent of ₹ 4.72 crores, mainly in the corporate office and Global village SEZ units in Bangalore. Net Cash generated from operations is ₹ 104 crores for the year ended 31st March, 2017.

9. Manpower

The total employee strength as on 31st March, 2017 was 3,004 as against 2,859 as on 31st March, 2016.

OUTLOOK

During the year, Company took bold steps to seamlessly integrate platform and digital transformation solutions into an approach now called 'Platformation' which is basically a digital transformation

achieved through implementing platform based technologies and business models. The Company has restructured its "growth engines" in order to deliver its solutions more effectively to the market in a customer-centric manner. The five growth engines which will now power Sonata are – becoming strategic partners to existing accounts, becoming strategic with alliances/partners for growth, vertical focused large deals, IP ecosystem and transformation of TISG business to a Digital Infrastructure Partner in India. Focusing on these growth engines will provide an added impact to the Company's efforts in becoming the IT solutions provider of choice to its customers for digital transformation initiatives.

Being part key alliance partner ecosystems such as the Dynamics 365 Cloud platform and SAP Hybris platform is expected to enhance Retail, Distribution and Travel industry specific digital solutions' availability to market and strengthen Sonata's service footprint and customer base in these segments.

During the year, IP led revenue stood at ₹ 108.2 crore (14% of International Services Revenues) as compared to ₹ 56 crore (8% of International Services Revenues) in FY 2016.

The Company has created a solid platform for the growth based on its IP-led products across key verticals, strong client portfolio, alliances, geographical presence and management strength. All these are expected to continue to drive growth in the coming years.

RISKS AND CONCERNS:

(a) Economic Risk:

Risk: The economic slowdown and adverse movement of key macroeconomic indicators can impact Company's business operations.

Mitigation: Geographic diversity, in terms of two distinct markets namely developed and developing regions coupled with diversity in business lines namely IT Services and Software Products helps protect Sonata from economic slowdown. The Company's account management strategy spans for a period of 3 years at the start of the project itself. The strategy is based on an extensive review of clients' IT environment and its business strategy. This facilitates in company becoming a partner in both growth and challenging scenario for its clients and creating value for the clients irrespective of overall environment scenario. A long standing relationship with key clients together with long term contracts helps abate the impact to a greater extent.

(b) Foreign Currency Risk:

Risk: Almost 85%-90% of the Company's revenue is in foreign currency. A volatility of Rupee against US Dollar and other currencies can be challenging for the profit margin

Mitigation:

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuation.

(c) Concentration Risk

Risk: Customer concentration in any particular geography can be dangerous depending upon the economic environment in

that geography. In most mid-tier IT services Companies client concentration is a significant risk. The Company's top 10 clients' contribution, though showing a declining trend to 70 percent of revenues in IT services, is still high by industry standards. The Company monitors this risk and mitigation efforts through diversification of its client base are worked on continually. Geographical spread, competition and financial stability of our customers are other customer centric risks that the Company faces.

Mitigation: Diversity, both in terms of region and verticals, is intrinsically woven into the DNA of Sonata. The Company continues to further diversify its business in terms of regional and vertical exposure on ongoing basis.

(d) Competition Risk

Risk: The ever-increasing competition poses a key risk in terms of acquiring client business as well as human talent.

Mitigation: The Company stays invested in enhancing the value proposition for its customers by way of deepening its domain expertise, technological capabilities and customer engagement. On the human capital front, Sonata's brand equity and best-in-class HR principles and practices makes it a preferred employer.

(e) Regulatory Risk

Risk: Failure to comply with any applicable regulations could result in financial penalties and reputational damage. The Company has faced significant challenges in the areas of Income-tax related issues in India.

Mitigation: A team of professionals within and outside the Company work on mitigating this on a continuous basis and during the year they have seen quite a bit of success. Issues of tax relate to litigations with Income Tax authorities in India on deduction/ exemption of profits derived from export of software under Section 10A of the Income-Tax Act, treatment of payments for purchase of software as 'royalty' and consequent denial of deductions for such payments on the basis that taxes have not been deducted at source, etc. Management 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 DEVELOPMENTS IN HUMAN RESOURCE/ INDUSTRIAL RELATIONS:

Sonata Software recognizes Human Resources as its biggest asset and its Human Resource Processes are focused towards attracting, developing & retaining talent so as to drive high levels of employee engagement, ensure a performance driven culture, drive business growth and be customer centric to going deeper with technology.

The Company has policies which are focused towards a healthy, happy and prosperous work environment for its employees and thereby also fulfill the aspirations of the people at work.

The focus on driving a performance culture through the performance management system continued through steps such as career planning, training & development, and rewards and recognition systems. It has been a constant endeavor to align Company's employees' compensation and rewards process to the market so that Company remains competitive and able to attract the right talent.

In order to enhance the impact and innovation quotient of the Company's IT solutions, the Management has initiated a program to upskill our teams on design thinking through a series of workshops which has been received very well. Sustained investments in better defining and nurturing an organizational culture and people helped the Company to continue to attract best-in-class talent across levels who primarily value the impact they can create on customers and themselves by being part of Sonata.

The Company organized activities such as the Annual Communication Meet (ACM) 2017, Annual Planning Meet, Operating Leaders Meeting and Sales Enablement Meeting. The Company announced annual awards at the ACM to motivate the team, build and sustain the performance culture. The Company has well defined employee management and skill management process, thereby strengthening its core HR systems.

The Company ended the year with a headcount of 3,366 which was an increase by 3% compared to the previous year's headcount of 3,259. During the year, we have attracted talent from leading Business schools for managerial, marketing and technical roles.

INTERNAL CONTROL SYSTEM

The Board is fully committed in discharging its responsibilities by establishing a 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 2016-17 based on the said requirements.

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

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

II. BOARD OF DIRECTORS

The Board of Directors of the Company as on 31st March, 2017 comprised of seven Directors of whom two are Non-Executive Promoter Directors, one is an Executive Director and four 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"). During the Financial Year Mr M D Dalal, Director who was liable to retire by rotation at the 21st Annual General Meeting, did not seek re-appointment.

None of the Directors on the Board hold directorships in more than 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/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.

During the Financial Year 2016-17, four meetings of the Board were held with a time gap of not more than one hundred and twenty days between any two consecutive meetings. These meetings were held on 23rd May, 2016; 8th August, 2016; 2nd November, 2016 and 3rd February, 2017. The necessary quorum was present for all the meetings. The video-conferencing facilities were arranged for Directors for participating in Board Meetings.

During the Financial Year 2016-17, information as mentioned in Schedule II Part A of the Listing Regulations has been placed before the Board for its consideration. The Board obtains declaration from the respective departmental heads stating all the applicable Laws are 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 2016-17 without the attendance of the Non-Independent Directors and members of the management.

The Independent Directors have undergone a formal induction programme to familiarise them with the business and operations of the Company. The details of the familiarisation programme is available on the Company's website at http://www.sonata-software.com/corporate_governance.

The names, designation, categories of the Directors and their shareholding in the Company as on 31st March, 2017 are as given below:

Name of the Director	Designation	Category	Equity shareholding in the Company
Pradip P Shah	Chairman	Independent Director	Nil
S B Ghia	Director	Promoter, Non-executive Director	5,000
Viren Raheja	Director	Promoter, Non-Executive Director	82,50,000
P Srikar Reddy	Managing Director & CEO	Executive Director	13,15,228
S N Talwar	Director	Independent Director	50,000
B K Syngal	Director	Independent Director	Nil
Radhika Rajan	Director	Independent Director	Nil

Details of Directors' attendance during the Financial Year 2016-17 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, 2017 is given below :

Name of the Director	No. of Board Meetings held during the tenure	No. of Board Meetings attended ⁽¹⁾	Attendance at last AGM held on 8 th August, 2016	No. of Directorships held in other Indian Companies	No. of Committee Memberships/ Chairmanship held in other Indian Public Companies ⁽²⁾	
					As Chairman	As Member
Pradip P Shah	4	4	Yes	15	1	7
S B Ghia	4	4	Yes	4	1	5
M D Dalal ⁽³⁾	2	1	No	2	0	2
Viren Raheja	4	3	No	19	0	3
P Srikar Reddy	4	4	Yes	2	0	1
S N Talwar	4	4	Yes	13	1	2
B K Syngal	4	4	Yes	4	2	2
Radhika Rajan	4	4	Yes	7	0	8

Note:

⁽¹⁾ Meetings attended includes attendance through video-conferencing

⁽²⁾ Includes only Committee Membership/Chairmanship of Audit Committee and Stakeholders Relationship Committee.

⁽³⁾ Mr M D Dalal ceased to be a Director of the Company w.e.f. 8th August, 2016

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 includes 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, 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 Directors' 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.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
6. 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;
7. Review and monitor the Auditors' independence and performance, and effectiveness of audit process;
8. Approval or any subsequent modification of transactions of the Company with related parties;
9. Scrutiny of inter-corporate loans and investments;
10. Valuation of undertakings or assets of the Company, wherever it is necessary;
11. Evaluation of internal financial controls and risk management systems;
12. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
13. Reviewing the adequacy of internal audit function, if any, 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;

14. Discussion with internal auditors of any significant findings and follow up thereon;
15. Reviewing 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;
16. 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;
17. 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;
18. To review the functioning of the Whistle Blower mechanism;
19. 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;
20. The Audit Committee shall also 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 such duties and functions generally indicated under the Listing Regulations, Companies Act, 2013 and the Rules made thereunder.

During the Financial Year under review, the Audit Committee met four times on 23rd May, 2016; 8th August, 2016; 2nd November, 2016 and 3rd February, 2017.

The Audit Committee generally invites the Chief Financial Officer, VP-Finance & Accounts and representatives of the Statutory Auditors and Internal Auditors to the meeting 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
B K Syngal	Independent Director	Chairman	4	4
S B Ghia	Promoter, Non-executive Director	Member	4	4
Pradip P Shah	Independent Director	Member	4	4
S N Talwar*	Independent Director	Member	1	1
Radhika Rajan*	Independent Director	Member	1	1

* Appointed as members of the Audit Committee in the Board Meeting held on 2nd November, 2016

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 includes 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. Identifying 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. 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 Listing Regulations, Companies Act, 2013 and Rules made thereunder.

During the Financial Year under review, the Nomination and Remuneration Committee met four times on 23rd May, 2016; 8th August, 2016; 2nd November, 2016 and 3rd February, 2017.

• **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
S N Talwar	Independent Director	Chairman	4	4
S B Ghia	Promoter, Non-Executive Director	Member	4	4
B K Syngal	Independent Director	Member	4	3
Viren Raheja	Promoter, Non-Executive Director	Member	4	3

- Performance evaluation criteria**

The Performance evaluation criteria for Independent Directors is 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, 2017**

Name	Salary & Perquisites (In ₹)	Commission & Sitting fees (In ₹)	Shares issued under ESOP	Details of service contracts, notice period & severance fees
Pradip P Shah	Nil	3,395,838	Nil	-
*M D Dalal	1,550,004	Nil	Nil	Effective 01.04.2012, re-appointed as Executive Vice Chairman for a period of 5 years vide agreement dated 24.05.2012. Three months notice period and no severance fees.
P Srikar Reddy	25,235,606	7,686,227	11,013,750	Effective 14.02.2012, appointed as Managing Director & CEO for a period of 5 years vide agreement dated 24.05.2012. Seven months notice period and severance fees of ₹ 1.20 Crores spread over a period of 3 years. A new agreement dated 29.12.2016 has been signed effective 14.02.2017 for a period of three years.
S B Ghia	Nil	3,575,838	Nil	-
Viren Raheja	Nil	3,335,838	Nil	-
S N Talwar	Nil	3,455,838	Nil	-
B K Syngal	Nil	3,455,838	Nil	-
Radhika Rajan	Nil	3,355,838	Nil	-

*Upto 8th August, 2016

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

The Shareholders at their meeting held on 6th August, 2013 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 includes the following:

The Committee shall consider and resolve the grievances of the security holders of the Company including complaints related to transfer of shares, non-receipt of annual report and non-receipt of declared dividends.

During the Financial Year under review, the Stakeholders Relationship Committee met four times during the Financial Year 2016-17. They met on 23rd May, 2016; 8th August, 2016; 2nd November, 2016 and 3rd February, 2017.

- 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
S B Ghia	Promoter, Non-executive Director	Chairman	4	4
M D Dalal ¹	Promoter, Executive Director	Member	2	1
P Srikar Reddy	Executive Director	Member	4	4
Radhika Rajan ²	Independent Director	Member	1	1

¹upto 8th August, 2016

²Appointed as member of the Committee in the Board Meeting held on 2nd November, 2016

- Ms. Priya Manoj Jaswani, Company Secretary acted as the Company's Compliance Officer upto 7th October, 2016. Consequent to resignation of Ms. Priya Manoj Jaswani, Mr. Kundan K Lal was appointed as Company Secretary & Compliance officer w.e.f. 2nd November, 2016.
- During the Financial Year under review 44 investor grievances were received and all of them 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 includes the following:

1. The Committee shall formulate and recommend to the Board, a 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 2016-17. They met on 23rd May, 2016 and 3rd February, 2017.

• 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
S B Ghia	Promoter, Non-executive Director	Chairman	2	2
S N Talwar	Independent Director	Member	2	2
P Srikar Reddy	Executive Director	Member	2	2

VII. SHAREHOLDERS' MEETINGS

Details of last three AGMs held:

Financial Year	Date	Venue	Time
2013-14	11.08.2014	M.C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg, Mumbai – 400 001	4.00 p.m.
2014-15	31.07.2015	M.C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg, Mumbai – 400 001	4.00 p.m.
2015-16	08.08.2016	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 2013-14 – Yes. The following Special Resolutions were passed at the AGM:
 - i. To create, offer and grant Employee Stock Options to the permanent Employees of the Company;
 - ii. To create, offer and grant Employee Stock Options to the permanent Employees of the Wholly owned Subsidiary Companies;
 - iii. Approval under Section 180(1)(c) of the Companies Act, 2013 for borrowing monies.
 - b) Financial year 2014-15 – No special resolution was passed at the AGM.
 - c) Financial year 2015-16 – No special resolution was passed at the AGM.
- No special resolution was passed through postal ballot during the Financial Year ended 2016-17.
 - None of the items to be transacted at the ensuing meeting is required to be passed by postal ballot.

VIII. 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.

IX. GENERAL SHAREHOLDER INFORMATION

1. Annual General Meeting

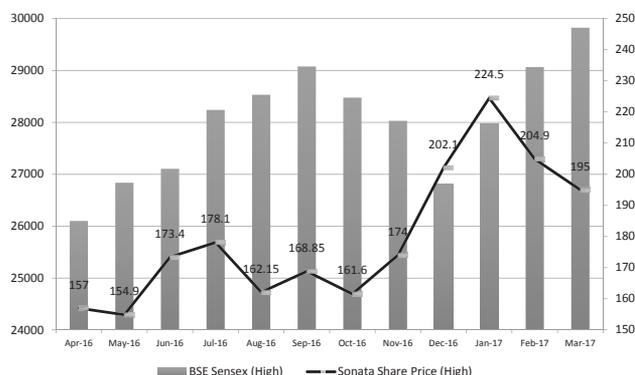
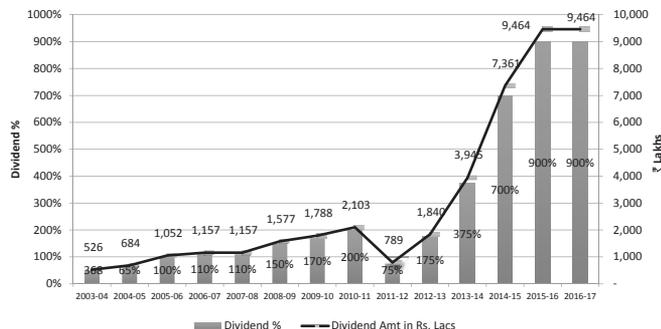
The Annual General Meeting of the Company will be held on Monday, 14th day of August 2017 at 4.00 p.m. at M.C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg (Behind Prince of Wales Museum), Mumbai – 400 001. Ph: (022) 22844350.

2. Financial Year

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

3. Payment of Dividend

The Company paid interim dividend of ₹ 3.50 per equity share on 17th November, 2016. The Board has recommended final dividend of ₹ 5.50 subject to the approval of the share holders at the ensuing AGM.



4. Listing on Stock Exchanges & Stock Code

(a) Your Company's equity shares are listed & 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, 5 th 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 2016-17 has been paid to the above mentioned stock exchanges.
- (c) As on 31st March, 2017, your Company had 37,022 shareholders.

5. Stock Market Data

- (a) Market Capitalization as on 31st March, 2017: ₹ 1772 Crores (based on closing price in BSE)
- (b) Number of shares traded during FY 2016-17: BSE: 112 Lakhs & NSE: 567 Lakhs
- (c) The monthly high and low quotations of shares traded at BSE and NSE during Financial Year 2016-17 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-16	157.00	143.70	158.00	143.50	26100.54	24523.20
May-16	154.90	140.05	154.90	137.90	26837.20	25057.93
Jun-16	173.40	142.50	173.60	142.25	27105.41	25911.33
Jul-16	178.10	158.00	177.80	158.50	28240.20	27034.14
Aug-16	162.15	144.70	162.25	144.25	28532.25	27627.97
Sep-16	168.85	148.00	169.00	147.75	29077.28	27716.78
Oct-16	161.60	149.20	162.00	149.50	28477.65	27488.30
Nov-16	174.00	144.00	174.70	144.00	28029.80	25717.93
Dec-16	202.10	153.00	201.40	152.65	26803.76	25753.74
Jan-17	224.50	190.65	224.00	190.70	27980.39	26447.06
Feb-17	204.90	184.00	204.90	183.65	29065.31	27590.10
Mar-17	195.00	163.00	195.15	155.60	29824.62	28716.21

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. Transfer of shares in physical form are processed by our Registrar and Share Transfer Agent, Karvy Computershare Pvt Ltd and approved by the Share Transfer Committee of the Company. Physical shares sent for transfer are registered and returned within an average period of 15 days from the date of receipt, that is, if documents submitted are clear in all respects.

Total number of physical shares transferred during FY 2016-17:

Transfer period	No. of transferees (Folios)	No. of shares	Percentage
1-15 days	1	2000	100%
Above 15 days	0	0	0
Total	1	2000	100%

Details of complaints received and resolved from 1st April, 2016 to 31st March, 2017:

Complaints	Received	Attended to	Pending
Non-receipt of dividend	41	41	0
Non-receipt of Annual Report	1	1	0
Others	2	2	0
Total	44	44	0

7. Distribution of shareholding

(a) Distribution Schedule

Range of equity shares held	As on 31 st March, 2017				As on 31 st March, 2016			
	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	30301	81.85	4153652	3.95	27312	80.11	3963481	3.77
501-1000	3350	9.05	2883539	2.74	3281	9.63	2870758	2.73
1001-5000	2480	6.70	5747838	5.47	2559	7.51	5974167	5.68
5001-10000	391	1.06	2956661	2.81	421	1.24	3165546	3.01
Over 10001	490	1.35	89417616	85.03	515	1.51	89185354	84.81
Total	37012	100.00	105159306	100.00	34088	100	105159306	100

(b) Shareholding Pattern

Category	As on 31 st March, 2017				As on 31 st March, 2016			
	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	12	0.03	32550161	30.95	12	0.04	32550161	30.95
Bodies Corporate	591	1.60	8563003	8.14	639	1.87	6761646	6.43
Fils / NRIs	872	2.36	16113383	15.32	486	1.43	600986	0.57
IFIs/Mutual Funds/Banks	19	0.05	1688447	1.61	4	0.01	33824	0.03
Trusts	1	0.01	1485875	1.41	6	0.02	1576375	2.52
Clearing Members	83	0.22	126691	0.12	108	0.32	135898	0.13
Public	35434	95.73	44631746	42.44	32833	96.32	63500416	59.37
Total	37012	100.00	105159306	100.00	34088	100	105159306	100

8. Dematerialization of shares and liquidity

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

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

Details of Shares held in Physical and Electronic form:

Particulars	As on 31 st March, 2017		As on 31 st March, 2016	
	No. of Shares	% of holding	No. of Shares	% of holding
Physical	1356419	1.29	2566794	2.44
Electronic	103802887	98.71	102592512	97.56
Total	105159306	100.00	105159306	100.00

Number of Shares dematerialized during FY 2016-17: 1210375 Shares.

Number of Shares rematerialized during FY 2016-17: 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 in 'Corporate Information' page of this Annual Report.

11. Tentative financial calendar for FY 2017-18

Financial results for the first quarter ending 30 th June, 2017	August, 2017
Financial results for the second quarter ending 30 th September, 2017	November, 2017
Financial results for the third quarter ending 31 st December, 2017	February, 2018
Financial results for the Financial Year ending 31 st March, 2018	May, 2018
Annual General Meeting for the year ending 31 st March, 2018	August, 2018

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

Company Secretary Sonata Software Ltd 1/4, APS Trust Building, Bull Temple Road, N R Colony, Bangalore - 560 019, India, Tel: (080) 67782408 Email: investor@sonata-software.com Website: www.sonata-software.com	Karvy Computershare Pvt Ltd Registrars and Share Transfer Agents, Karvy Selenium Tower B, Plot No.31-32, Gachibowli, Financial District Nanakramguda, Tel: (080) 67782408 Hyderabad - 500 032, India Tel: (040) 67161591 Fax: (040) 23420814 Email: einward. ris@karvy.com Website: www.karvycomputershare.com
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X OTHER DISCLOSURES**Disclosure on materially significant related party transactions that may have potential conflict with the interests of the Company at large.**

None

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

XI 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. The Company affirms that no employee has been denied access to the Audit Committee during the Financial Year 2016-17.

XII MANDATORY/NON-MANDATORY REQUIREMENTS

During the Financial Year 2016-17, the Company –

- has duly complied with all mandatory requirements of the Listing Regulations.
- has adopted the following non-mandatory requirements of the Listing Regulations.
 - The 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 directly to the Audit Committee

XIII WEB LINK WHERE POLICY FOR DETERMINING 'MATERIAL' SUBSIDIARIES IS GIVEN BELOW-

The Policy for determining 'material' subsidiaries is posted on Company's website <http://www.sonata-software.com/Corporate-governance>

XIV 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.

XV NON-COMPLIANCE OF ANY REQUIREMENT OF THE CORPORATE GOVERNANCE REPORT OF SUB- PARAS (2) TO (10) OF PART C OF SCHEDULE V OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015, 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.

XVI DECLARATION

I, P Srikar Reddy, Managing Director & CEO of Sonata Software Ltd, to the best of my knowledge and belief, hereby declare that all Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct for the Financial Year ended 31st March, 2017.

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

Pursuant to Section 124 and 125 of Companies Act, 2013, and other applicable provisions, if any, of the aforesaid Act, all unclaimed / unpaid dividend for a period of seven years from the date they became due for payment, in relation to the Company, have been transferred to the IEPF established by the Central Government. No claim shall lie against the IEPF or the Company for the amounts so transferred prior to March 31, 2017, nor shall any payment be made in respect of such claims. Members who have not yet encashed their dividend warrant(s) pertaining to the final dividend for the Financial Year 2009-10 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 Karvy Computershare Pvt Ltd, 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 Prasanna Oke, 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, 2017 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, 2017, 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, 2017, there were:
 - (i) No significant changes in Internal Control over financial reporting;
 - (ii) No significant changes in accounting policies; 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

Prasanna Oke
CFO

Place : Mumbai
Date : 29th May, 2017

Corporate Governance Compliance Certificate

To the members of SONATA SOFTWARE LIMITED

We have examined the compliance of conditions of Corporate Governance by Sonata Software Limited, for the Financial Year ended March 31, 2017, 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. Our 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 our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Regulations.

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

Place: Chennai

Date : 29th May, 2017

P. Sriram

P. Sriram & Associates

FCS No. 4862 / C.P No : 3310

Independent Auditors' Report

TO THE MEMBERS OF SONATA SOFTWARE LIMITED

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **SONATA SOFTWARE LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("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 and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Act.

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 statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.

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

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.

Opinion

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 Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2017, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Act, to the extent applicable 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, and the Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account.
 - d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards prescribed under section 133 of the Act.
 - e) On the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 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 Auditors' 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 were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
 - iv. The Company did not have any holdings or dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the 8th November, 2016 of the Ministry of Finance, during the period from 8th November, 2016 to 30th December, 2016.
2. As required by the Companies (Auditors' 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 & SELLS

Chartered Accountants
(Firm's Registration No. 008072S)

Place: Mumbai
Date: 29 May, 2017

V. Srikumar
Partner
(Membership No. 84494)

Annexure “A” To The Independent Auditors’ Report

(Referred to in paragraph 1 under ‘Report on Other Legal and Regulatory Requirements’ 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 31st March, 2017 in conjunction with our audit of the standalone 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.

Auditors’ Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting 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 31st March, 2017, 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”.

For DELOITTE HASKINS & SELLS

Chartered Accountants
(Firm's Registration No. 008072S)

Place: Mumbai
Date: 29 May, 2017

V. Srikumar
Partner
(Membership No. 84494)

Annexure “B” To The Independent Auditors’ 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 fixed asset in the financial statements, the lease agreements are in the name of the Company, where the Company is the lessee in the agreement.
- (ii) As explained to us, the inventories are physically verified annually, at the year end. As at the year end, since there are no inventories, no physical verification has been carried out by 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 186 of the Act in respect of investments made. According to the information and explanations given to us, the Company has not granted any loan or provided any guarantees and securities.
- (v) In our opinion and according to the information and explanation given to us, the Company has not accepted any deposit during the year and does not have any unclaimed deposits and hence the reporting under clause (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 the reporting under clause (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, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, 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, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, cess and other material statutory dues in arrears as at 31 March, 2017 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 31 March , 2017 on account of disputes are given below:

Name of the statute	Nature of dues	Forum where dispute is pending	Period to which the Amount Relates	Amount (In ₹)
Income-tax Act, 1961	Withholding Tax and Interest thereon	Supreme Court	AY 2000-01, 2001-02 and 2002-03	284,187,956
Income-tax Act, 1961	Income-tax and Interest thereon	Commissioner of Income Tax (Appeals)	AY 2011-12 to 2013-14	65,87,210*
Finance Act, 1994	Service Tax, Penalty and Interest thereon	Customs, Excise and Service Tax Appellate Tribunal	FY 2005-06 to 2008-09	67,653,029

* Net of 110,994,459/- 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. The Company has neither taken any loans or borrowings from government and financial institution nor has issued any debentures.
- (ix) In our opinion and according to the information and explanations given to us, 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 (ix) of the CARO 2016 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 (xii) of the CARO 2016 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 financial statements etc. 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 CARO 2016 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, subsidiary or associate company or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable.
- (xvi) The Company is not required to be registered under section 45-I of the Reserve Bank of India Act, 1934.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Firm's Registration No. 008072S)

Place: Mumbai
Date: 29 May, 2017

V. Srikumar
Partner
(Membership No. 84494)

Balance Sheet as at March 31, 2017

	Note No.	As at 31.03.2017	As at 31.03.2016
(₹)			
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	3	105,159,306	105,159,306
Reserves and surplus	4	4,456,425,692	3,498,374,417
		4,561,584,998	3,603,533,723
NON-CURRENT LIABILITIES			
Other long-term liabilities	5	62,268,389	40,174,289
		62,268,389	40,174,289
CURRENT LIABILITIES			
Short-term borrowings	6	-	965,128,086
Trade payables			
Total outstanding dues of micro and small enterprises	26	3,444,807	1,037,705
Total outstanding dues other than micro and small enterprises	7	382,140,736	322,526,863
Other current liabilities	8	149,508,154	118,046,992
Short-term provisions	9	240,132,683	98,341,521
		775,226,380	1,505,081,167
TOTAL		5,399,079,767	5,148,789,179
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	10(i)	161,582,502	164,993,689
Intangible assets	10(ii)	13,526,280	19,151,239
Capital work-in-progress		4,091,365	2,799,091
		179,200,147	186,944,019
Non-current investments	11	260,192,650	260,192,650
Deferred tax assets (net)	12	107,332,632	99,806,104
Long-term loans and advances	13	515,547,844	469,696,671
Other non-current assets	14	1,377,601	1,284,772
		1,063,650,874	1,017,924,216
CURRENT ASSETS			
Current investments	15	998,028,208	699,995,957
Trade receivables	16	1,600,836,971	1,245,196,500
Cash and cash equivalents	17	1,316,578,141	1,855,068,835
Short-term loans and advances	18	115,207,539	111,862,215
Other current assets	19	304,778,034	218,741,456
		4,335,428,893	4,130,864,963
TOTAL		5,399,079,767	5,148,789,179

See accompanying notes forming part of the financial statements

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

Chartered Accountants

V. Srikumar

Partner

Place : Mumbai

Date : 29th May 2017**PRASANNA OKE**

Chief Financial Officer

For and on behalf of the Board of Directors**PRADIP P SHAH**

Chairman

P SRIKAR REDDYManaging Director
& Chief Executive Officer**R SATHYANARAYANA**

VP - Finance & Accounts

KUNDAN KUMAR LAL

Company Secretary

Profit And Loss Statement for the year ended March 31, 2017

	Note No.	Year ended 31.03.2017	Year ended 31.03.2016
(₹)			
REVENUE			
Revenue from operations	20.1	5,926,033,666	5,048,040,268
Other income	20.2	376,570,695	389,355,376
Total revenue		6,302,604,361	5,437,395,644
EXPENSES			
Purchase of stock-in-trade (traded goods)		265,441,781	14,286,718
Employee benefits expense	21	3,068,047,195	2,864,248,094
Finance costs	22	39,881,741	39,061,677
Depreciation and amortization expense	10(iii)	45,708,163	43,680,805
Other expenses	23	1,092,415,710	889,690,251
Total expenses		4,511,494,590	3,850,967,545
Profit before exceptional item and tax		1,791,109,771	1,586,428,099
Add : Exceptional item (Interest income on income tax refund)		56,506,753	-
Profit before tax		1,847,616,524	1,586,428,099
Tax expense			
Current tax expense		459,049,855	391,803,579
Short provision for tax relating to prior years		23,758,383	35,930,546
Deferred tax		(7,526,528)	(15,750,897)
Net tax expense		475,281,710	411,983,228
Profit for the year		1,372,334,814	1,174,444,871
Earnings per share - Basic and Diluted (on ₹ 1/- per share)	37	13.05	11.17
Par value ₹ 1/- per share			
See accompanying notes forming part of the financial statements			

In terms of our report attached

For Deloitte Haskins & Sells

Chartered Accountants

V. Srikumar

Partner

Place : Mumbai

Date : 29th May 2017

PRASANNA OKE

Chief Financial Officer

PRADIP P SHAH

Chairman

R SATHYANARAYANA

VP - Finance & Accounts

For and on behalf of the Board of Directors

P SRIKAR REDDY

Managing Director
& Chief Executive Officer

KUNDAN KUMAR LAL

Company Secretary

Cash Flow Statement for the year ended March 31, 2017

	Year ended 31.03.2017	Year ended 31.03.2016
(₹)		
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	1,847,616,524	1,586,428,099
Adjustments for :		
Depreciation and amortization expense	45,708,163	43,680,805
Finance costs	39,881,741	39,061,677
Provision for doubtful trade receivables	18,655,697	567,194
Provisions/ liabilities no longer required written back	-	(48,746,189)
Interest from fixed deposits/margin money with banks	(81,597,726)	(112,224,328)
Interest from inter-corporate deposits	(23,761,949)	(26,855,946)
Interest on Income-tax refund	(56,506,753)	-
Dividend income from current investments	(15,712,340)	(16,985,509)
Dividend income from long-term investments in subsidiaries	(33,753,940)	(67,507,880)
(Gain) / loss on sale of fixed assets / scrapped	1,848,406	(886,237)
Net (gain) on valuation of current investments	(15,609,710)	(7,048,334)
Unrealized foreign exchange gain (net)	(13,313,835)	(27,319,760)
Operating profit before working capital changes	1,713,454,278	1,362,163,592
Adjustments for :		
Decrease/(increase) in trade receivables	(429,448,749)	(227,444,283)
Decrease/(increase) in other current assets	(54,052,885)	9,538,638
Decrease/(increase) in long-term loans and advances	(2,144,594)	(134,491)
Decrease/(increase) in short-term loans and advances	(22,845,326)	(45,763,840)
(Decrease)/increase in trade payables	97,049,705	45,912,330
(Decrease)/increase in other current liabilities	41,646,233	24,045,778
(Decrease)/increase in other long-term liabilities	22,094,100	21,813,161
(Decrease)/increase in short-term provisions	6,513,112	983,819
Cash generated from operations	1,372,265,874	1,191,114,704
Direct taxes/advance tax paid (net)	(333,679,798)	(366,980,845)
Net cash flow from operating activities	1,038,586,076	824,133,859
	(A)	
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets, including intangible assets, capital work-in-progress and capital advances	(47,205,815)	(101,040,062)
Proceeds from sale of fixed assets	836,411	2,293,231
Proceeds from redemption of investment in subsidiary	177,551,120	72,257,500
Proceeds from sale/maturity of current investments	(459,973,661)	48,015,910
Bank balances not considered as Cash and cash equivalents	598,585,541	(518,984,740)
Interest received	143,237,625	124,145,119
Dividend received	15,712,340	16,985,509
Dividend received from subsidiary	33,753,940	67,507,880
Inter corporate deposit to subsidiary (net)	19,500,000	(19,500,000)
Net cash flow from / (used in) investing activities	481,997,501	(308,319,653)
	(B)	

Cash Flow Statement for the year ended March 31, 2017

	(₹)	
	Year ended 31.03.2017	Year ended 31.03.2016
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds/(repayment) from/(of) short-term borrowings (net)	(965,128,086)	911,960,919
Dividends paid on equity shares	(366,644,773)	(1,395,524,404)
Dividend taxes paid on equity shares	(74,131,720)	(263,842,947)
Finance costs	(39,898,929)	(40,769,037)
Net cash flow used in financing activities	(C) (1,445,803,508)	(788,175,469)
Net increase/(decrease) in Cash and cash equivalents	(A+B+C) 74,780,069	(272,361,263)
Opening Cash and cash equivalents (Refer Note 17)	183,946,561	470,000,067
Exchange difference on translation of foreign currency Cash and cash equivalents	(14,685,222)	(13,692,243)
Closing Cash and cash equivalents (Refer Note 17)	244,041,408	183,946,561
Cash and cash equivalents at the end of the year comprises:		
Balances with banks		
In current accounts	209,249,851	169,946,759
In EEFC accounts	34,791,557	13,999,802
	244,041,408	183,946,561
See accompanying notes forming part of the financial statements		

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board of Directors

V. Srikumar
Partner

PRADIP P SHAH
Chairman

P SRIKAR REDDY
Managing Director
& Chief Executive Officer

Place : Mumbai
Date : 29th May 2017

PRASANNA OKE
Chief Financial Officer

R SATHYANARAYANA
VP - Finance & Accounts

KUNDAN KUMAR LAL
Company Secretary

Notes forming part of financial statements

1: Corporate information

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

2: Significant accounting policies

a. Basis of accounting and preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India ("Indian GAAP") to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 2013 ("the 2013 Act"), as applicable. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

b. Use of estimates

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

c. Depreciation / Amortization

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, 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 to the 2013 Act.

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

Intangible assets are amortized over their estimated useful life on straight-line method as follows:

- Computer software- 3 years
- Goodwill acquired on purchase of business- 5 years

The estimated useful life of the intangible assets and the amortization period are reviewed at the end of each Financial Year and the amortization period is revised to reflect the changes, if any.

d. Revenue recognition

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

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

Revenues from sale of product and licenses are recognised on transfer of significant risks and rewards of ownership to the buyers, which generally coincides with delivery where there is no customisation required. In case of customisation the same is recognised over the life of the contract using the proportionate completion method, with contract costs determining the degree of completion. Foreseeable losses on such contracts are recognised when probable.

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

Revenues are reported net of discounts.

Dividend income is recognised when the right to receive it, is established. Interest income is accounted on accrual basis.

e. Fixed Assets (Tangible/Intangible)

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

Capital work-in-progress

Projects under which tangible fixed assets are not yet ready for their intended use are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

Intangible assets under development:

Expenditure on Research and development (Refer Note 2 (f)) eligible for capitalisation are carried as Intangible assets under development where such assets are not yet ready for their intended use.

f. Research and development expenses

Revenue expenditure pertaining to research is charged to the Statement of Profit and Loss. Development costs of products are also charged to the Statement of Profit and Loss unless a product's technical feasibility has been established, in which case such expenditure is capitalised. The amount capitalised comprises expenditure that can be directly attributed or allocated on a reasonable and consistent basis to creating, producing and making the asset ready for its intended use.

Notes forming part of financial statements

g. Foreign currency transactions and translations

Initial recognition

Company: Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Integral foreign operations: Transactions in foreign currencies entered into by the Company's integral foreign operations are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Measurement at the Balance Sheet date

Company: Foreign currency monetary items (other than derivative contracts) of the Company, outstanding at the Balance Sheet date are restated at the year-end rates. Non-monetary items of the Company are carried at historical cost.

Integral foreign operations: Foreign currency monetary items (other than derivative contracts) of the Company's integral foreign operations outstanding at the Balance Sheet date are restated at the year-end rates. Non-monetary items of the Company's integral foreign operations are carried at historical cost.

Treatment of exchange differences

Company: Exchange differences arising on settlement / restatement of foreign currency monetary assets and liabilities of the Company are recognised as income or expense in the Statement of Profit and Loss.

Integral foreign operations: Exchange differences arising on settlement / restatement of foreign currency monetary assets and liabilities of the Company's integral foreign operations are recognised as income or expense in the Statement of Profit and Loss.

Accounting for forward contracts

Premium / discount on forward exchange contracts, which are not intended for trading or speculation purposes, are amortised over the period of the contracts if such contracts relate to monetary items as at the Balance Sheet date. Exchange difference on such contracts are recognised in the Statement of Profit and Loss of the reporting period in which the exchange rate changes. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognised as income or as expense in the period in which such cancellation or renewal is made.

h. Investments

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

i. Employee benefits

Employee benefits include provident fund, superannuation fund,

foreign defined contribution fund, employee state insurance scheme, gratuity and compensated absences.

Defined contribution plans

The Company's contribution to provident fund, superannuation fund, foreign defined contribution fund and employee state insurance are considered as defined contribution plans and are charged as an expense based on the amount of contribution required to be made and when services are rendered by the employees.

Defined benefit plan

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

Long-term 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.

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.

j. Leases

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

Notes forming part of financial statements

k. Earnings per share

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

l. Taxes on income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income tax Act, 1961 and other applicable tax laws.

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

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

m. Impairment of assets

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When

there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss.

n. Provisions and contingencies

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

o. Hedge accounting

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

p. Operating cycle

Based on the nature of products/ activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

Notes forming part of financial statements

	As at 31.03.2017	As at 31.03.2016
3 : Share capital		
Authorized		
150,000,000 equity shares of face value ₹ 1/- each (As at 31.03.2016 : 150,000,000 equity shares of face value ₹ 1/- each)	150,000,000	150,000,000
Issued, subscribed and paid-up		
105,159,306 equity shares of face value ₹ 1/- each fully paid-up (As at 31.03.2016 : 105,159,306 equity shares of face value ₹ 1/- each)	105,159,306	105,159,306
Total	105,159,306	105,159,306
Refer notes (i) to (iii) below		

Notes :

i) Reconciliation of number of shares and amount outstanding at the beginning and at the end of the reporting year	Opening balance	Fresh issue/ Other changes	Closing balance
Equity shares with voting rights			
Year ended 31.03.2017			
Number of shares	105,159,306	-	105,159,306
Amount ₹	105,159,306	-	105,159,306
Equity shares with voting rights			
Year ended 31.03.2016			
Number of shares	105,159,306	-	105,159,306
Amount ₹	105,159,306	-	105,159,306

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

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

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

The shareholders have all other rights as available to equity shareholders as per the provisions of the 2013 Act, 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 31.03.2017		As at 31.03.2016	
	No. of shares	% of holding	No. of shares	% of holding
Hemendra M Kothari	10,660,026	10.14	10,660,026	10.14
Akshay Raheja	8,250,000	7.85	8,250,000	7.85
Viren Raheja	8,250,000	7.85	8,250,000	7.85
Suman Raheja	6,900,000	6.56	6,900,000	6.56

Notes forming part of financial statements

	(₹)	
	As at 31.03.2017	As at 31.03.2016
4 : Reserves and surplus		
Securities premium reserve	450,924,411	450,924,411
General reserve	829,154,246	829,154,246
Hedging reserve		
Opening balance	71,823,122	90,350,312
Add : Effect of foreign exchange rate variations on hedging instruments outstanding at the end of the year	93,654,686	71,823,122
Less : Transferred to Statement of Profit and Loss	71,823,122	90,350,312
Closing balance	93,654,686	71,823,122
Surplus in Statement of Profit and Loss		
Opening balance	2,146,472,638	2,097,393,249
Add : Profit for the year	1,372,334,814	1,174,444,871
Less :		
Interim dividend	368,057,571	946,433,754
(Interim dividend is distributed to equity share holders at ₹ 3.50 per share) (Previous year ₹ 9 per share)		
Tax on interim dividend	74,929,160	192,674,982
Set-off of tax on interim dividend paid by subsidiary	(6,871,628)	(13,743,254)
Closing balance	3,082,692,349	2,146,472,638
Total	4,456,425,692	3,498,374,417
5 : Other long-term liabilities		
Lease rent equalization	62,268,389	40,174,289
Total	62,268,389	40,174,289
6 : Short-term borrowings		
Loans repayable on demand		
From banks - Secured	-	385,440,586
(Packing credit loan of ₹ 218,625,000 was secured by first charge by way of hypothecation of current assets of the Company both present and future. Overdraft facility of ₹ 166,815,586 was secured against fixed deposits)		
From banks - Unsecured	-	579,687,500
Total	-	965,128,086
7 : Trade payables		
Total outstanding dues of creditors other than micro and small enterprises - other than acceptances	382,140,736	322,526,863
Total	382,140,736	322,526,863
8 : Other current liabilities		
Interest accrued but not due on borrowings	-	17,188
Income received in advance (Unearned revenue)	16,379,186	6,674,970
Gratuity (Refer Note 32)	-	6,268,573
Unpaid dividends	12,536,733	11,123,935
Tax on dividend	-	6,074,190
Other payables		
Statutory remittances	109,981,217	74,054,298
Payable on purchase of fixed assets	1,900,379	7,406,870
Advances from customers	-	1,440,439
Reimbursable expenses payable to related party (Refer Note 34)	5,185,876	3,591,067
Other liabilities	3,524,763	1,395,462
Total	149,508,154	118,046,992
9 : Short-term provisions		
Provision for employee benefits - Compensated absences	70,835,892	64,322,780
Others		
Provision for tax (net of advance tax - ₹ 744,902,450/- (as at 31.03.2016 - ₹ 158,520,430/-)	169,296,791	34,018,741
Total	240,132,683	98,341,521

Notes forming part of financial statements

FIXED ASSETS

10(i) Tangible assets

Particulars *	Gross block			Accumulated depreciation			Net block		
	Cost as at 01.04.2016	Additions	Deductions / adjustments	Cost as at 31.03.2017	Upto 31.03.2016	For the year	Deductions / adjustments	As at 31.03.2017	As at 31.03.2016
Leasehold land	35,200,000	-	-	35,200,000	7,634,980	1,079,763	-	26,485,257	27,565,020
	(35,200,000)	(-)	(-)	(35,200,000)	(6,552,259)	(1,082,721)	(-)	(27,565,020)	
Buildings	15,493,000	-	-	15,493,000	3,962,977	245,217	-	11,284,806	11,530,023
	(15,493,000)	(-)	(-)	(15,493,000)	(3,717,760)	(245,217)	(-)	(11,530,023)	
Leasehold improvements	280,021,741	1,049,787	1,071,858	279,999,670	231,922,111	13,039,363	1,071,857	36,110,053	48,099,630
	(228,053,725)	(51,968,016)	(-)	(280,021,741)	(216,186,374)	(15,735,737)	(-)	(48,099,630)	
Plant and equipments	310,301,204	27,506,903	7,547,467	330,260,640	270,472,209	14,043,977	7,528,804	53,273,258	39,828,995
	(288,114,869)	(31,982,974)	(9,796,639)	(310,301,204)	(271,136,239)	(8,901,705)	(9,565,735)	(39,828,995)	
Furniture and fixtures	105,775,448	3,784,497	6,405,252	103,154,693	83,649,313	5,426,773	4,157,764	18,236,371	22,126,135
	(99,768,891)	(12,274,312)	(6,267,755)	(105,775,448)	(84,472,649)	(5,266,883)	(6,090,219)	(22,126,135)	
Vehicles	2,542,300	-	1,144,100	1,398,200	1,678,730	252,038	1,086,895	554,327	863,570
	(5,765,752)	(-)	(3,223,452)	(2,542,300)	(3,586,126)	(583,261)	(2,490,657)	(863,570)	
Office equipments	106,264,395	7,015,647	6,253,432	107,026,610	91,284,079	5,998,135	5,894,034	15,638,430	14,980,316
	(102,443,194)	(8,303,156)	(4,481,955)	(106,264,395)	(89,273,424)	(6,226,978)	(4,216,323)	(14,980,316)	
Total	855,598,088	39,356,834	22,422,109	872,532,813	690,604,399	40,085,266	19,739,354	161,582,502	164,993,689
	(774,839,431)	(104,528,458)	(23,769,801)	(855,598,088)	(674,924,831)	(38,042,502)	(22,362,934)	(164,993,689)	

10(ii) Intangible assets

Particulars *	Gross block			Accumulated amortization			Net block		
	Cost as at 01.04.2016	Additions	Deductions / adjustments	Cost as at 31.03.2017	Upto 31.03.2016	For the year	Deductions / adjustments	As at 31.03.2017	As at 31.03.2016
Computer software - purchased	106,130,882	-	90,263,745	15,867,137	106,118,976	-	90,261,683	15,857,293	11,906
	(106,685,809)	(-)	(554,927)	(106,130,882)	(106,673,776)	(-)	(554,800)	(106,118,976)	(11,906)
Goodwill on purchase of business (Refer Note 10(iv))	28,191,513	-	-	28,191,513	9,052,180	5,622,897	-	13,516,436	19,139,333
	(28,191,513)	(-)	(-)	(28,191,513)	(3,413,877)	(5,638,303)	(-)	(19,139,333)	
Total	134,322,395	-	90,263,745	44,058,650	115,171,156	5,622,897	90,261,683	30,532,370	19,151,239
	(134,877,322)	(-)	(554,927)	(134,322,395)	(110,087,653)	(5,638,303)	(554,800)	(19,151,239)	

Previous year figures are in brackets

* Represents owned unless otherwise stated

Notes forming part of financial statements

10(iii) Depreciation and amortization expense

Particulars	Year ended 31.03.2017	Year ended 31.03.2016
Depreciation on Tangible assets As per Note 10(i)	40,085,266	38,042,502
Amortization on Intangible assets As per Note 10(ii)	5,622,897	5,638,303
Total	45,708,163	43,680,805

10(iv) During the year 2014-15, the Company had acquired software service business of Xyka Software Private Limited, pursuant to a business transfer agreement dated 21.08.2014. The Company had acquired the business by way of slump sale for a consideration in cash. Excess of consideration paid over net assets taken over was treated as goodwill, in accordance with Para 16 of Accounting Standard 10, Accounting of Fixed Assets.

11 : Non-current investments	As at 31.03.2017	As at 31.03.2016
Trade, Long-term, unquoted and at cost in subsidiary companies		
Investment in equity instruments		
3,375,394 Equity shares of ₹ 10/- each in Sonata Information Technology Limited (fully paid) (As at 31.03.2016 - 3,375,394 Equity shares of ₹ 10/- each (fully paid))	33,753,940	33,753,940
300,000 Equity shares of 1 US Dollar each in Sonata Software North America Inc., (fully paid) (As at 31.03.2016 - 300,000 Equity shares of 1 US Dollar each - (fully paid))	12,232,184	12,232,184
2 Equity shares of Euro 12,500 each in Sonata Software GmbH, Germany (fully paid) (As at 31.03.2016 - 2 Equity shares of Euro 12,500 each (fully paid))	3,166,234	3,166,234
800 Equity shares of 1 Pound each in Sonata Europe Limited, UK (fully paid) (As at 31.03.2016 - 800 Equity shares of 1 Pound each (fully paid))	68,223	68,223
500 Equity shares in Sonata Software FZ LLC of 1,000 AED each (fully paid) (As at 31.03.2016 - 500 Equity shares of 1,000 AED each (fully paid))	6,614,250	6,614,250
98 Equity shares in Sonata Software (Qatar) LLC of 1,000 QAR each (fully paid) (As at 31.03.2016 - 98 Equity shares of 1,000 QAR each (fully paid))	1,242,640	1,242,640
Investment in preference shares		
2,459,560 - 2% non-cumulative convertible redeemable preference shares of 1 Pound each in Sonata Europe Limited, UK (fully paid) (As at 31.03.2016 - 2,459,560 shares of 1 Pound each (fully paid))	203,115,179	203,115,179
Total	260,192,650	260,192,650
Aggregate cost of unquoted investments	260,192,650	260,192,650

Notes forming part of financial statements

	As at 31.03.2017	As at 31.03.2016
(₹)		
12 : Deferred tax assets (net)		
Tax effects on		
Difference between book balance and tax balance of fixed assets	37,139,153	43,063,383
Others	70,193,479	56,742,721
Total	107,332,632	99,806,104
13 : Long-term loans and advances		
Unsecured, considered good unless otherwise stated		
Capital advances	1,744,882	694,666
Security deposits	126,158,334	116,290,542
Other deposits	13,897,511	16,057,722
Prepaid expenses	5,714,920	11,337,584
Advance Tax (net of provision for tax - ₹ 806,827,184/- (as at 31.03.2016 - ₹ 1,052,836,346/-))	366,911,545	317,288,780
MAT credit entitlement	-	6,966,402
Balances with government authorities		
VAT credit receivable, considered doubtful	657,915	657,915
Less : Provision for doubtful balances	657,915	657,915
	-	-
Other recoverables	1,120,652	1,060,975
Total	515,547,844	469,696,671
14 : Other non-current assets		
Balance held as margin money or security against borrowings	1,200,000	1,200,000
Interest accrued but not due on margin money	177,601	84,772
Total	1,377,601	1,284,772
15 : Current investments		
A) Current portion of long-term investments (at cost)		
Trade, unquoted		
In subsidiary company		
Investment in preference shares		
Nil - 2% non-cumulative convertible redeemable preference shares of 1 Pound each fully paid in Sonata Europe Limited, UK (As at 31.03.2016 - 21,500,000 shares of 1 Pound each fully paid)	-	177,551,120
	-	177,551,120
B) Other current investments (At lower of cost and fair value, unless otherwise stated)		
Non-trade		
Investments in mutual funds (unquoted)		
Birla Sun Life Cash Plus - Daily Dividend - Direct Plan 799,123.30 units at ₹ 100.20 per unit (As at 31.03.2016 - Nil units)	80,068,160	-
HDFC Floating Rate Income Fund - Short term Plan - Wholesale Option - Direct Plan - Dividend Reinvest 2,482,127.38 units at ₹ 10.08 per unit (As at 31.03.2016 - Nil units)	25,022,078	-

Notes forming part of financial statements

	(₹)	
	As at 31.03.2017	As at 31.03.2016
Birla Sun Life Short Term Opportunities Fund - Quarterly Dividend-Regular Plan 17,806,888.02 units at ₹ 10.26 per unit (As at 31.03.2016 - 16,661,337.40 units at ₹ 10.35 per unit)	182,684,425	172,444,837
ICICI Prudential Liquid - Direct Plan - Daily Dividend - Reinvest 799,953.26 units at ₹ 100.07 per unit (As at 31.03.2016 - Nil units)	80,050,122	-
HDFC Liquid Fund - Direct Plan - Daily Dividend Reinvest 53,945.71 units at ₹ 1019.82 per unit (As at 31.03.2016 - Nil units)	55,014,916	-
Tata Short Term Bond Fund Regular Plan - Growth 2,154,494.49 units at ₹ 23.21 per unit (As at 31.03.2016 - 2,154,494.49 units at ₹ 23.21 per unit)	50,000,000	50,000,000
IDFC Cash Fund - Daily Dividend (Direct Plan) 79,928.33 units at ₹ 1001.67 per unit (As at 31.03.2016 - Nil units)	80,061,516	-
HDFC Regular Savings Fund - Regular Plan - Growth 4,125,514.66 units at ₹ 24.24 per unit (As at 31.03.2016 - 4,125,514.66 units at ₹ 24.24 per unit)	100,000,000	100,000,000
DSP BlackRock Income Opportunities Fund - Regular Plan - Growth 2,494,462.29 units at ₹ 20.04 per unit (As at 31.03.2016 - 2,494,462.29 units at ₹ 20.04 per unit)	50,000,000	50,000,000
Tata Money Market Fund Direct Plan - Daily Dividend 84,934.03 units at ₹ 1001.52 per unit (As at 31.03.2016 - Nil units)	85,063,019	-
DSP BlackRock Money Manager Fund - Direct Plan - Daily Dividend 29,896.19 units at ₹ 1004.23 per unit (As at 31.03.2016 - Nil units)	30,022,668	-
DSP BlackRock Liquidity Fund - Direct Plan - Daily Dividend 79,976.76 units at ₹ 1000.81 per unit (As at 31.03.2016 - Nil units)	80,041,305	-
Reliance Regular Savings Fund - Debt Plan - Growth Plan Growth Option - SDGP 5,940,888.16 units at ₹ 16.83 per unit (As at 31.03.2016 - 8,961,214.96 units at ₹ 16.74 per unit)	100,000,000	150,000,000
	998,028,208	522,444,837
Total	998,028,208	699,995,957
Aggregate cost of unquoted investments	999,612,409	702,431,035

Notes forming part of financial statements

	(₹)	
	As at 31.03.2017	As at 31.03.2016
16 : Trade receivables		
Unsecured		
Trade receivables outstanding for a period exceeding six months from the date they were due for payment		
Considered good	3,766,517	239,776
Considered doubtful	19,451,874	974,594
	<u>23,218,391</u>	<u>1,214,370</u>
Less : Provision for doubtful trade receivables	19,451,874	974,594
	<u>3,766,517</u>	<u>239,776</u>
Other trade receivables :		
Considered good	1,597,070,454	1,244,956,724
	<u>1,597,070,454</u>	<u>1,244,956,724</u>
Total	<u>1,600,836,971</u>	<u>1,245,196,500</u>
17 : Cash and cash equivalents		
Balances with banks		
In current accounts	209,249,851	169,946,759
In EEFC accounts	34,791,557	13,999,802
In earmarked accounts		
Unpaid dividend accounts	12,536,733	11,123,935
Balance held as margin money or security against borrowings	1,060,000,000	1,659,998,339
"The balance that meet the definition of Cash and cash equivalents as per AS-3 Cash flow Statement is ₹ 244,041,408/- (As at 31.03.2016 is ₹ 183,946,561/-)"		
Total	<u>1,316,578,141</u>	<u>1,855,068,835</u>
18 : Short-term loans and advances		
Unsecured, considered good		
Loans and advances to related parties (Refer Note 34)		
Advances recoverable	43,369,588	20,366,562
Inter-corporate deposits	-	19,500,000
Security deposits	1,455,000	11,127,500
Gratuity (Refer Note 32)	16,775,295	-
Loans and advances to employees	5,315,205	3,125,596
Prepaid expenses	39,130,626	38,212,948
Balances with Government authorities		
Service tax credit receivable	1,429,080	4,805,632
VAT credit receivable	32,289	5,479,399
Other recoverables	7,700,456	9,244,578
Total	<u>115,207,539</u>	<u>111,862,215</u>
19 : Other current assets		
Unbilled revenue	102,388,868	54,265,960
Interest accrued but not due on bank deposits/margin money	27,517,120	65,487,899
Unrealized gain on forward contracts	174,872,046	98,987,597
Total	<u>304,778,034</u>	<u>218,741,456</u>

Notes forming part of financial statements

	Year ended 31.03.2017	Year ended 31.03.2016
(₹)		
20.1 : Revenue from operations		
Revenue from software services	5,622,513,201	5,028,605,158
Revenue from software product and licenses	286,335,319	14,708,385
Other operating revenues	17,185,146	4,726,725
Total	5,926,033,666	5,048,040,268
20.2 : Other income		
Interest income		
Interest from fixed deposits/margin money with banks	81,597,726	112,224,328
Interest from inter-corporate deposits	23,761,949	26,855,946
Dividend income		
From current investments	15,712,340	16,985,509
From long-term investments in subsidiaries	33,753,940	67,507,880
Net gain on sale of current investments	17,193,911	9,483,412
Net gain on foreign currency transactions and translations	189,088,024	95,663,754
Other non-operating income		
Net gain on sale of fixed assets	-	886,237
Liabilities/provisions no longer required written back	-	48,746,189
Commission (Refer Note 34)	7,839,017	5,083,454
Miscellaneous income	7,623,788	5,918,667
Total	376,570,695	389,355,376
21 : Employee benefits expense		
Salaries, wages, bonus and allowances	2,838,104,554	2,666,426,439
Contributions to provident and other funds (Refer Note 32)	201,499,392	179,627,884
Staff welfare expenses	57,725,076	48,163,314
	3,097,329,022	2,894,217,637
Less: Deputation cost/Service charges recovered from subsidiary (Refer Note 34)	29,281,827	29,969,543
Total	3,068,047,195	2,864,248,094
22 : Finance costs		
Interest expense on:		
Borrowings	16,670,737	18,762,265
Others	7,824,022	16,927
Other borrowing costs	527,282	48,485
Net loss on foreign currency transactions and translations	14,859,700	20,234,000
Total	39,881,741	39,061,677
23 : Other expenses		
Power and fuel	57,032,980	54,413,924
Rent (Refer Note 35)	244,418,931	220,743,775
Repairs and maintenance - Buildings	1,961,940	2,935,817
Repairs and maintenance - Machinery	12,515,550	10,442,124
Insurance	32,743,703	28,881,639
Rates and taxes	1,651,053	6,894,323
Communication cost	47,124,057	38,425,927

Notes forming part of financial statements

	(₹)	
	Year ended 31.03.2017	Year ended 31.03.2016
Facility maintenance	50,428,416	41,915,987
Travelling and conveyance expenses	298,368,607	245,627,022
Professional and technical fees	80,537,014	59,077,907
Legal fees	1,866,954	2,380,661
Insourcing professional fees	65,063,687	57,140,937
Software license fees	60,308,282	28,140,182
Expenditure on Corporate Social Responsibility	17,595,701	12,753,723
Payments to auditors (Refer Note below)	5,399,073	5,093,944
Net loss on fixed assets sold / scrapped	1,848,406	-
Excess of carrying costs over fair value of current investments	1,584,201	2,435,078
Provision for doubtful trade receivables	18,655,697	567,194
Miscellaneous expenses	106,362,300	82,342,202
	<u>1,105,466,552</u>	<u>900,212,366</u>
Less: Service charges recovered from subsidiary (Refer Note 34)	13,050,842	10,522,115
Total	1,092,415,710	889,690,251
Note - Payments to auditors comprises (net of service tax input credit):		
Statutory audit	3,400,000	3,400,000
Other services	1,830,000	1,535,000
Reimbursement of expenses	169,073	158,944
	<u>5,399,073</u>	<u>5,093,944</u>
The Company avails input credit for service tax and hence no service tax expense was accrued		

	(₹)	
24: Contingent liabilities	As at 31.03.2017	As at 31.03.2016
a) Guarantees		
The Company has given corporate guarantees to certain suppliers of Sonata Information Technology Limited (SITL), its wholly owned subsidiary, on behalf of SITL, amount drawn down as at year end against this facility is ₹ Nil (as at 31.03.2016 is ₹ Nil)	1,022,750,000	1,043,750,000
b) Claims against the Company not acknowledged as debt		
The Company had received a legal notice from its ex-employee towards compensation arising on account of terms of appointment. Based on legal opinion received by the Company, the maximum amount payable in the event the proceeding goes against the Company is ₹ 22,863,099.	22,863,099	22,863,099
c) Disputed demand of Service tax		
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 ₹ 23,700,000. The amount included as disputed demand is excluding the amount indemnified by the client.	67,653,029	67,653,029
d) Disputed demands of Income-tax	1,168,972,568	1,004,844,337

Notes forming part of financial statements

Details of disputed demands of Income-tax by issue and by year are as below:

(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 ₹ 336,003,062, (As at 31.03.2016 - ₹ 336,003,062) for financial years 2007-08 and 2009-10. During the year, the Company received favorable orders from Commissioner of Income-tax (Appeals) and the Department has preferred an appeal before Income-tax Appellate Tribunal (ITAT).

For the Financial Year 2006-07, ₹ Nil (As at 31.03.2016- ₹ Nil), the Company has received favorable order from Commissioner of Income-tax (Appeals) and the Department has preferred an appeal before the Honorable High Court of Mumbai which is yet to be admitted.

For the Financial Year 2008-09, ₹164,128,231 (As at 31.03.2016- ₹ Nil), the Department has preferred an appeal before Income-tax Appellate Tribunal (ITAT).

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 ₹ 14,863,703 (As at 31.03.2016 - ₹ 14,863,703).

(ii) Inter-unit set-off of losses

As discussed in point (i) above, the Company operates multiple operating units and undertakings under the Software Technology Park Scheme of India. While computing its taxable profits, losses from one undertaking were set off against profits of another or carried forward to the subsequent years. The Income-tax department had disallowed such carry forward of losses. The Company received favorable orders from ITAT and the department had preferred an appeal before the Honorable High Court of Mumbai which is yet to be admitted for financial years 2002-03, 2003-04 and 2004-05 and hence there is no contingent liability.

(iii) 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 ₹ 233,708,329 (As at 31.03.2016 - ₹ 233,708,329)

for financial years 2001-02, 2002-03, 2003-04 and 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.

₹ 11,635,577 (As at 31.03.2016- ₹ 11,635,577) 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 has preferred an appeal before ITAT.

(iv) Transfer Pricing Adjustment

₹ 116,162,422 (As at 31.03.2016 - ₹ 116,162,422) for the Financial Year 2011-12. 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 has preferred an appeal before Commissioner of Income-tax (Appeals).

(v) 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 ₹ 284,187,956 (As at 31.03.2016 - ₹ 284,187,956) 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 ₹ 87,904,913 out of the above demand. The amount included as disputed demand is excluding the amount paid by the supplier.

(vi) 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 ₹ 8,283,288 (As at 31.03.2016 - ₹ 8,283,288) 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.

Notes forming part of financial statements

	(₹)	
25 : Commitments	As at 31.03.2017	As at 31.03.2016
Estimated amount of contracts remaining to be executed on capital account and not provided for	11,786,225	687,669
26 : Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006		
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	3,444,807	1,037,705
(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.

27 : Details on derivative instruments and unhedged foreign currency exposures

- i) Objective of Company's hedges is to minimize the impact of Foreign exchange rate variations on INR value of the committed receipts and payments in foreign currencies .The company hedges majority of cash flows expected to arise from its future one-year firm commitments/ highly probable forecasted transactions on rolling month basis through simple forward exchange contracts. On every reporting date, Company obtains the Mark to Market valuation report of all the outstanding derivative contracts from the Foreign Exchange Authorized Dealers. Extent of fair value gains/(losses) recognized in the statement of profit and loss in the current year is ₹ 75,344,968 (for the year ended 31.03.2016 ₹ 19,740,900) and recognised as Hedge Reserve as at 31.03.2017 is ₹ 93,654,686 (as at 31.03.2016 is ₹ 71,823,122).
- ii) Forward exchange contracts (being derivative instruments), which are not intended for trading or speculative purposes but for hedge purposes to establish the amount of reporting currency required or available at the settlement date of certain receivables / investments.

The following are the outstanding forward exchange contracts entered into by the Company and outstanding as at 31.03.2017 (Previous year figures are in brackets).

Currency	Amount	Buy / Sell	Cross currency
USD	28,150,000	Sell	Rupees
	(29,400,000)	Sell	Rupees
GBP	5,860,000	Sell	Rupees
	(5,820,000)	Sell	Rupees
EUR	2,635,000	Sell	Rupees
	(5,400,000)	Sell	Rupees

Notes forming part of financial statements

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

	As at 31.03.2017		As at 31.03.2016		Currency
	Receivable / (Payable) (₹)	Receivable/ (Payable) in Foreign currency	Receivable / (Payable) (₹)	Receivable/ (Payable) in Foreign currency	
Trade receivables	20,404,893	411,389	13,099,559	256,904	AUD
	4,940,915	76,213	5,447,047	79,034	CHF
	-	-	532,906	7,068	EUR
	202,810,989	2,506,315	197,640,224	2,069,531	GBP
	613,017,913	9,452,859	142,250,824	2,147,182	USD
	119,248	2,570	788,000	16,000	SGD
Other current assets	35,224,395	435,299	23,426,171	245,300	GBP
	45,201,552	697,017	2,646,024	39,940	USD
	1,620,750	25,000	-	-	CHF
	3,330,692	48,055	-	-	EUR
Long-term loans and advances	1,004,865	15,500	1,068,260	15,500	CHF
	171,467	3,457	118,195	2,318	AUD
	-	-	447,704	4,688	GBP
	222,720	4,800	236,400	4,800	SGD
	78,390	1,131	20,358	270	EUR
Short-term loans and advances	3,296,718	66,466	1,454,284	28,521	AUD
	4,101,898	59,182	6,728,657	89,239	EUR
	15,029,333	185,731	12,258,982	128,366	GBP
	14,423,299	222,211	17,705,097	267,247	USD
	173,218	9,726	-	-	QAR
	509,733	10,986	274,315	5,570	SGD
Other current liabilities	(441,725)	(9,520)	(5,979,059)	(121,402)	SGD
	(2,316,842)	(46,711)	(633,959)	(12,433)	AUD
	(95,803,303)	(1,183,926)	(52,541,933)	(550,177)	GBP
	(493,380)	(7,118)	(1,438,078)	(19,073)	EUR
	(4,953,216)	(76,321)	(17,188)	(259)	USD
	(2,243,248)	(34,602)	-	-	CHF
Short term borrowings	-	-	(798,312,500)	(12,050,000)	USD

Notes forming part of financial statements

	As at 31.03.2017		As at 31.03.2016		Currency
	Receivable / (Payable) (₹)	Receivable/ (Payable) in Foreign currency	Receivable / (Payable) (₹)	Receivable/ (Payable) in Foreign currency	
Trade payables	(2,403,583)	(48,450)	(404,221)	(7,927)	AUD
	(1,686,076)	(26,008)	(73,252)	(1,063)	CHF
	(868,995)	(12,538)	(1,086,409)	(14,409)	EUR
	(42,965,293)	(534,932)	(44,960,776)	(470,793)	GBP
	(61,506,297)	(948,236)	(6,630,159)	(100,078)	USD
	(869,710)	(18,744)	(479,446)	(9,735)	SGD
	(514,401)	(9,531)	-	-	NZD
	(2,914,741)	(402,409)	-	-	SEK

(₹)

	Year ended 31.03.2017	Year ended 31.03.2016
28 : Value of imports calculated on CIF basis		
Fixed assets	-	9,125,057
Stock-in-trade - Hardware/Software product and licenses	265,441,781	14,276,718
29 : Expenditure in foreign currency		
Travelling and conveyance expenses	124,872,697	100,022,899
Employee benefits expense	496,681,824	475,538,551
Legal, professional and technical fees	30,849,024	35,560,239
Interest	3,597,900	4,409,253
Others	38,943,370	10,467,786
Total	694,944,815	625,998,728

	Year ended 31.03.2017			Year ended 31.03.2016		
	First Interim	Second Interim	Final	First Interim	Second Interim	Final
30 : Dividend remittance in foreign currency						
Amount remitted (net) (₹)	3,701,681	-	-	2,420,093	3,225,261	3,566,107
Number of non-resident shareholders	759	-	-	509	481	554
Number of shares on which remittance was made	1,057,623	-	-	691,455	586,411	839,084
Year for which the dividend was paid	2016-17	2016-17	2015-16	2015-16	2015-16	2014-15

(₹)

	Year ended 31.03.2017	Year ended 31.03.2016
31 : Earnings in foreign exchange		
Export of services	4,998,005,249	4,405,181,591
Export of goods calculated on FOB basis	278,768,195	14,708,385
Other operating revenues	14,352,155	5,992,773
Commission income	2,869,762	1,154,027

Notes forming part of financial statements

32 : Employee benefit plans

i) Defined contribution plans

a) Provident fund

The Company 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 Company is required to contribute a specified percentage of payroll cost to fund the benefits.

The Rules of the Company's Provident Fund administered by the Trust require that if the Board of Trustees are unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Company. Having regard to the assets of the Fund and the return on the investments, the Company does not expect any deficiency in the foreseeable future.

Provident fund contributions amounting to ₹ 97,558,911 (for the year ended 31.03.2016 ₹ 86,742,578) has been charged to the Statement of Profit and Loss (as part of Contribution to Provident Fund and other Funds in Note 21 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:

	Year ended 31.03.2017	Year ended 31.03.2016
Employee's State Insurance (as part of Staff welfare expenses in Note 21 Employee benefits expense)	1,132,703	330,890
Superannuation (as part of Contribution to Provident Fund and other Funds in Note 21 Employee benefits expense)	47,090,723	38,700,800
National Pension Scheme (as part of Contribution to Provident Fund and other Funds in Note 21 Employee benefits expense)	2,973,828	2,671,657
National Insurance Contribution (as part of Contribution to Provident Fund and other Funds in Note 21 Employee benefits expense)	23,668,190	25,353,655
(₹)		
ii) Defined benefit plans - Gratuity		
As per actuarial valuation		
Change in Obligation during the year		
Present value of Defined Benefit Obligation at beginning of the year	188,098,552	170,753,756
Current Service Cost	27,189,171	24,997,817
Interest Cost	15,725,039	13,660,300
Actuarial (Gains)/Losses	11,622,471	(8,586,023)
Benefits Paid	(10,580,635)	(12,727,298)
Present value of Defined Benefit Obligation at the end of the year	232,054,598	188,098,552
Change in Assets during the year		
Plan assets at the beginning of the year	181,829,979	169,149,759
Expected return on plan assets	15,200,986	13,531,981
Contributions by Employer	53,251,608	21,494,618
Actual benefits paid	(10,580,635)	(12,727,298)
Actuarial Gains/ (Losses)	9,127,955	(9,619,081)
Plan assets at the end of the year	248,829,893	181,829,979
Actual return on plan assets	24,328,941	3,912,900
Net Asset/(Liability) recognized in the Balance Sheet		
Present Value of Defined Benefit Obligation	232,054,598	188,098,552
Fair value of plan assets	248,829,893	181,829,979
Fund status (Surplus/(Deficit))	16,775,295	(6,268,573)
Net Assets /(Liability)	16,775,295	(6,268,573)

Notes forming part of financial statements

	(₹)	
	Year ended 31.03.2017	Year ended 31.03.2016
Expenses recognized in the Statement of Profit and Loss (as part of Contribution to Provident Fund and other Funds in Note 21 Employee benefits expense)		
Current Service Cost	27,189,171	24,997,817
Interest Cost	15,725,039	13,660,300
Expected return on plan assets	(15,200,986)	(13,531,981)
Net Actuarial (Gains)/Losses	2,494,516	1,033,058
Total Expense	30,207,740	26,159,194
The major categories of plan assets as a percentage of total plan		
Insurer Managed Funds	100%	100%
Category of funds :		
Secure Fund	12.88%	9.49%
Defensive Fund	42.32%	44.50%
Balanced Fund	44.66%	45.83%
Stable Managed Fund	0.14%	0.18%
Actuarial Assumptions:		
Discount Rate	7.57%	8.36%
Rate of return on plan assets	7.57%	8.36%
Retirement Age	60 Years	60 Years
Mortality Table	Indian Assured Lives Mortality (2006-08)	Indian Assured Lives Mortality (2006-08)
Salary escalation	5.0%	5.0%
Estimate of amount of contribution in the immediate next year	18,205,938	33,457,744

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.

	(₹)				
Particulars	31.03.2017	31.03.2016	31.03.2015	31.03.2014	31.03.2013
Experience adjustments					
Present value of defined benefit obligation	232,054,598	188,098,552	170,753,756	117,761,920	101,159,121
Fair value of plan assets	248,829,893	181,829,979	169,149,759	118,222,154	98,329,181
Surplus / (deficit)	16,775,295	(6,268,573)	(1,603,997)	460,234	(2,829,940)
Experience adjustments on plan liabilities - (gain)/losses	(7,409,385)	(939,187)	43,422,944	22,425,918	(450,281)
Experience adjustments on plan assets - (losses)/gain	9,127,955	(9,619,081)	15,785,228	(1,176,894)	(37,692)

33 : Segment reporting

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

Notes forming part of financial statements

34 : Related party disclosure

i) Details of related parties :

Description of relationship

Names of related parties

a) Wholly owned Subsidiaries (WOS)

Sonata Information Technology Limited, India
 Sonata Software North America Inc., USA
 Sonata Software GmbH, Germany
 Sonata Europe Limited, UK
 Sonata Software FZ LLC, Dubai
 Halosys Technologies Inc. (subsidiary of Sonata Software North America Inc. w.e.f 11.09.2015)
 Interactive Business Information Systems Inc. (subsidiary of Sonata Software North America Inc. w.e.f 18.11.2015)

(b) Subsidiary

Rezopia Inc., USA (subsidiary of Sonata Software North America)
 Sonata Software (Qatar) LLC, Qatar

(c) Key Management Personnel (KMP)

P Srikar Reddy, Managing Director & Chief Executive Officer

ii) Transactions with related parties :

Particulars	WOS and Subsidiary		KMP	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Rendering of services				
Sonata Software North America Inc., USA	2,444,143,880	1,977,351,696	-	-
Sonata Europe Limited, UK	290,827,988	220,907,575	-	-
Sonata Software FZ-LLC, Dubai	201,262,797	90,856,829	-	-
Rezopia Inc., USA	30,511,375	90,726,647	-	-
Sonata Information Technology Limited, India	168,926,888	132,372,503	-	-
Purchase of Software products and licenses				
Sonata Information Technology Limited, India	115,002,597	32,216,326	-	-
Service charges recovered				
Sonata Information Technology Limited, India	42,332,669	40,491,658	-	-
Reimbursement of expenses				
Sonata Information Technology Limited, India	15,195,099	8,691,643	-	-
Sonata Software North America Inc., USA	9,313,275	5,633,038	-	-
Sonata Software GmbH, Germany	876,033	683,274	-	-
Sonata Software FZ-LLC, Dubai	-	325,851	-	-
Rezopia Inc., USA	399,989	400,000	-	-
Sonata Europe Limited, UK	4,664,955	3,513,395	-	-
Halosys Technologies Inc.	300,025	-	-	-
Inter corporate deposits given				
Sonata Information Technology Limited, India (Refer Note (i) and (ii) below)	5,155,211,505	5,137,000,000	-	-
Inter corporate deposits recovered				
Sonata Information Technology Limited, India	5,174,711,505	5,117,500,000	-	-

Notes forming part of financial statements

Particulars	WOS and Subsidiary		KMP	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Interest on inter corporate deposits received				
Sonata Information Technology Limited, India	23,761,353	26,855,946	-	-
Recovery of rent				
Sonata Information Technology Limited, India	5,147,273	3,587,411	-	-
Dividend received				
Sonata Information Technology Limited, India	33,753,940	67,507,880	-	-
Received on redemption of preference shares				
Sonata Europe Limited, UK	227,291,204	86,918,479	-	-
Guarantees given on behalf of subsidiary				
Sonata Information Technology Limited, India	-	331,250,000	-	-
Sonata Software North America Inc., USA	-	596,250,000	-	-
Commission received on guarantees given on behalf of subsidiary				
Sonata Information Technology Limited, India	4,969,255	3,929,427	-	-
Sonata Software North America Inc., USA	2,869,762	1,154,027	-	-
Remuneration				
P Srikar Reddy, Managing Director & Chief Executive Officer	-	-	36,249,356	35,396,902
Commission				
P Srikar Reddy, Managing Director & Chief Executive Officer	-	-	7,686,227	7,929,549
Balances outstanding at the end of the year:				
Trade receivables				
Sonata Information Technology Limited, India	-	21,651,578	-	-
Sonata Software North America Inc., USA	815,172,434	608,039,417	-	-
Sonata Europe Limited, UK	37,815,059	40,442,237	-	-
Sonata Software FZ-LLC, Dubai	139,048,452	34,337,773	-	-
Rezopia Inc., USA	5,462,320	32,640,847	-	-
Advances recoverable				
Sonata Information Technology Limited, India	39,847,462	11,731,457	-	-
Sonata Europe Limited, UK	2,105,092	756,327	-	-
Sonata Software North America Inc., USA	1,206,405	6,768,763	-	-
Sonata Software GmbH, Germany	210,009	705,744	-	-
Rezopia Inc., USA	-	404,271	-	-
Trade payables				
Sonata Software FZ-LLC, Dubai	256,086	-	-	-
Sonata Information Technology Limited, India	31,432,472	-	-	-
Reimbursement of expenses payable				
Sonata Software North America Inc., USA	3,837,193	3,591,067	-	-
Sonata Europe Limited, UK	1,348,683	-	-	-

Notes forming part of financial statements

Particulars	WOS and Subsidiary		KMP	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Inter corporate deposit receivable (Refer notes (a) and (b) below)				
Sonata Information Technology Limited, India	-	19,500,000	-	-
Remuneration payable				
P Srikar Reddy, Managing Director & Chief Executive Officer	-	-	12,000,000	10,000,000
Commission payable				
P Srikar Reddy, Managing Director & Chief Executive Officer	-	-	7,686,227	7,929,549
Guarantees given on behalf of Subsidiary				
Sonata Software North America Inc., USA	583,650,000	596,250,000	-	-
Sonata Information Technology Limited, India	1,022,750,000	1,043,750,000	-	-

Notes:

- (a) Maximum balance outstanding during the year is ₹ 888,000,000 (for the year ended 31.3.2016 ₹ 996,500,000)
- (b) These inter corporate deposits were given for business purposes.

35 : Details of leasing arrangements

- i. The Company has entered into various operating lease agreements for office premises, residential premises, guest houses and certain assets. These leases are cancellable as well as non-cancellable and are for a period of 3 to 99 months and may be renewed based on mutual agreement of the parties.

	As at	
	31.03.2017	31.03.2016
ii. The total of future minimum lease payments are non-cancellable operating leases are as below :		
Not later than one year	76,307,661	123,499,573
Later than one year and not later than 5 years	73,411,535	152,159,776
Later than 5 years	-	-
iii. The Company has subleased a portion of its leased premises cancelable at the option of either parties.		
iv. The lease payments recognised in the statement of Profit and Loss are as under :		
Included in rent	249,566,204	224,331,186
Less : Sub-lease payment received	5,147,273	3,587,411
Net rent expenses (Refer Note 23)	244,418,931	220,743,775
v. There are no rents which are contingent in nature.		

36 : Corporate Social Responsibility

As per Section 135 of 2013 Act, a company meeting the applicability threshold, needs to spend atleast 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 Company as per the 2013 Act. 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 Company during the year is ₹ 19,016,013 (Previous year is ₹ 12,956,987)
- (ii) Amount spent during the year is ₹ 17,595,701 (Previous year is ₹ 12,753,723)
- (iii) Amount unspent is ₹ 1,420,312 (Previous year is ₹ 203,264)

Notes forming part of financial statements

37: Earnings Per Share

	Year ended 31.03.2017	Year ended 31.03.2016
Profit attributable to equity shareholders (₹)	1,372,334,814	1,174,444,871
Weighted average number of Equity Shares of ₹ 1/- each	105,159,306	105,159,306
Earnings Per Share - Basic and Diluted (₹)	13.05	11.17

38: The Company did not have any holdings or dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the 8th November, 2016 of the Ministry of Finance, during the period from 8th November, 2016 to 30th December, 2016

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

40: The Board of Directors recommended a final dividend of ₹ 5.50 (550%) on per value of ₹ 1) per equity share to the Financial Year ended March 31, 2017. The payment is subject to the approval of the shareholders in the ensuing Annual General Meeting of the Company.

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

For and on behalf of the Board of Directors

PRADIP P SHAH

Chairman

P SRIKAR REDDY

Managing Director
& Chief Executive Officer

Place : Mumbai
Date : 29th May 2017

PRASANNA OKE
Chief Financial Officer

R SATHYANARAYANA
VP - Finance & Accounts

KUNDAN KUMAR LAL
Company Secretary

Independent Auditors' Report

TO THE MEMBERS OF SONATA SOFTWARE LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Sonata Software Limited** (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), comprising of the Consolidated Balance Sheet as at 31st March, 2017, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, as applicable. The respective Board of Directors of the entities 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; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the 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 Holding Company, as aforesaid.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of the other auditors on separate financial statements / financial information of the subsidiaries referred to in the Other Matters paragraph below, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31st March, 2017, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Other Matters

We did not audit the financial statements of 3 subsidiaries whose financial statements reflect total assets of ₹ 658,389,250/- as at 31st March,

2017, total revenues of ₹ 535,590,707/- and net cash inflows amounting to ₹ (241,786,613)/- for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, are based solely on reports of the other auditors.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit and on the consideration of the report of the other auditors on separate financial statements of subsidiaries referred in the Other Matters paragraph above we report, to the extent applicable, 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.
 - c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement 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 Accounting Standards prescribed under Section 133 of the Act, as applicable.
 - e) On the basis of the written representations received from the directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies incorporated in India as on 31st March, 2017 taken on record by the Board of Directors of the respective companies, none of the directors of the Group companies incorporated in India is disqualified as on 31st March, 2017 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 Report in "Annexure A", which is based on the auditors' reports of the Holding company and subsidiary company incorporated in India. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Holding company's and subsidiary company's incorporated in India, internal financial controls over financial reporting.
 - g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors') Rules, 2014, 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.
 - a) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company.
 - b) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the subsidiary company, incorporated in India.
 - iv. The Holding Company and its subsidiaries in India did not have any holdings or dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the 8th November, 2016 of the Ministry of Finance, during the period from 8th November, 2016 to 30th December, 2016.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Firm's Registration No. 008072S)

Place: Mumbai
Date: 29 May, 2017

V. Srikumar
Partner
(Membership No. 84494)

Annexure “A” To The Independent Auditors’ Report

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

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 financial statements of the Company as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of **Sonata Software Limited** (hereinafter referred to as “the Holding Company”) and its subsidiary company incorporated in India, as of that date.

Management’s Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company and its subsidiary 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. 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.

Auditors’ Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Holding Company and its subsidiary 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 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 aforesaid entities.

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 Holding Company and its subsidiary 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 31st March, 2017, 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.

For DELOITTE HASKINS & SELLS

Chartered Accountants
(Firm's Registration No. 008072S)

Place: Mumbai
Date: 29 May, 2017

V. Srikumar
Partner
(Membership No. 84494)

Consolidated Balance Sheet as at March 31, 2017

	Note No.	As at 31.03.2017	As at 31.03.2016
(₹)			
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	3	105,159,306	105,159,306
Reserves and surplus	4	5,740,742,162	4,604,765,326
		5,845,901,468	4,709,924,632
NON-CURRENT LIABILITIES			
Long-term borrowings	5	325,330,833	522,270,833
Other long-term liabilities	6	186,817,652	161,630,185
		512,148,485	683,901,018
CURRENT LIABILITIES			
Short-term borrowings	7	17,758,902	1,190,531,943
Trade payables			
Total outstanding dues of micro and small enterprises	30	3,444,807	1,037,705
Total outstanding dues other than micro and small enterprises	8	4,479,008,935	2,653,606,927
Other current liabilities	9	750,178,664	431,877,132
Short-term provisions	10	344,848,135	248,874,272
		5,595,239,443	4,525,927,979
TOTAL		11,953,289,396	9,919,753,629
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	11(i)	236,802,186	249,924,465
Intangible assets	11(ii)	45,516,603	38,882,458
Capital work-in-progress		4,248,116	2,866,161
		286,566,905	291,673,084
Goodwill on consolidation		909,128,370	909,658,130
Non-current investments	12	30,718	30,718
Deferred tax assets (net)	13	127,293,946	129,172,918
Long-term loans and advances	14	784,998,189	649,351,429
Other non-current assets	15	16,382,068	9,118,969
		2,124,400,196	1,989,005,248
CURRENT ASSETS			
Current investments	16	1,178,060,128	522,444,837
Inventories	17	-	100,090,228
Trade receivables	18	5,232,344,658	3,544,343,666
Cash and cash equivalents	19	2,477,266,779	2,952,214,105
Short-term loans and advances	20	342,924,315	378,856,562
Other current assets	21	598,293,320	432,798,983
		9,828,889,200	7,930,748,381
TOTAL		11,953,289,396	9,919,753,629
See accompanying notes forming part of the consolidated financial statements			

In terms of our report attached

For Deloitte Haskins & Sells

Chartered Accountants

V. Srikumar

Partner

Place : Mumbai

Date : 29th May 2017

PRASANNA OKE

Chief Financial Officer

For and on behalf of the Board of Directors

PRADIP P SHAH

Chairman

P SRIKAR REDDY

Managing Director
& Chief Executive Officer

R SATHYANARAYANA

VP - Finance & Accounts

KUNDAN KUMAR LAL

Company Secretary

Consolidated Statement of Profit and Loss for the year ended March 31, 2017

	Note No.	Year ended 31.03.2017	Year ended 31.03.2016
(₹)			
REVENUE			
Revenue from operations	22.1	25,211,284,473	19,405,013,652
Other income	22.2	403,304,401	437,820,651
Total revenue		25,614,588,874	19,842,834,303
EXPENSES			
Purchase of stock-in-trade (traded goods)	23	16,377,393,354	11,626,665,340
Changes in inventories of stock-in-trade	24	100,090,228	(26,758,984)
Employee benefits expense	25	4,555,267,999	4,097,836,301
Finance costs	26	90,540,055	79,495,401
Depreciation and amortization expense	11(iii)	93,005,044	61,625,036
Other expenses	27	2,256,025,423	1,788,310,383
Total expenses		23,472,322,103	17,627,173,477
Profit before exceptional item and tax		2,142,266,771	2,215,660,826
Add : Exceptional item (Interest income on income tax refund)		77,193,169	36,804,281
Profit before tax		2,219,459,940	2,252,465,107
Tax expense			
Current tax expense		662,030,762	671,056,953
Short provision for tax relating to prior years		18,061,177	35,930,546
Deferred tax		2,122,533	(40,432,182)
Net tax expense		682,214,472	666,555,317
Profit after tax before minority interest		1,537,245,468	1,585,909,790
Minority interest		-	-
Profit after tax after minority interest		1,537,245,468	1,585,909,790
Earnings per share - Basic and Diluted (on ₹ 1/- per share)	38	14.62	15.08
Par value ₹ 1/- per share			
See accompanying notes forming part of the consolidated financial statements			

In terms of our report attached

For Deloitte Haskins & Sells

Chartered Accountants

V. Srikumar

Partner

Place : Mumbai

Date : 29th May 2017

PRASANNA OKE

Chief Financial Officer

PRADIP P SHAH

Chairman

R SATHYANARAYANA

VP - Finance & Accounts

For and on behalf of the Board of Directors

P SRIKAR REDDY

Managing Director
& Chief Executive Officer

KUNDAN KUMAR LAL

Company Secretary

Consolidated Cash Flow Statement for the year ended March 31, 2017

	Year ended 31.03.2017	year ended 31.03.2016
(₹)		
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	2,219,459,940	2,252,465,107
Adjustments for :		
Depreciation and amortization expense	93,005,044	61,625,036
Finance costs	90,540,055	79,495,401
Provision for bad and doubtful trade receivables	59,511,080	13,264,805
Bad trade receivables written off	3,850,653	2,914,517
Provision/ liabilities no longer required written back	(39,336,592)	(60,853,510)
Net (gain) / loss on valuation of current investments	(15,552,627)	(7,006,989)
Net (gain) / loss on fixed assets sold/ scrapped	2,040,247	(888,008)
Interest income from fixed deposits with banks	(128,023,442)	(167,423,026)
Interest income on income tax refund	(77,193,169)	(36,804,281)
Dividend income from current investment	(19,630,417)	(22,753,159)
Unrealized foreign exchange gain (net)	62,986,770	(53,191,588)
Operating profit before working capital changes	2,251,657,542	2,060,844,305
Adjustments for :		
Decrease/(Increase) in trade receivables	(1,887,699,894)	(395,166,170)
Decrease/(Increase) in inventories	100,090,228	(26,758,984)
Decrease/(Increase) in other current assets	(48,171,012)	(20,149,978)
Decrease/(Increase) in long-term loans and advances	(8,616,079)	(664,573)
Decrease/(Increase) in short-term loans and advances	35,932,247	21,699,417
(Decrease)/Increase in trade payables	1,939,679,618	232,940,908
(Decrease)/Increase in other current liabilities	85,689,434	29,504,853
(Decrease)/increase in other long-term liabilities	14,810,251	20,434,849
(Decrease)/increase in short term provisions	13,026,246	8,583,026
Cash generated from operations	2,496,398,581	1,931,267,653
Direct taxes/advance tax paid (net)	(645,931,618)	(349,182,790)
Net cash flow from operating activities	(A) 1,850,466,963	1,582,084,863
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets, including intangible assets, capital work-in-progress and capital advances	(97,013,264)	(143,957,999)
Proceeds from sale of fixed assets	969,791	2,354,984
Proceeds from sale of Subsidiary	-	268,762,728
Proceeds from sale/maturity of current investments	(640,062,664)	123,138,603
Bank balances not considered as Cash and cash equivalents	555,618,344	(1,004,194,966)
Interest received	170,513,565	116,360,643
Dividend received	19,630,417	22,753,159
Acquisition of Subsidiaries	(529,760)	(704,190,476)
Net cash flow used in investing activities	(B) 9,126,429	(1,318,973,324)

Consolidated Cash Flow Statement for the year ended March 31, 2017

	(₹)	
	Year ended 31.03.2017	year ended 31.03.2016
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings (net)	(1,208,190,654)	1,462,132,883
Dividend paid on equity shares	(366,644,773)	(1,395,524,404)
Dividend taxes paid on equity shares	(81,003,350)	(280,960,753)
Finance costs	(90,195,164)	(82,133,939)
Net cash flow used in financing activities	(C) (1,746,033,941)	(296,486,215)
Net increase/(decrease) in Cash and cash equivalents	(A+B+C) 113,559,451	(33,374,676)
Opening Cash and cash equivalents (Refer Note 19)	722,005,466	764,948,273
Cash and cash equivalents on acquisition of subsidiaries during the year	-	4,969,253
Exchange difference on translation of foreign currency Cash and cash equivalents	(26,180,108)	(14,537,384)
Closing Cash and cash equivalents (Refer Note 19)	809,384,809	722,005,466
Cash and cash equivalents at the end of the year comprises:		
Cash on hand	64,850	66,250
Balances with banks		
In Current accounts	700,792,199	702,749,744
In EEFC accounts	108,527,760	19,189,472
	809,384,809	722,005,466
See accompanying notes forming part of the consolidated financial statements		

In terms of our report attached

For Deloitte Haskins & Sells

Chartered Accountants

V. Srikumar

Partner

Place : Mumbai
Date : 29th May 2017

PRASANNA OKE
Chief Financial Officer

R SATHYANARAYANA
VP - Finance & Accounts

For and on behalf of the Board of Directors

PRADIP P SHAH

Chairman

P SRIKAR REDDY

Managing Director
& Chief Executive Officer

KUNDAN KUMAR LAL
Company Secretary

Notes forming part of Consolidated financial statements

1: Corporate information

The Consolidated financial statements of Sonata Software Limited is made up of the Sonata Software Limited ("Sonata" or the "Company") together with its subsidiaries Sonata Information Technology Limited, Sonata Software North America Inc., Sonata Software GmbH, Sonata Europe Limited, Sonata Software FZ-LLC, Sonata Software (Qatar) LLC, Rezopia Inc., Halosys Technologies Inc., and Interactive Business Information Systems, Inc. Sonata has its registered office at Mumbai, India and operationally headquartered at Bengaluru, India. Sonata is listed on The National Stock Exchange Limited and The Bombay Stock Exchange Limited. The Company is engaged in the business of providing Information Technology Services and Solutions to its customers in the United States of America. 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.

2: Significant accounting policies

a. Basis of accounting and preparation of financial statements

The consolidated financial statements of the Company and its subsidiaries (together the 'Group') have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 2013 ("the 2013 Act"), as applicable. The consolidated financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the previous year.

b. Principles of consolidation

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

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

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

The excess of cost to the Company of its investments in the subsidiary companies over its share of the equity of the subsidiary

companies, at the dates on which the investments in the subsidiary companies were made, is recognized as goodwill, being an asset in the consolidated financial statements. On the other hand, where the share of the equity in the subsidiary companies as on the date of investment is in excess of cost of investment of the Company, it is recognized as 'Capital reserve' and shown under the head 'Reserves and surplus'; in the consolidated financial statements.

Information on subsidiary companies

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

Name of the entity	Country of incorporation	% of Ownership held As on 31.03.2017	% of Ownership held As on 31.03.2016
Sonata Information Technology Limited	India	100%	100%
Sonata Software North America Inc.	USA	100%	100%
Sonata Europe Limited	UK	100%	100%
Sonata Software GmbH	Germany	100%	100%
Sonata Software FZ-LLC	UAE	100%	100%
Sonata Software (Qatar) LLC (Refer note 1)	Qatar	49%	49%
Rezopia Inc.	USA	60%	60%
Halosys Technologies Inc. (w.e.f 11.09.2015)	USA	100%	100%
Interactive Business Information Systems, Inc. (w.e.f 18.11.2015)	USA	100%	100%

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

Note 2: All the foreign subsidiaries are integral foreign operations.

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

c. Use of estimates

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

Notes forming part of Consolidated financial statements

d. Inventories

Inventories are valued at lower of cost (weighted average) and the net realizable value.

e. Depreciation / Amortization

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value.

Company and its Indian subsidiaries

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 to the 2013 Act.

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

Intangible assets are amortized over their estimated useful life on straight-line method as follows:

- Computer software- 3 years
- Goodwill acquired on purchase of business- 5 years

The estimated useful life of the intangible assets and the amortization period are reviewed at the end of each Financial year and the amortization period is revised to reflect the changed pattern, if any.

Foreign subsidiaries

Depreciation/ amortization has been provided on all the assets (except for internally generated-Software) on the straight line method considering 5 years as useful life.

Internally generated-Software is amortized over a period of 2 years on the straight line method.

f. Revenue recognition

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

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

Revenues from sale of product and licenses are recognised on transfer of significant risks and rewards of ownership to the buyers, which generally coincides with delivery where there is no customisation required. In case of customisation the same is recognised over the life of the contract using the proportionate completion method, with contract costs determining the degree of completion. Foreseeable losses on such contracts are recognised when probable.

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

Revenues are reported net of discounts.

Dividend income is recognised when the right to receive it, is established. Interest income is accounted on accrual basis.

g. Fixed Assets (Tangible/Intangible)

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

Capital work-in-progress

Projects under which tangible fixed assets are not yet ready for their intended use are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

Intangible assets under development:

Expenditure on Research and development (Refer Note 2 (h)) eligible for capitalisation are carried as Intangible assets under development where such assets are not yet ready for their intended use.

h. Research and development expenses

Revenue expenditure pertaining to research is charged to the Consolidated Statement of Profit and Loss. Development costs of products are also charged to the Consolidated Statement of Profit and Loss unless a product's technical feasibility has been established, in which case such expenditure is capitalised. The amount capitalised comprises expenditure that can be directly attributed or allocated on a reasonable and consistent basis to creating, producing and making the asset ready for its intended use.

i. Foreign currency transactions and translations

Initial recognition

Company: Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Integral foreign operations: Transactions in foreign currencies entered into by the Company's integral foreign operations are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Measurement at the Balance Sheet date

Company: Foreign currency monetary items (other than derivative contracts) of the Company, outstanding at the balance sheet date are restated at the year-end rates. Non-monetary items of the Company are carried at historical cost.

Integral foreign operations: Foreign currency monetary items (other than derivative contracts) of the Company's integral foreign operations outstanding at the balance sheet date are restated at the year-end rates. Non-monetary items of the Company's integral foreign operations are carried at historical cost.

Treatment of exchange differences

Company: Exchange differences arising on settlement / restatement of foreign currency monetary assets and liabilities of the Company

Notes forming part of Consolidated financial statements

are recognised as income or expense in the Consolidated Statement of Profit and Loss.

Integral foreign operations: Exchange differences arising on settlement / restatement of foreign currency monetary assets and liabilities of the Company's integral foreign operations are recognised as income or expense in the Consolidated Statement of Profit and Loss.

Accounting for forward contracts

Premium / discount on forward exchange contracts, which are not intended for trading or speculation purposes, are amortised over the period of the contracts if such contracts relate to monetary items as at the balance sheet date. Exchange difference on such contracts are recognised in the Consolidated Statement of Profit and Loss of the reporting period in which the exchange rate changes. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognised as income or as expense in the period in which such cancellation or renewal is made.

On consolidation, in case of integral operations, assets and liabilities (other than non-monetary items) are translated at the exchange rate prevailing on the balance sheet date. Non-monetary items are carried at historical cost. In case of non-integral operations, assets and liabilities (both monetary and non-monetary items) are translated at the exchange rate prevailing on the Balance Sheet date. Revenue and expenses are translated at yearly average exchange rates prevailing during the year in case the holding subsidiary relationship was in existence on the first day of the fiscal year. In case of subsidiaries formed or acquired during the year, the average exchange rate prevailing during the period since the holding subsidiary relationship came into existence is taken. Exchange differences arising out of these transactions are included under Net gain/loss on foreign currency transactions and translation and Charged/ Credited to the Consolidated Statement of Profit and Loss in case of "Integral operations".

j. Investments

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

k. Employee benefits

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

Defined contribution plans

The Group's contribution to provident fund, superannuation fund, foreign defined contribution fund and employee state insurance are considered as defined contribution plans and are charged as an expense based on the amount of contribution required to be made as and when services are rendered by the employees.

Defined benefit plan

For defined benefit plan in the form of gratuity, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in the Consolidated Statement of Profit and Loss in the period in which they occur.

Past service cost is recognized immediately to the extent that the benefits are already vested and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognized in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Long-term 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.

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.

i. Segment

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

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

m. Leases

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

n. Earnings per share

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

Notes forming part of Consolidated financial statements

per share, profit / (loss) after tax (including the post tax effect of extraordinary items, if any) and the weighted average number of equity shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

o. Taxes on income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income-tax Act, 1961 and other applicable tax laws.

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

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

p. Impairment of assets

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

such reversal of impairment loss is recognized in the Consolidated Statement of Profit and Loss.

q. Provisions and contingencies

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

r. Hedge accounting

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

s. Operating cycle

Based on the nature of products/ activities of the Group and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Group has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

Notes forming part of Consolidated financial statements

(₹)

	As at 31.03.2017	As at 31.03.2016
3 : Share capital		
Authorized		
150,000,000 equity shares of face value ₹ 1/- each (As at 31.03.2016 : 150,000,000 equity shares of face value ₹ 1/- each)	150,000,000	150,000,000
Issued, subscribed and paid-up		
105,159,306 equity shares of face value ₹ 1/- each fully paid-up (As at 31.03.2016 : 105,159,306 equity shares of face value ₹ 1/- each)	105,159,306	105,159,306
Total	105,159,306	105,159,306
Refer notes (i) to (iii) below		

Notes :

i) Reconciliation of number of shares and amount outstanding at the beginning and at the end of the reporting year	Opening balance	Fresh issue/ Other changes	Closing balance
Equity shares with voting rights			
Year ended 31.03.2017			
Number of shares	105,159,306	-	105,159,306
Amount ₹	105,159,306	-	105,159,306
Equity shares with voting rights			
Year ended 31.03.2016			
Number of shares	105,159,306	-	105,159,306
Amount ₹	105,159,306	-	105,159,306

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

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

In the event of liquidation of 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 2013 Act, 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 31.03.2017		As at 31.03.2016	
	No. of shares	% of holding	No. of shares	% of holding
Hemendra M Kothari	10,660,026	10.14	10,660,026	10.14
Akshay Raheja	8,250,000	7.85	8,250,000	7.85
Viren Raheja	8,250,000	7.85	8,250,000	7.85
Suman Raheja	6,900,000	6.56	6,900,000	6.56

Notes forming part of Consolidated financial statements

	(₹)	
	As at 31.03.2017	As at 31.03.2016
4 : Reserves and surplus		
Securities premium reserve	450,924,411	450,924,411
Capital redemption reserve	278,713,890	278,713,890
General reserve	874,154,246	874,154,246
Hedging reserve		
Opening balance	78,185,622	99,368,487
Add : Effect of foreign exchange rate variations on hedging instruments outstanding at the end of the year	119,903,721	78,185,622
Less : Transferred to Consolidated Statement of Profit and Loss	78,185,622	99,368,487
Closing balance	119,903,721	78,185,622
Surplus in Consolidated Statement of Profit and Loss		
Opening balance	2,922,787,157	2,475,986,105
Add : Profit for the year	1,537,245,468	1,585,909,790
Less :		
Retained earning changes during the year		
Interim dividend	368,057,571	946,433,754
(Interim dividend is distributed to equity share holders ₹ 3.50 per share) (Previous year ₹ 9/- equity share)		
Tax on interim dividend	81,800,788	206,418,238
Set-off of tax on interim dividend paid by subsidiary	(6,871,628)	(13,743,254)
Closing balance	4,017,045,894	2,922,787,157
Total	5,740,742,162	4,604,765,326
5 : Long-term borrowings		
Term loan		
From bank - Secured	325,330,833	522,270,833
(Term loan is secured against standby letter of credit issued against 100% margin, and is repayable in twelve equal quarterly instalments of principal beginning on the last day of February 2017)		
Total	325,330,833	522,270,833
6 : Other long-term liabilities		
Term loan		
From others - Unsecured	10,377,216	-
(Amount payable towards Vendor financing arrangement)		
Lease rent equalization	92,135,436	75,505,185
Payable for acquisition of subsidiary	84,305,000	86,125,000
Total	186,817,652	161,630,185

Notes forming part of Consolidated financial statements

	(₹)	
	As at 31.03.2017	As at 31.03.2016
7 : Short-term borrowings		
Loans repayable on demand		
From banks - Secured	-	610,844,443
(Working capital demand Loan of ₹ 150,000,000 was secured by Pari passu charge on the current assets of the Company and of ₹ 40,000,000 was secured by Pari passu first charge by way of hypothecation of stocks and book debts of the Company. Packing credit loan of ₹ 218,625,000 was secured by first charge by way of hypothecation of current assets of one of the subsidiary company both present and future. Overdraft facility of ₹ 202,219,443 was secured against fixed deposits of Company and one of the subsidiary company)		
Term Loan		
From banks - Unsecured	-	579,687,500
From others - Unsecured	17,758,902	-
(Amount payable towards Vendor financing arrangement)		
Total	17,758,902	1,190,531,943
8 : Trade payables		
Total outstanding dues of creditors other than micro and small enterprises - other than acceptances	4,479,008,935	2,653,606,927
Total	4,479,008,935	2,653,606,927
9 : Other current liabilities		
Current maturities of long-term debt	198,624,338	47,479,167
Interest accrued but not due on borrowings	1,260,192	915,301
Income received in advance (Unearned revenue)	46,822,290	32,578,118
Lease rent equalization	5,497,703	5,338,955
Gratuity (Refer Note 32)	-	6,268,573
Unpaid dividends	12,536,733	11,123,935
Tax on dividend	-	6,074,190
Other payables		
Statutory remittances	433,238,408	271,524,411
Payable on purchase of fixed assets	3,097,725	8,151,870
Advances from customers	39,321,751	28,550,916
Other liabilities	9,779,524	13,871,696
Total	750,178,664	431,877,132
10 : Short-term provisions		
Provision for employee benefits		
Compensated absences	113,740,486	101,551,939
Gratuity (Refer Note 32)	2,668,253	1,830,554
Others		
Provision for tax (net of advance tax - ₹ 1,162,201,863/- (as at 31.03.2016 - ₹ 573,276,249/-)	228,439,396	145,491,779
Total	344,848,135	248,874,272

Notes forming part of Consolidated financial statements

FIXED ASSETS

11 (i) : Tangible assets

Particulars *	Gross block				Accumulated depreciation				Netblock			
	Cost as at 01.04.2016	Additions	Acquisitions through business combinations	Deductions / adjustments	Cost as at 31.03.2017	Upto 31.03.2016	For the year	Acquisitions through business combinations	Deductions / adjustments	As at 31.03.2017	As at 31.03.2016	
Leasehold land	35,200,000	-	-	-	35,200,000	7,634,980	1,079,763	-	-	8,714,743	26,485,257	27,565,020
	(35,200,000)	(-)	(-)	(-)	(35,200,000)	(6,552,259)	(1,082,721)	(-)	(-)	(7,634,980)	(27,565,020)	
Buildings	15,493,000	-	-	-	15,493,000	3,962,977	245,217	-	-	4,208,194	11,284,806	11,530,023
	(15,493,000)	(-)	(-)	(-)	(15,493,000)	(3,717,760)	(245,217)	(-)	(-)	(3,962,977)	(11,530,023)	
Leasehold improvements	349,167,225	10,775,645	-	1,071,858	358,869,012	256,934,581	28,575,268	-	1,575,027	283,934,822	74,934,190	92,232,644
	(230,532,745)	(60,777,450)	(57,857,030)	(-)	(349,167,225)	(218,346,778)	(20,406,967)	(18,180,836)	(-)	(256,934,581)	(92,232,644)	
Plant and equipment	411,505,965	38,339,281	-	9,843,731	440,001,515	348,425,814	26,552,364	-	9,410,201	365,567,977	74,433,538	63,080,151
	(332,328,224)	(41,740,064)	(47,665,838)	(10,228,161)	(411,505,965)	(302,666,836)	(15,768,152)	(39,988,084)	(9,997,258)	(348,425,814)	(63,080,151)	
Furniture and fixtures	135,151,335	5,431,931	-	7,129,860	133,453,406	100,075,207	9,579,024	-	4,598,757	105,055,474	28,397,932	35,076,128
	(109,945,398)	(15,694,935)	(15,865,160)	(6,354,158)	(135,151,335)	(88,068,818)	(7,989,670)	(10,193,334)	(6,176,615)	(100,075,207)	(35,076,128)	
Vehicles	2,542,300	-	-	1,144,100	1,398,200	1,678,730	252,038	-	1,086,895	843,873	554,327	863,570
	(5,765,752)	(-)	(-)	(3,223,452)	(2,542,300)	(3,586,126)	(583,261)	(-)	(2,490,657)	(1,678,730)	(863,570)	
Office equipments	120,694,250	9,373,723	-	6,299,974	123,767,999	101,117,321	7,750,277	-	5,811,735	103,055,863	20,712,136	19,576,929
	(108,283,425)	(8,779,574)	(8,537,502)	(4,906,251)	(120,694,250)	(91,666,692)	(8,786,228)	(5,245,045)	(4,580,644)	(101,117,321)	(19,576,929)	
Total	1,069,754,075	63,918,580	-	25,489,523	1,108,183,132	819,829,610	74,033,951	-	22,482,615	871,380,946	236,802,186	249,924,465
	(837,548,544)	(126,992,023)	(129,925,530)	(24,712,022)	(1,069,754,075)	(714,605,269)	(54,862,216)	(73,607,299)	(23,245,174)	(819,829,610)	(249,924,465)	

Previous year figures are in brackets

Notes forming part of Consolidated financial statements

11(ii) : Intangible assets

Particulars *	Gross block				Cost as at 31.03.2017	Accumulated amortisation			Net block		
	Cost as at 01.04.2016	Additions	Acquisitions through business combinations	Deductions / adjustments		Upto 31.03.2016	For the year upto 31.03.2016	Acquisitions through business combinations	Deductions / adjustments	As at 31.03.2017	As at 31.03.2016
Computer software - purchased	103,094,221	84,396	-	91,957,050	11,221,567	320,289	-	91,953,920	11,221,567	-	239,023
Goodwill on purchase of business	(98,922,274)	(-)	(4,726,874)	(554,927)	(103,094,221)	(241,317)	(4,246,406)	(554,799)	(102,855,198)	(239,023)	19,139,333
Internally generated - Software	28,191,513	(-)	(-)	(-)	28,191,513	5,622,897	(-)	(-)	14,675,077	13,516,436	19,504,102
	20,387,302	25,523,972	(-)	(-)	45,911,274	13,027,907	(-)	(-)	13,911,107	32,000,167	19,504,102
	(-)	(20,387,302)	(-)	(-)	(20,387,302)	(883,200)	(-)	(-)	(883,200)	(19,504,102)	38,882,458
Total	151,673,036	25,608,368	(4,726,874)	91,957,050	85,324,354	18,971,093	(4,246,406)	91,953,920	39,807,751	45,516,603	38,882,458
	(127,113,787)	(20,387,302)	(4,726,874)	(554,927)	(151,673,036)	(6,762,820)	(4,246,406)	(554,799)	(112,790,578)	(38,882,458)	

Previous year figures are in brackets

* Represents owned unless otherwise stated

11(iii) : Depreciation and amortization expense

Particulars	Year ended 31.03.2017	Year ended 31.03.2016
Depreciation on Tangible assets	74,033,951	54,862,216
As per Note 11(i)		
Amortization on Intangible assets	18,971,093	6,762,820
As per Note 11(ii)		
Total	93,005,044	61,625,036

Notes forming part of Consolidated financial statements

	(₹)	
	As at 31.03.2017	As at 31.03.2016
12 : Non-current investments		
Non-Trade, Long-term, quoted and at cost		
138 shares of US \$ 0.01 per share of Principal Financial Group Inc., (As at 31.03.2016 : 138 Shares of US \$ 0.01 per share)	30,718	30,718
Total	30,718	30,718
13 : Deferred tax assets (net)		
Tax effects on		
Difference between book balance and tax balance of fixed assets	37,874,654	43,745,884
Others	89,419,292	85,427,034
Total	127,293,946	129,172,918
14 : Long-term loans and advances		
Unsecured, considered good unless otherwise stated		
Capital advances	1,744,882	694,666
Security deposits	132,387,262	120,306,742
Other deposits	15,929,310	23,845,253
Prepaid expenses	15,769,200	11,337,584
Balances with government authorities		
Considered good	21,891,299	21,891,299
Considered doubtful	657,915	657,915
	22,549,214	22,549,214
Less : Provision for doubtful balances	657,915	657,915
	21,891,299	21,891,299
Advance tax (net of provision for tax - ₹ 1,192,184,008/- (as at 31.03.2016 - ₹ 1,262,059,526/-))	594,312,433	461,365,566
MAT credit entitlement	-	6,966,402
Other recoverables		
Considered good	2,963,803	2,943,917
Considered doubtful	12,500,000	12,500,000
	15,463,803	15,443,917
Less : Allowance for doubtful recoverable	12,500,000	12,500,000
	2,963,803	2,943,917
Total	784,998,189	649,351,429
15 : Other non-current assets		
Balance held as margin money or security against borrowings	15,730,401	9,022,076
Interest accrued but not due on margin money	651,667	96,893
Total	16,382,068	9,118,969

Notes forming part of Consolidated financial statements

	(₹)	
	As at 31.03.2017	As at 31.03.2016
16 : Current investments		
Non-trade		
Investments in mutual funds (unquoted)		
At lower of cost and fair value, unless otherwise stated		
Birla Sun Life Cash Plus - Daily Dividend - Direct Plan 1,298,244.27 units at ₹ 100.20 per unit (As at 31.03.2016 - Nil units)	130,077,586	-
HDFC Floating Rate Income Fund - Short term Plan - Wholesale Option - Direct Plan - Dividend Reinvest 2,482,127.38 units at ₹ 10.08 per unit (As at 31.03.2016 - Nil units)	25,022,078	-
Birla Sun Life Short Term Opportunities Fund - Quarterly Dividend-Regular Plan 17,806,888.02 units at ₹ 10.26 per unit (As at 31.03.2016 - 16,661,337.40 units at ₹ 10.35 per unit)	182,684,424	172,444,837
ICICI Prudential Liquid - Direct Plan - Daily Dividend - Reinvest 799,953.26 units at ₹ 100.07 per unit (As at 31.03.2016 - Nil units)	80,050,122	-
HDFC Liquid Fund - Direct Plan - Daily Dividend Reinvest 53,945.71 units at ₹ 1019.82 per unit (As at 31.03.2016 - Nil units)	55,014,916	-
Tata Short Term Bond Fund Regular Plan - Growth 2,154,494.49 units at ₹ 23.21 per unit (As at 31.03.2016 - 2,154,494.49 units at ₹ 23.21 per unit)	50,000,000	50,000,000
IDFC Cash Fund - Daily Dividend (Direct Plan) 129,853.63 units at ₹ 1001.67 per unit (As at 31.03.2016 - Nil units)	130,070,012	-
HDFC Regular Savings Fund - Regular Plan - Growth 4,125,514.66 units at ₹ 24.24 per unit (As at 31.03.2016 - 4,125,514.66 units at ₹ 24.24 per unit)	100,000,000	100,000,000
DSP BlackRock Income Opportunities Fund - Regular Plan - Growth 2,494,462.29 units at ₹ 20.04 per unit (As at 31.03.2016 - 2,494,462.29 units at ₹ 20.04 per unit)	50,000,000	50,000,000

Notes forming part of Consolidated financial statements

	(₹)	
	As at 31.03.2017	As at 31.03.2016
Tata Money Market Fund Direct Plan - Daily Dividend 134,866.98 units at ₹ 1001.52 per unit (As at 31.03.2016 - Nil units)	135,071,805	-
DSP BlackRock Money Manager Fund - Direct Plan - Daily Dividend 29,896.19 units at ₹ 1004.23 per unit (As at 31.03.2016 - Nil units)	30,022,668	-
DSP BlackRock Liquidity Fund - Direct Plan - Daily Dividend 109,957.77 units at ₹ 1000.81 per unit (As at 31.03.2016 - Nil units)	110,046,517	-
Reliance Regular Savings Fund - Debt Plan - Growth Plan Growth Option - SDGP 5,940,888.16 units at ₹ 16.83 per unit (As at 31.03.2016 - 8,961,214.96 units at ₹ 16.74 per unit)	100,000,000	150,000,000
Total	1,178,060,128	522,444,837
Aggregate cost of unquoted investments	1,179,644,329	524,879,915
17 : Inventories		
Stock-in-trade - Hardware/Software product and licenses	-	100,090,228
Total	-	100,090,228
18 : Trade receivables		
Unsecured		
Trade receivable outstanding for a period exceeding six months from the date they are due for payment		
Considered good	53,470,263	122,850,352
Considered doubtful	97,613,988	40,840,667
	151,084,251	163,691,019
Less : Provision for doubtful trade receivables	97,613,988	40,840,667
	53,470,263	122,850,352
Other trade receivables :		
Considered good	5,178,874,395	3,421,493,314
Considered doubtful	2,695	63,833
	5,178,877,090	3,421,557,147
Less : Provision for doubtful trade receivables	2,695	63,833
	5,178,874,395	3,421,493,314
Total	5,232,344,658	3,544,343,666

Notes forming part of Consolidated financial statements

	(₹)	
	As at 31.03.2017	As at 31.03.2016
19 : Cash and cash equivalents		
Cash on hand	64,850	66,250
Balances with banks		
In current accounts	700,792,199	702,749,744
In EEFC accounts	108,527,760	19,189,472
In earmarked accounts		
Balance held as margin money or security against borrowings	1,655,345,237	2,219,084,704
Unpaid dividend account	12,536,733	11,123,935
The balance that meet the definition of Cash and cash equivalents as per AS-3 Cash flow Statements is ₹ 809,446,067 (As at 31.03.2016 ₹ 722,293,411)		
Total	2,477,266,779	2,952,214,105
20 : Short-term loans and advances		
Unsecured, considered good		
Security deposits	8,662,670	22,006,069
Other deposits	10,325,640	3,842,814
Gratuity (refer note 30)	19,557,093	2,914,668
Loans and advances to employees	10,957,341	9,898,064
Prepaid expenses	69,085,905	65,700,988
Balances with government authorities		
VAT credit receivable	55,932,448	33,917,948
Service tax credit receivable	95,942,957	199,477,828
Receivable from service tax authority	4,021,739	10,506,823
Other recoverables	68,438,522	30,591,360
Total	342,924,315	378,856,562
21 : Other current assets		
Unsecured, considered good		
Unbilled revenue	329,775,207	211,125,084
Interest accrued but not due on fixed deposits/margin money	65,593,189	108,638,086
Unrealized gain on forward contracts	202,924,924	113,035,813
Total	598,293,320	432,798,983

Notes forming part of Consolidated financial statements

	Year ended 31.03.2017	Year ended 31.03.2016
(₹)		
22.1 : Revenue from operations		
Revenue from hardware/software product and licenses	17,292,295,138	12,288,425,552
Revenue from software services	7,882,841,706	7,096,767,589
Other operating revenues	36,147,629	19,820,511
Total	25,211,284,473	19,405,013,652
22.2 : Other income		
Interest income from fixed deposits/margin money with banks	128,023,442	167,423,026
Dividend income from current investments	19,630,417	22,753,159
Net gain on sale of current investments	17,193,911	9,442,067
Net gain on foreign currency transactions and translations	188,516,029	146,462,788
Other non-operating income		
Net gain on sale of fixed assets	(2,040,247)	888,008
Provisions/liabilities no longer required written back	39,336,592	60,853,510
Miscellaneous income	12,644,257	29,998,093
Total	403,304,401	437,820,651
23 : Purchase of stock-in-trade (traded goods)		
Purchase of traded items	16,377,393,354	11,626,665,340
Total	16,377,393,354	11,626,665,340
24 : Changes in inventories of stock-in-trade		
Opening Stock		
Stock-in-trade - Hardware/Software product and licenses	100,090,228	73,331,244
	100,090,228	73,331,244
Closing Stock		
Stock-in-trade - Hardware/Software product and licenses	-	100,090,228
	-	100,090,228
(Increase) / decrease in inventories	100,090,228	(26,758,984)
25 : Employee benefits expense		
Salaries, wages, bonus and allowances	4,205,457,785	3,784,265,445
Contribution to provident and other funds (Refer Note 32)	223,638,857	203,759,624
Gratuity (Unfunded) (Refer Note 32)	1,779,612	2,811,967
Staff welfare expenses	124,391,745	106,999,265
Total	4,555,267,999	4,097,836,301
26 : Finance costs		
Interest expenses on:		
Borrowings	57,033,159	42,893,801
Others	7,336,071	2,983,251
Other borrowing costs	11,311,125	13,384,349
Net loss on foreign currency transactions and translations	14,859,700	20,234,000
	90,540,055	79,495,401
27 : Other expenses		
Power and Fuel	62,690,642	58,063,716
Rent (Refer Note 35)	313,184,921	275,183,748
Repairs and maintenance - Buildings	2,440,889	2,979,254
Repairs and maintenance - Machinery	12,727,074	11,530,406
Insurance	62,800,963	48,374,764
Rates and taxes	41,729,878	35,022,502
Communication cost	77,534,506	60,501,616

Notes forming part of Consolidated financial statements

	(₹)	
	Year ended 31.03.2017	Year ended 31.03.2016
Facility maintenance	63,887,310	51,774,190
Travelling and conveyance expenses	408,389,326	308,439,510
Professional and technical fees	222,269,057	170,914,789
Legal fees	8,691,280	6,934,591
Insourcing professional fees	532,498,835	445,722,859
Excess of carrying costs over fair value of current investments	1,641,284	2,435,078
Expenditure on corporate social responsibility	25,610,594	15,360,038
Bad trade receivables written off	3,850,653	2,914,517
Provision for doubtful trade receivables	59,511,080	13,264,805
Software licence fees	65,003,587	34,033,872
Payments to auditors (Refer Note below)	15,328,127	14,419,140
Miscellaneous expenses	276,235,417	230,440,988
	2,256,025,423	1,788,310,383
Note - Payment to auditors comprises (net of service tax input credit):		
Remuneration to statutory auditors for audit of Company and its subsidiaries	9,600,000	9,600,000
Remuneration to other auditors for subsidiaries	3,554,054	2,950,196
Remuneration to statutory auditors for other services	2,005,000	1,710,000
Reimbursement of expenses	169,073	158,944
	15,328,127	14,419,140

The Company avails input credit for service tax and hence no service tax expense was accrued

	(₹)	
28: Contingent Liabilities	As at 31.03.2017	As at 31.03.2016
a) Guarantees		
The Company has given corporate guarantees to certain suppliers of Sonata Information Technology Limited (SITL) on behalf of SITL, its wholly owned subsidiary amount drawn down as at year end against this facility is ₹ Nil (as at 31.03.2016 is ₹ Nil)	1,022,750,000	1,043,750,000
b) Claims against the Company not acknowledged as debt		
The Company had received a legal notice from its ex-employee towards compensation arising on account of terms of appointment. Based on legal opinion received by the Company, the maximum amount payable in the event the proceeding goes against the Company is ₹ 22,863,099.	22,863,099	22,863,099
c) Disputed demand of Service tax		
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 ₹ 23,700,000. The amount included as disputed demand is excluding the amount indemnified by the client.	67,653,029	67,653,029
The demand for payment of service tax on repair service relating to software is based on Board circular of the department issued with retrospective effect. SITL had filed appeal before Customs, Excise and Service Tax Appellate Tribunal (CESTAT) and had got stay on recovery until disposal of appeal. It is confident of getting favorable outcome based on legal precedents which supports its stand.	21,352,990	21,352,990
d) Disputed demand of Karnataka Sales Tax	294,017	294,017
e) Disputed demands of Income-tax	4,618,129,942	4,417,031,005

Notes forming part of Consolidated financial statements

Details of disputed demands of Income-tax by issue and by year are as below:

(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 ₹ 336,003,062, (As at 31.03.2016 - ₹ 336,003,062) for financial years 2007-08 and 2009-10. During the year, the Company received favorable orders from Commissioner of Income-tax (Appeals) and the Department has preferred an appeal before Income-tax Appellate Tribunal (ITAT).

For the Financial Year 2006-07, ₹ Nil (As at 31.03.2016 - ₹ Nil), the Company has received favorable order from Commissioner of Income-tax (Appeals) and the Department has preferred an appeal before the Honorable High Court of Mumbai which is yet to be admitted.

For the Financial Year 2008-09, ₹164,128,231 (As at 31.03.2016 - ₹ Nil), the Department has preferred an appeal before Income-tax Appellate Tribunal (ITAT).

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 ₹ 14,863,703 (As at 31.03.2016 - ₹ 14,863,703).

(ii) Inter-unit set-off of losses

As discussed in point (i) above, the Company operates multiple operating units and undertakings under the Software Technology Park Scheme of India. While computing its taxable profits, losses from one undertaking were set off against profits of another or carried forward to the subsequent years. The Income-tax department had disallowed such carry forward of losses. The Company received favorable orders from ITAT and the department had preferred an appeal before the Honorable High Court of Mumbai which is yet to be admitted for financial years 2002-03, 2003-04 and 2004-05 and hence there is no contingent liability.

(iii) Disallowance of Inter-Company Service Charges

a) The Company charges 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 ₹ 233,708,329 (As at 31.03.2016 - ₹ 233,708,329) for financial years 2001-02, 2002-03, 2003-04 and 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.

₹ 11,635,577 (As at 31.03.2016 - ₹ 11,635,577) 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 has preferred an appeal before ITAT.

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. ₹ 402,964,082 (As at 31.03.2016 - ₹ 402,964,082) for the financial years 2001-02, 2003-04, 2004-05, 2005-06, 2006-07 and 2007-08. SITL 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. ₹ 44,659,336 (As at 31.03.2016 - ₹ 44,659,336) 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. ₹ 111,904,892 (As at 31.03.2016 - ₹ 111,904,892) for the Financial Year 2010-11. SITL has received favorable order from the Commissioner of Income-tax (Appeals) (CIT(A)). The Income-tax Department has preferred an appeal to the ITAT.
- iv. ₹ Nil (As at 31.03.2016 - ₹ 101,094,655) for the Financial Year 2011-12. SITL has preferred an appeal with the CIT(A) and during the year, SITL has received favorable orders from CIT(A).
- v. ₹ 294,414,600 (As at 31.03.2016 - ₹ 159,262,831) for the financial years 2012-13 and 2013-14. SITL has preferred an appeal to the CIT(A).

(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 ₹ 284,187,956 (As at 31.03.2016 - ₹ 284,187,956) 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.

Notes forming part of Consolidated financial statements

However, for these years one of the principal suppliers of software to SITL had paid taxes of ₹ 87,904,913 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 ₹ 218,239,587 (As at 31.03.2016 - ₹ 218,239,587) 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 ₹ 128,598,266 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 ₹ 8,283,288 (As at 31.03.2016 - ₹ 8,283,288) 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.

(vi) 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 (iv) 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 (iv) 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, SITL is confident of a favorable outcome on these consequential demands.

Details of demands raised and the forum where these are pending are:

- i. ₹ 2,364,309,742 (As at 31.03.2016 - ₹ 2,364,309,742) of tax demand for the financial years 2001-02, 2002-2003, 2006-07 and 2007-08. SITL had received a favorable order from ITAT. The Income-tax department had preferred an appeal to the Honorable High Court of Mumbai.
- ii. ₹ 12,665,134 (As at 31.03.2016 - ₹ 9,751,543) for the financial years 2012-13 and 2013-14. SITL has preferred an appeal to the CIT (A).

(vii) Transfer Pricing Adjustment

₹ 116,162,422 (As at 31.03.2016 - ₹ 116,162,422) for the Financial Year 2011-12. 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 has preferred an appeal before Commissioner of Income-tax (Appeals).

- f) 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

Notes forming part of Consolidated financial statements

	(₹)	
	As at 31.03.2017	As at 31.03.2016
29 : Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for	11,786,225	9,126,177
Other commitments - purchase contracts	104,070,647	228,824,990
30 : Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006		
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	3,444,807	1,037,705
(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.

31 : Details on derivative instruments and unhedged foreign currency exposures

- i) Objective of Company's hedges is to minimize the impact of Foreign exchange rate variations on INR value of the committed receipts and payments in foreign currencies. The company hedges majority of cash flows expected to arise from its future one-year firm commitments/ highly probable forecasted transactions on rolling month basis through simple forward exchange contracts. On every reporting date, Company obtains the Mark to Market valuation report of all the outstanding derivative contracts from the Foreign Exchange Authorized Dealers. Extent of fair value gains/(losses) recognized in the statement of profit and loss in the current year is ₹ 77,092,902 (for the year ended 31.03.2016 is ₹ 26,538,208) and recognised as Hedge Reserve as at 31.03.2017 is ₹ 119,903,721 (as at 31.03.2016 is ₹ 78,185,622).
- ii) Forward exchange contracts (being derivative instruments), which are not intended for trading or speculative purposes but for hedge purposes to establish the amount of reporting currency required or available at the settlement date of certain payables/receivables.

The following are the outstanding forward exchange contracts entered into by the Group and outstanding as at 31.03.2017 (Previous year figures are in brackets).

Currency	Amount	Buy / Sell	Cross currency
USD	35,870,562	Sell	Rupees
	(42,679,855)	Sell	Rupees
GBP	5,860,000	Sell	Rupees
	(5,820,000)	Sell	Rupees
EUR	2,635,000	Sell	Rupees
	(5,400,000)	Sell	Rupees

Notes forming part of Consolidated financial statements

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

	As at 31.03.2017		As at 31.03.2016		Currency
	Receivable / (Payable) (₹)	Receivable/ (Payable) in Foreign currency	Receivable / (Payable) (₹)	Receivable/ (Payable) in Foreign currency	
Trade receivables	20,404,893	411,389	13,099,559	256,904	AUD
	4,940,915	76,213	5,447,047	79,034	CHF
	10,093,429	145,627	2,641,111	35,028	EUR
	202,829,196	2,506,540	197,640,211	2,069,531	GBP
	-	-	445,588	24,700	AED
	3,331,183	359,563	-	-	DKK
	3,846,593	59,315	-	-	USD
	119,248	2,570	788,000	16,000	SGD
Other current assets	35,224,395	435,299	23,426,171	245,300	GBP
	45,201,552	697,017	5,713,984	86,249	USD
	1,620,750	25,000	-	-	CHF
	1,509,958	162,656	-	-	DKK
	23,720,448	343,241	-	-	EUR
Long-term loans and advances	1,004,865	15,500	1,068,260	15,500	CHF
	171,467	3,457	118,195	2,318	AUD
	-	-	447,704	4,688	GBP
	222,720	4,800	236,400	4,800	SGD
	78,390	1,131	20,358	270	EUR
Short-term loans and advances	3,296,718	66,466	1,454,284	28,521	AUD
	3,917,853	51,961	5,567,385	73,838	EUR
	12,924,240	159,716	11,502,402	120,444	GBP
	12,096,351	186,329	10,530,636	158,953	USD
	526,638	29,570	-	-	QAR
	509,733	10,986	274,315	5,570	SGD
	490,531	27,792	-	-	AED
	11,266	1,201	-	-	CNY
Other current liabilities	(441,725)	(9,520)	5,979,049	121,402	SGD
	(2,316,842)	(46,711)	(633,959)	(12,433)	AUD
	(94,584,319)	(1,168,862)	(52,541,904)	(550,177)	GBP
	(493,380)	(7,118)	(1,438,078)	(19,073)	EUR
	(1,819,937)	(28,005)	(103,151)	(1,557)	USD
	(2,243,248)	(34,602)	-	-	CHF
Short term borrowings	-	-	(798,312,500)	(12,050,000)	USD
Trade payables	(2,403,583)	(48,450)	(404,198)	(7,927)	AUD
	(1,771,285)	(27,322)	(73,252)	(1,063)	CHF
	(187,068)	(2,688)	(2,707,539)	(35,909)	EUR
	(43,241,743)	(538,348)	(45,286,960)	(474,209)	GBP
	(114,647,477)	(1,767,682)	(30,715,995)	(463,638)	USD
	(869,710)	(18,744)	(479,449)	(9,735)	SGD
	(514,401)	(9,531)	-	-	NZD
	(298,752)	(16,774)	-	-	QAR
	(2,914,741)	(402,409)	-	-	SEK

Notes forming part of Consolidated financial statements

32 : Employee benefit plans

i) Defined contribution plans

a) Provident fund

The Group makes contributions towards a 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 Group'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 Group. Having regard to the assets of the Fund and the return on the investments, the Group does not expect any deficiency in the foreseeable future.

Provident fund contributions amounting to ₹ 102,684,322 (for the year ended 31.3.2016 ₹ 91,243,940) has been charged to the Consolidated Statement of Profit and Loss (as part of Contribution to Provident Fund and other Funds in Note 25 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:

	Year ended 31.03.2017	Year ended 31.03.2016
Employee's State Insurance (as part of Staff welfare expenses in Note 25 Employee benefits expense)	1,156,718	354,009
Superannuation (as part of Contribution to Provident Fund and other Funds in Note 25 Employee benefits expense)	49,828,444	40,970,997
401K contribution of a subsidiary (as part of Contribution to provident fund and other funds in Note 25 Employee benefits expense)	11,271,143	11,492,530
National Pension Scheme (as part of Contribution to Provident Fund and other Funds in Note 25 Employee benefits expense)	3,222,015	2,896,381
National Insurance Contribution (as part of Contribution to Provident Fund and other Funds in Note 25 Employee benefits expense)	26,239,278	28,944,517

ii) Defined benefit plans - Gratuity

As per actuarial valuation

Change in Obligation during the year

Present value of Defined Benefit Obligation at beginning of the year	203,410,342	184,476,995
Current Service Cost	28,614,598	26,265,693
Interest Cost	17,005,105	14,754,042
Actuarial (Gains)/Losses	11,854,573	(8,836,544)
Benefits Paid	(11,189,494)	(13,249,844)
Present value of Defined Benefit Obligation at the end of the year	249,695,124	203,410,342

Change in Assets during the year

Plan assets at the beginning of the year	200,056,427	181,973,026
Expected return on plan assets	16,724,717	14,553,995
Contributions by Employer	53,251,608	27,361,323
Actual benefits paid	(11,189,494)	(13,249,844)
Actuarial Gains/ (Losses)	10,408,959	(10,582,063)
Plan assets at the end of the year	269,252,217	200,056,437
Actual return on plan assets	27,133,676	3,971,932

Notes forming part of Consolidated financial statements

(₹)

	Year ended 31.03.2017	Year ended 31.03.2016
Net Asset/(Liability) recognized in the Balance Sheet		
Present Value of Defined Benefit Obligation	249,695,124	203,410,342
Fair value of plan assets	269,252,217	200,056,437
Fund status (Surplus/(Deficit))	19,557,093	(3,353,905)
Assets	19,557,093	2,914,668
Liability	-	(6,268,573)
Expenses recognized in the statement of Profit & Loss (as part of Contribution to Provident Fund and other Funds in Note 25 Employee benefits expense)		
Current Service Cost	28,614,598	26,265,693
Interest Cost	17,005,105	14,754,042
Expected return on plan assets	(16,724,717)	(14,553,995)
Net Actuarial (Gains)/Losses	1,445,614	1,745,519
Total Expense	30,340,600	28,211,259
The major categories of plan assets as a percentage of total plan		
Insurer Managed Funds	100%	100%
Category of funds :		
Secure Fund	13.11%	11.01%
Defensive Fund	42.68%	43.64%
Balanced Fund	45.07%	45.18%
Stable Managed Fund	0.14%	0.17%
Actuarial Assumptions:		
Discount Rate	7.57%	8.36%
Rate of return on plan assets	7.57%	8.36%
Retirement Age	60 Years	60 Years
Mortality Table	Indian Assured Lives Mortality (2006-08)	Indian Assured Lives Mortality (2006-08)
Salary escalation	5.00%	5.00%
Estimate of amount of contribution in the immediate next year	18,205,938	33,457,744

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.

Notes forming part of Consolidated financial statements

(₹)

Experience adjustments					
Particulars	31.03.2017	31.03.2016	31.03.2015	31.03.2014	31.03.2013
Present value of defined benefit obligation	249,695,124	203,410,342	184,476,995	128,827,388	113,070,528
Fair value of plan assets	269,252,217	200,056,437	181,973,026	130,147,014	109,767,991
Surplus / (deficit)	19,557,093	(3,353,905)	(2,503,969)	1,319,626	(3,302,537)
Experience adjustments on plan liabilities - (gain)/losses	(8,454,387)	(578,412)	45,907,988	22,097,555	170,144
Experience adjustments on plan assets - (losses)/gain	10,408,959	(10,582,063)	17,303,890	(1,215,547)	(167,118)
The gratuity benefit of a subsidiary is non funded:					
				31.03.2017	31.03.2016
Charged to the Statement of Profit and Loss (as part of Contribution to Provident Fund and other Funds in Note 25 Employee benefits expense).				1,779,612	2,811,967
Closing Liability				2,668,253	1,830,554

33 : Segment reporting

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. Fixed assets that are used interchangeably amongst segments are not allocated to primary and secondary segments.

Primary disclosure**Geographical Segment based on location of customers**

(₹)

	India		Other than India		Unallocable		Consolidated	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Revenue								
Revenue from operations	17,368,120,250	12,791,256,506	7,843,164,223	6,613,757,146	-	-	25,211,284,473	19,405,013,652
Segment result								
Earnings before finance cost, other income and taxes	587,966,415	611,683,577	1,241,536,010	1,245,651,999	-	-	1,829,502,425	1,857,335,576
Other Income	13,333,146	28,773,474	175,182,883	117,689,314	214,788,372	291,357,863	403,304,401	437,820,651
Profit before exceptional item, finance cost and taxes	601,299,561	640,457,051	1,416,718,893	1,363,341,313	214,788,372	291,357,863	2,232,806,826	2,295,156,227
Finance costs							90,540,055	79,495,401
Profit before tax and exceptional item							2,142,266,771	2,215,660,826
Exceptional items - Interest income on Income Tax refund							(77,193,169)	(36,804,281)
Profit before tax							2,219,459,940	2,252,465,107
Tax expense							682,214,472	666,555,317
Profit after tax before minority interest							1,537,245,468	1,585,909,790

Notes forming part of Consolidated financial statements

(₹)

	India		Other than India		Unallocable		Consolidated	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Minority Interest							-	-
Profit after tax after Minority Interest							1,537,245,468	1,585,909,790
Segment assets	4,949,028,894	3,046,193,175	4,129,841,718	4,735,283,797	2,874,418,784	2,138,276,657	11,953,289,396	9,919,753,629
Segment liabilities	4,307,657,774	2,313,409,497	1,029,576,685	990,645,778	770,153,469	1,905,773,722	6,107,387,928	5,209,828,997
Other Information								
Capital expenditure	15,886,836	3,490,034	75,022,067	201,616,726	-	-	90,908,903	205,106,760
Depreciation and amortisation	5,866,046	3,630,605	87,138,998	57,994,431	-	-	93,005,044	61,625,036
Other significant non-cash expenses	17,881,215	1,630,525	45,480,518	14,548,797	1,641,284	2,435,078	65,003,017	18,614,400

Secondary disclosure**Business Segment**

	Products		Services		Unallocable		Consolidated	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Revenue	17,292,295,138	12,288,425,552	7,918,989,335	7,116,588,100	-	-	25,211,284,473	19,405,013,652
Assets	5,272,758,816	3,448,039,908	3,806,111,796	4,333,437,064	2,874,418,784	2,138,276,657	11,953,289,396	9,919,753,629
Capital expenditure	15,886,836	3,490,034	75,022,067	201,616,726	-	-	90,908,903	205,106,760

Geographical Segment	India		Other than India		Unallocable		Consolidated	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Segment assets	5,753,668,626	4,467,866,443	3,325,201,986	3,313,610,529	2,874,418,784	2,138,276,657	11,953,289,396	9,919,753,629
Capital expenditure	15,886,836	3,490,034	75,022,067	201,616,726	-	-	90,908,903	205,106,760

34 : Related party disclosure

i) Details of related parties :

Description of relationship

Key Management Personnel (KMP)

Names of related parties

Mr. P Srikar Reddy, Managing Director & Chief Executive Officer

(₹)

	KMP	
	31.03.2017	31.03.2016
ii) Transactions with related parties :		
Remuneration		
P Srikar Reddy, Managing Director & Chief Executive Officer	36,249,356	35,396,902
Commission		
P Srikar Reddy, Managing Director & Chief Executive Officer	7,686,227	7,929,549
iii) Balances outstanding at the end of the year		
Remuneration payable		
P Srikar Reddy, Managing Director & Chief Executive Officer	12,000,000	10,000,000
Commission payable		
P Srikar Reddy, Managing Director & Chief Executive Officer	7,686,227	7,929,549

Notes forming part of Consolidated financial statements

35 : Details of leasing arrangements

- i. The Group has entered into various operating lease agreements for office premises, residential premises, guest houses and certain assets. These leases are cancellable as well as non-cancellable and are for a period of 3 to 99 months and may be renewed based on mutual agreement of the parties.

	Year ended 31.03.2017	Year ended 31.03.2016
ii. The total of future minimum lease payments for non-cancellable operating leases are as below :		
Not later than one year	122,328,117	158,867,298
Later than one year and not later than 5 years	156,386,889	256,695,376
Later than 5 years	-	5,164,214
iii. The lease payments recognised in the Statement of Profit and Loss are as under : included in Rent (Refer Note 27)	313,184,921	275,183,748
	313,184,921	275,183,748
iv. There are no rents which are contingent in nature.		

36 : Additional information as required by Paragraph 2 of the General Instructions for Preparation of Consolidated Financial Statements to Schedule III to the 2013 Act (Previous year figures are in brackets)

Name of the entity	Net assets, i.e., total assets minus total liabilities		Share of profit / (loss)	
	As % of consolidated net assets	Amount (₹)	As % of consolidated profit / (loss)	Amount (₹)
Parent :	56.16%	3,282,840,245	82.77%	1,272,330,531
	(50.69%)	(2,387,431,026)	(69.71%)	(1,105,515,844)
Subsidiaries :				
Indian				
Sonata Information Technology Limited	23.08%	1,349,063,062	26.39%	405,625,893
	(22.90%)	(1,078,475,398)	(21.31%)	(338,017,926)
Foreign				
Sonata Software North America Inc.	(-)0.91%	(53,348,602)	9.66%	148,550,790
	((-)5.83%)	((-)274,378,293)	(8.56%)	(135,773,292)
Sonata Europe Limited	2.35%	137,214,264	(-)4.29%	(65,989,775)
	(8.14%)	(383,339,720)	(2.08%)	(33,020,689)
Rezopia Inc.	1.58%	92,330,315	(-)3.60%	(55,276,888)
	(2.59%)	(121,960,478)	((-)0.34%)	((-)5,404,254)
Sonata Software FZ LLC (Dubai)	1.48%	86,311,652	(-)4.56%	(70,066,668)
	(1.18%)	(55,519,752)	((-)0.91%)	((-)14,478,677)
Sonata Software (Qatar) LLC, Qatar	0.01%	300,767	(-)0.29%	(4,442,752)
	(0.01%)	(508,923)	((-)0.32%)	((-)5,087,366)
Sonata Software GmbH	0.34%	19,724,451	0.12%	1,894,831
	(0.39%)	(18,327,434)	(0.27%)	(4,290,435)
Halosys Technologies Inc.	4.27%	249,833,030	(-)0.94%	(14,449,224)
	(5.34%)	(251,391,861)	((-)0.96%)	((-)15,188,517)

Notes forming part of Consolidated financial statements

Name of the entity	Net assets, i.e., total assets minus total liabilities		Share of profit / (loss)	
	As % of consolidated net assets	Amount (₹)	As % of consolidated profit / (loss)	Amount (₹)
Interactive Business Information Systems Inc.	11.66%	681,632,283	(-)5.26%	(80,931,270)
	(14.59%)	(687,348,334)	(0.60%)	(9,450,418)
Total	100.00%	5,845,901,468	100.00%	1,537,245,468
	(100.00%)	(4,709,924,632)	(100.00%)	(1,585,909,790)

37: The Board of Directors recommended a final dividend of ₹ 5.50 (550% on per value of ₹ 1) per equity share for the Financial Year ended March 31, 2017. The payment is subject to the approval of the shareholders in the ensuing Annual General Meeting of the Company.

38 : Earnings Per Share

Particulars	Year ended 31.03.2017	Year ended 31.03.2016
Profit attributable to equity shareholders (₹)	1,537,245,468	1,585,909,790
Weighted average number of equity shares of Re.1/- each	105,159,306	105,159,306
Earnings Per Share - Basic and Diluted (₹)	14.62	15.08

39: The Company did not have any holdings or dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the 8th November, 2016 of the Ministry of Finance, during the period from 8th November, 2016 to 30th December, 2016.

40: Figures pertaining to subsidiaries have been reclassified, where necessary, to bring them in line with the financial statements.

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

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

For and on behalf of the Board of Directors

PRADIP P SHAH

Chairman

P SRIKAR REDDY

Managing Director
& Chief Executive Officer

Place : Mumbai
Date : 29th May 2017

PRASANNA OKE
Chief Financial Officer

R SATHYANARAYANA
VP - Finance & Accounts

KUNDAN KUMAR LAL
Company Secretary

SONATA INFORMATION TECHNOLOGY LIMITED FINANCIAL STATEMENTS

Board's Report

To The Members,

The Directors have pleasure in presenting before you the Seventeenth Annual Report of your Company together with the Audited Financial Statements for the Financial Year ended March 31, 2017.

FINANCIAL RESULTS

Description	₹ in Crores	
	Financial Year ended 31.03.2017	Financial Year ended 31.03.2016
1. Total Income	1,741.10	1,259.37
2. Total Expenditure	1,684.83	1,204.63
3. EBITDA	56.27	54.74
5. Depreciation & Amortization Expense	0.58	0.36
4. Finance Cost	6.84	6.30
5. Profit before Tax and Exceptional Items	48.85	48.08
6. Exceptional item [Interest income on Income Tax refund]	2.07	3.68
7. Provision for Tax (Net)	17.28	17.85
8. Profit after Tax	33.64	33.91
9. Earnings in ₹ per share	99.67	100.47

BUSINESS PERFORMANCE

Your Company has posted encouraging results for the Financial Year ended 31st March, 2017. Your Company has reported an all-time high revenue of ₹ 1,741 Crores in the Financial Year under review with a growth of 38% due to focus on new technology areas like Cloud, Analytics, Big Data, Appliances, etc. EBIDTA, before Exceptional Items, have seen a growth of 3% and PAT is flattish due to competitive market place and additional investments in new technology offerings and sales force which will help in differentiating us from the competition and help growth in the future. The focus in this business has always been to manage Return on Capital Employed, which was 31% for the Financial Year.

Your Company's business has two broad lines:

A. PRODUCTS

During the year under review, your Company has focused on digital transformation for customers in the area of technology infrastructure services and worked on new age technologies like Cloud, Social & Analytics. Your Company has been awarded the best partner for the year from companies like Microsoft, Oracle and SAP. Our focus on the Security SI business has started giving results and we have been awarded as the best partners for the year from security players like Symantec and Force Point. Also, our focus on security appliances like Palo Alto and Check Point have seen good potential in the enterprise customer space. Your Company has continued focus on the cloud and have been appointed as a Cloud Service Provider by Microsoft for India, Singapore and Dubai markets.

B. SERVICES

During the year under review, your Company has grown its engagement across all its existing clients as well as acquired new ones. Sonata as a group continues to lead with the innovative solutions and platforms like Brick & Click, ASCS, Halosys etc as its go-to-market strategy. As a result, your Company have also been able to build a deeper relationship with its existing clients as well as our principals. Your Company has conducted an event specifically for the long standing customers which was very well received. The Management plans to make this an annual affair.

OUTLOOK IN BUSINESS

Your Company will continue to focus on bringing in high value products to Indian market and will continue to look for potential tie ups with leading OEMs from different countries. Your Company will be working on large digital transformation projects with customers which will help the organization to gain more stickiness with the customers.

DIVIDEND / TRANSFER TO RESERVES

During the Financial Year under review, your Company had declared and paid First Interim dividend of ₹ 5/- per equity share and Second Interim Dividend of ₹ 5 /- per equity share, thereby, aggregating to a total dividend of ₹10/- per equity share (Previous Year ₹ 20 /- per equity share of face value ₹ 10 /- each).

Your Company has not transferred any amounts to reserve for the Financial Year ended March 31, 2017.

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 4 (Four) times. The Board Meetings were held on the following dates – 23rd May, 2016, 8th August, 2016, 2nd November, 2016 and 3rd February, 2017.

BOARD OF DIRECTORS AND OTHER MANAGERIAL PERSONNEL

During the year under review the Board re-appointed Mr Sujit Mohanty (DIN 00001404), Whole-time Director of your Company for a further period of five years with effect from 1st December, 2016 as per the recommendation of the Nomination and Remuneration Committee and subject to approval of Shareholders at the ensuing Annual General Meeting (AGM) of the Company. Also, Mr. Sujit Mohanty, retires by rotation and being eligible, offers himself for re-appointment at the ensuing AGM. Brief profile of Mr Sujit Mohanty, is given in the notes to the Notice of the ensuing AGM.

Ms. Priya Manoj Jaswani, Company Secretary of the Company had resigned w.e.f 7th October, 2016.

During the year under review, Company has not appointed any Director.

DECLARATION FROM INDEPENDENT DIRECTORS ON ANNUAL BASIS

Your Company has received necessary declaration from each Independent Director of your Company under Section 149(7) of the Companies Act, 2013, that the Independent Directors of your Company meet with the criteria of their Independence laid down in Section 149(6) of the Companies Act, 2013.

DIRECTORS' 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 had been followed along with proper explanation relating to material departures;
- the Directors had 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 had 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 had prepared the Annual Accounts on a going concern basis; and
- the Directors had 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 currently comprises of Mr. B K Syngal (Chairman), Mr. P Srikar Reddy and Ms. Radhika Rajan as its members. The Committee met 4 (Four) times during the year under review and all its recommendations were accepted by the Board.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee comprises of Mr. B K. Syngal (Chairman), Mr. P Srikar Reddy and Ms. Radhika Rajan as its members. The Committee met once during the year under review. Sonata Software Limited (Holding company) has formulated and adopted a group policy for remuneration of Directors, KMP and other Employees which extends to your Company. This policy forms part of this Report as **ANNEXURE I**.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Corporate Social Responsibility Committee comprises of Mr. B K. Syngal (Chairman), Mr. P Srikar Reddy and Ms. Radhika Rajan as its members. The Committee met 2 (Two) times during the year under review.

QUALIFICATIONS IN AUDIT REPORTS

Your Company confirms that there is no qualification in the Statutory Auditors' Report and Secretarial Audit Report for the year under review.

STATUTORY AUDITORS

The Board on 29th May, 2017 on proposal of the Audit Committee has recommended appointment of Deloitte Haskins & Sells, LLP, Chartered Accountants, Bengaluru, (Firm Registration No. 117366W) as Statutory Auditors of the Company, in place of Deloitte, Haskins and Sells (FRN 008072S) due to its re-structuring which belongs to same network of firm, from the conclusion of Seventeenth (17th) Annual General Meeting (AGM) till conclusion of Twenty Second (22nd) AGM subject to the approval of the Shareholders at the ensuing AGM.

SECRETARIAL AUDIT

Secretarial Audit Report as provided by Mr. Sriram Parthasarathy, Practising Company Secretary is annexed to this Report as **Annexure II**.

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 III**.

RECOGNITION

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

SAP APJ Partner Excellence Award 2017 - Top Sell Partner of the Year

SAP APJ Partner Excellence Award 2016 - MVAR Partner of the Year

2016 Microsoft - Country Partner of the Year India

2016 Microsoft - Finalist for Hybrid Cloud and Infrastructure Platform Award

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 and
- Installation of LCD/LED monitors (energy efficient) in place of normal CRT monitors, thereby saving energy.

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 continued its focus on the new technology areas of Cloud, Mobility and Analytics and created separate units for Cloud SI & Security SI businesses as well as our Own IP sales 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 ₹ 31.46 Crores and Foreign Exchange inflow on account of software services rendered and sales of traded products exports was ₹ 33.83 Crores.

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

by adopting the best practices from the industry. As a part of continual process improvement, Sales MIS processes have been automated so as to minimize the effort spent as well as eliminate human errors. Opportunity and Demand management process is also being streamlined with customized application workflows.

During the year under review, your Company successfully completed the upgradation of its quality management system to ISO 9001:2015.

HUMAN RESOURCES MANAGEMENT

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

- Senior Leadership Development through customised programs on Business Leadership, Design Thinking & sponsoring leaders to Strategic Leadership Programs with B-schools.
- Took the Sonata Reimagined concept to the next phase through the Platformation concept. Further, every year your Company organizes an Annual Communications Meet "ACM" where:
- Mr. P Srikar Reddy, Director along with his Leadership team shared the company strategy, plans & key focus areas. In sync with the Go Digital theme, this year, the ACM went digital and was telecasted from the Head Office to all locations.
- Unveiled your Company's future way of working under the Platformation concept.

DETAILS OF ADEQUACY OF INTERNAL CONTROL SYSTEM

Sonata has an adequate Internal Financial Control Systems in place which ensures the smooth functioning of its businesses. All the internal processes and the systems are reviewed periodically and amended, wherever required, to address the changing regulatory and business environments.

The Internal Control Systems provide a reasonable assurance of recording the transactions of its operations in all material aspects and of providing protection against misuse or loss of Company's assets. The ERP system in Sonata has also helped in further strengthening the internal financial control systems.

The existing Internal Financial Control Systems, related policies and procedures have been tested and reviewed by both the internal and statutory auditors during the year. They have expressed their satisfaction with regard to the adequacy and effectiveness of the internal financial control systems in place to address risk management and mitigation strategies.

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. The balance outstanding as on March 31, 2017 is NIL. The maximum amount outstanding at any point of time during the Financial Year has been ₹ 88.8 crores.

Also, your Company has taken Corporate Guarantees from its Holding Company, Sonata Software Ltd. for facilitating its business needs. The outstanding amount as on March 31, 2017 is as below:

Name of the Party	Amount in ₹ Crores
IBM India Ltd.	5.00
Microsoft Corporation (India) Pvt. Ltd.	97.28

RISK MANAGEMENT:

The Risk Management practices of Sonata seek to sustain our long term vision and mission. The Company continuously evaluates the various types of risks surrounding the business and seeks to establish robust risk management processes and their continuous review. The Board also assesses the risks surrounding the businesses of the company and formulates strategies directed at mitigating these risks. The Management of the company establishes appropriate policies and processes which are directed at mitigating the risks to the business objectives.

CORPORATE SOCIAL RESPONSIBILITY "CSR":

During the Financial Year, your Company has spent ₹ 0.80 crores towards CSR activities.

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

- A Green Future – Partnered with "Pangea Econet" as part of save the environment program to plant Trees in Chintamani District of Karnataka. Totally 3000 Sapling was planted I Go Green for Sonata". Another program was rolled out by the employees of planting trees at our Global Village campus – large number of Sonatians participated in the event demonstrating Company's commitment to the environment and society.
- Promote education to the impaired–Contributed to Sense International India, a Centre for Deaf and Blind in Bengaluru;
- Preservation of Wildlife – Partnered with WCT to provide advanced level of education for children studying in the buffer zones of Bandipur tiger reserve;
- Scholarships for economically challenged engineering students – Partnered with SKVMA Trust to support technical education for economically challenged students in the backward districts of Karnataka and
- Support traditional Handloom through IT expertise – Develop an ecommerce online portal for Handloom students to empower traditional weaving techniques and sell their products

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

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 2016-17.

The Company affirms that no employee has been denied access to the Audit Committee during the Financial Year 2016-17.

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 V**.

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
SONATA INFORMATION TECHNOLOGY LIMITED

Place : Mumbai
Date : 29th May, 2017

P SRIKAR REDDY
CHAIRMAN

Annexure I

NOMINATION AND REMUNERATION POLICY

1] PREAMBLE

This Policy is formulated by the Nomination and Remuneration Committee of the Company and all its Subsidiaries including but not limited to Sonata Information Technology Ltd, Sonata Europe Limited, Sonata Software North America Inc., etc. to attract, motivate and retain high-calibre senior executives/directors in a competitive market, who possess the required core competencies, professional backgrounds and skill sets in line with the nature and identity of the Company and its business. This Policy reflects the Company's objectives for good corporate governance as well as sustained long-term value creation for stakeholders.

The policy is framed in terms of section 178 of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments made thereto.

2] DEFINITIONS

- 1) **Act** means the Companies Act, 2013 (as amended or modified from time to time) and applicable rules prescribed thereunder;
- 2) **Company** means M/s. Sonata Software Limited and its Subsidiary Sonata Information Technology Limited;
- 3) **Board** means the Board of Directors of the respective Company;
- 4) **Director** means the Director appointed to the Board of the respective Company;
- 5) **Committee** means Nomination and Remuneration Committee of M/s. Sonata Software Limited and M/s Sonata Information Technology Limited as constituted or reconstituted by the Board of the respective Company;
- 6) **Independent Director** means a Director referred to in Section 149(6) of the Act;

3] OBJECTIVES

The objectives and purpose of this Policy are as follows:

- To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors (executive and non-executive) and persons who may be appointed in Senior Management and Key Managerial positions and to determine their Remuneration.
- To determine remuneration based on the Company's size, financial position and trends and practices on Remuneration prevailing in peer companies, in the software industry.
- To carry out evaluation of the performance of Directors, as well as KMP and SMP.
- To provide them reward linked directly to their performance and potential relating to the Company's operations.

7) **Key Managerial Personnel** (KMP) means-

- The Chief Executive Officer or the Managing Director or the Manager;
- The Company Secretary;
- The Whole-time Director;
- The Chief Financial Officer

8) **Policy** means this Nomination and Remuneration Policy.

9) **Senior Management Personnel** (SMP) means personnel of the Company in cadre Senior Vice President and above.

- Note: i) Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the Act shall have the meaning respectively assigned to them therein.
- ii) Words imparting the singular shall include the plural and vice versa. Words imparting a gender include every gender.

4] APPLICABILITY

- 1) This Policy is applicable to Directors (executive and non-executive); KMP; and SMP of Sonata Software Limited
- 2) This Policy is also applicable to the subsidiaries to the extent required under the applicable laws

5] EFFECTIVE DATE

In the context of the aforesaid objectives, this Policy has been formulated by the Company and adopted by the Board of Directors of the Company on 30th September, 2014 and this date will be deemed to be the effective date of this Policy. The same was modified in the board meeting held on 3rd February, 2017.

6] CONSTITUTION OF THE COMMITTEE

The Committee which is inter alia responsible for recommending the Remuneration for Directors, KMP and SMP, comprise of following Directors:

- a) Sonata Software Limited
 - i) Mr. S. N. Talwar, Chairman (Non – Executive Independent Director)
 - ii) Mr. S. B. Ghia, Member (Non-Independent Non – Executive Director)
 - iii) Mr. B. K. Syngal, Member (Non – Executive Independent Director)
 - iv) Mr. Viren Raheja, Member (Non Independent Non – Executive Director)
- b) Sonata Information Technology Limited
 - i) Mr Brijendra Kumar Syngal, Chairman (Non – Executive Independent Director)

- ii) Mr Srikar Palem Reddy, Member (Non-Independent Non – Executive Director)
- iii) Ms Radhika Govind Rajan, Member (Non – Executive Independent Director)

The Board has the power to reconstitute the Committee consistent with the Company's policies and applicable statutory requirement.

7] MATTERS TO BE DEALT WITH AND RECOMMENDED TO THE BOARD BY THE COMMITTEE

The Committee shall:

- Formulate the criteria for determining qualifications, positive attributes and independence of a Director;
- Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this Policy; and
- Recommend to the Board, appointment and removal of Directors, KMPs and SMPs.

8] CRITERIA FOR APPOINTMENT AND REMOVAL OF DIRECTORS, KMPs AND SMPs

8.1] Appointment criteria and qualifications:

8.1.1 The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person who is proposed for appointment as Director, KMP or SMP and recommend to the Board about such proposed appointment.

8.1.2 A person should possess adequate qualification, expertise and experience for the position he is considered for appointment. The Committee has the discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.

8.1.3 The Company shall not appoint or continue the employment of any person as Managing Director, whole-time Director or Manager who is below the age of twenty one years or who has attained the age of seventy years. Provided that the term of the person holding the described position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution which shall be based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond the age of seventy years.

8.2] Term / Tenure:

8.2.1 Managing Director/whole-time Director/Manager:

- The Company shall not appoint or employ at the same time a Managing Director and a Manager;
- The Company shall not appoint or re-appoint any person as a Managing Director or a whole-time Director or a Manager for a term exceeding five years

at a time. Provided that no re-appointment shall be made earlier than one year before the expiry of his term.

8.2.2 Independent Director:

- An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company in this regard.
- No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director of the Company. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly. However, if a person who has already served as an Independent Director for 5 (Five) years or more in the Company as on 1st October, 2014 or such other date as may be determined by the Committee as per regulatory requirement, he shall be eligible for appointment for one more term of 5 (Five) years only.
- At the time of appointment of an Independent Director, it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director and three Listed companies as an Independent Director in case such person is serving as a whole-time Director in any Listed company.

8.2.3 KMP:

A whole-time KMP of the Company cannot hold the office in any other company except in its Subsidiary at the same time. However a Managing Director of the Company can hold the office in one another company provided such appointment is approved by a resolution passed at a meeting of the Board of Directors with the consent of all the Directors present at the meeting and of which meeting and of all the resolutions to be moved thereat, specific notice has been given to all the Directors then in India.

8.3] Evaluation:

The Committee shall diligently carry out annual evaluation of performance of every Director, KMP and SMP on the basis of the criteria(s) laid down by the Committee or the Company or under the Act, if applicable.

8.4] Removal:

Due to the reasons for any disqualification prescribed under the Act or under any other applicable Acts, rules and regulations, the Committee may recommend, to the Board with reasons recorded in writing for removal of a Director, KMP or SMP and such removal shall be in compliance with the Act or any other applicable Acts, rules and regulations.

8.5] Retirement:

The Director, KMP and SMP shall retire as per the applicable provisions of the Act and in accordance with the applicable policy of the Company. The Committee or the Board will have the discretion to retain the Director, KMP, and SMP in the same position / Remuneration or otherwise even after their attaining of retirement age, for the benefit of the Company.

9] TERMS OF REMUNERATION FOR THE DIRECTOR, KMP AND SMP

9.1] General:

9.1.1 The Remuneration payable to the Director, KMP and SMP will be determined by the Committee and recommended to the Board for approval.

9.1.2 The Committee shall have the power to determine the Remuneration and commission to be paid to the Director which shall be in accordance with the provisions laid down in the Articles of Association of the Company and the Act.

9.1.3 Increments to the existing Remuneration/compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of Whole-time Director.

9.1.4 Where any insurance is taken by the Company on behalf of its Directors, KMP and SMP for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the Remuneration payable to any such personnel. Provided that if such personnel is proved to be guilty, the premium paid on such insurance shall be treated as part of the Remuneration.

9.1.5 Compensation:

The Director, KMP and SMP at the discretion of the Committee may be entitled to fixed Pay on a monthly or yearly basis which may be divided into Basic, Performance Bonus, House Rent Allowance, Medical Allowance, Grade Allowance, etc. Appointment letter or contract will form the basis of eligibility of such pay/ allowances.

9.1.6 Benefits:

To continually enhance the standard of living of the Director, KMP and SMP and to ensure continual long term engagement, the Committee may extend benefits/welfare facilities such as group mediclaim insurance policy, long service award and such other benefits that the Committee deems fit, to the Director, KMP and SMP in accordance with the HR policies of the Company.

9.2 Remuneration to Executive Director, KMP and SMP:

9.2.1 Fixed pay:

The Executive Director, KMP and SMP shall be eligible for a monthly Remuneration as may be approved by the Board on the recommendation of the Committee. The break-up of the pay scale and quantum of perquisites including, employer's contribution to provident fund, pension scheme, medical expenses, etc. shall be decided

and approved by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, whenever necessary.

9.2.2 Minimum pay:

If, in any Financial Year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing Director, Whole-time Director and Manager in accordance with the provisions of Schedule V of the Act.

9.2.3 Provisions for excess Remuneration:

If any Whole-time Director draws or receives, directly or indirectly by way of Remuneration any such sums in excess of the limits prescribed under the Act or without the prior sanction of the Central Government, where required, he shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

9.3 Remuneration to Non- Executive / Independent Director:

9.3.1. Remuneration:

If required, Non-executive/Independent Directors may be paid Remuneration, which shall be fixed as per the slabs and conditions as deemed fit by the Committee and which shall be in accordance with the Articles of Association of the Company and the Act.

9.3.2 Sitting Fees:

The Non- Executive / Independent Director shall receive Remuneration by way of fees for attending Meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed Rupees One lakh per Meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

9.3.3 Commission:

Commission may be paid within the monetary limit approved by shareholders, Central Government subject to the limit prescribed under the Companies Act, 2013 and the rules made thereunder.

9.3.4 Stock Options:

An Independent Director and any Director who either himself or through his relative or through any Body Corporate, directly or indirectly, holds more than ten percent of the outstanding equity shares of the Company shall not be entitled to any stock option of the Company.

10] AMENDMENTS

The Committee or the Board reserves its right to amend or modify this Policy in whole or in part, at any time without assigning any reason whatsoever.

Annexure II

Form No.MR-3
SECRETARIAL AUDIT REPORT

FINANCIAL YEAR ENDED 31st MARCH, 2017

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9
of the Companies

(Appointment and Remuneration Personnel) Rules, 2014]

To,
The Members
Sonata Information Technology Limited
CIN: U72300MH2000PLC127476
No 208 TV Industrial Estate "K Ahire" Marg,
Worli, Mumbai – 400 030

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 (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 Company's 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, 2017 complied with the statutory provisions listed here under 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 the Company for the Financial

Year ended on 31st March, 2017 according to the provisions of:

- 1) The Companies Act, 2013(the Act) and the rules made there under;
- 2) The Special Economic Zone Act, 2005 and Policy relating to Software Technology Parks of India and its regulations.

I have also examined compliance with the applicable clauses of Secretarial Standards issued by The Institute of Company Secretaries of India.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were generally sent at least seven days in advance, 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.

All decisions were carried out with unanimous approval of the Board and there was no instance of dissent voting by any member during the period under review.

I have examined the systems and processes established by the Company to ensure the compliance with general laws including Labour Laws, Employees Provident Funds Act, Employees State Insurance Act & other State Laws, considering and relying upon representations made by the Company and its Officers for systems and mechanisms formed by the Company for compliance under these laws and other applicable sector specific Acts, Laws, Rules and Regulations applicable to the Company and its observance by them.

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 other applicable laws and the rules made thereunder.

I further report that during the audit period, there were no instances of:

- (i) Public / Rights / Preferential issue of shares / debentures / sweat equity.
- (ii) Redemption / buy-back of securities.
- (iii) Major decisions taken by the Members in pursuance to Section 180 of the Companies Act, 2013.
- (iv) Merger / amalgamation / reconstruction etc.
- (v) Foreign technical collaborations.

This Report is to be read with my testimony of even date which is annexed as **Annexure A** and forms an integral part of this report.

Annexure A

To
The Members,
Sonata Information Technology Limited

My report of even date is to be read along with this supplementary testimony.

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 my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, the Company had followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.,
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards are 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.

Signature:
(P. Sriram)

P. Sriram & Associates

FCS No. 4862/C P No: 3310

Place: Chennai

Date: 29th May 2017

Annexure III

EXTRACT ANNUAL RETURN**FORM- MGT-9****For the Financial Year ended 31.03.2017****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				No. of Shares held at the end of the year				% 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	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	0	0
e)	Any other	0	0	0	0	0	0	0	0	0	0

	Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year	
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares		
	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
	Total Shareholding of Promoter (A)= (A)(1)+(A) (2)	0	0	0	0	0	0	0	0	0	0
B.	PUBLIC SHAREHOLDING										
(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)	Foreign Institutional Investors	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										
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								
i)	Individual shareholders holding nominal share capital upto ₹1 lakhs	0	0	0	0	0	0	0	0	0	0

	Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year	
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares		
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 GDRs & ADRs	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 is held by Sonata Software Limited

(ii) Shareholding of Promoters

Sl. No.	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% 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 Promoters' Shareholding (Specify if there is no change)

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
1	At the beginning of the year	33,74,694	99.98	NIL	NIL
2	Date wise increase/decrease in Promoters Share holding 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	33,74,694	99.98	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		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		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 Crores

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					
i)	Principal Amount	22.54	1.95	Nil	24.49
ii)	Interest due but not paid	Nil	Nil	Nil	Nil
iii)	Interest accrued but not due	Nil	Nil	Nil	Nil
	Total (i+ii+iii)	22.54	1.95	Nil	24.49
Change in Indebtedness during the Financial Year					
	Additions	684.70	523.99	Nil	1,208.69
	Reduction	707.24	521.85	Nil	1,229.09
	Net Change	(22.54)	2.14	Nil	(20.40)
Indebtedness at the end of the Financial Year					
i)	Principal Amount	Nil	4.09	Nil	4.09
ii)	Interest due but not paid	Nil	Nil	Nil	Nil
iii)	Interest accrued but not due	Nil	Nil	Nil	Nil
	Total (i+ii+iii)	Nil	4.09	Nil	4.09

VI REMUNERATION OF DIRECTORS**A. Remuneration to Managing Director, Whole time director and/or Manager:**

Sl. No.	Particulars of Remuneration	Sujit Mohanty (Whole-time-Director)	Total Amount in ₹
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income Tax, 1961.	6,961,239	6,961,239
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	162,624	162,624
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	0	0
2	Stock option	0	0
3	Sweat Equity	0	0
4	Commission as % of profit	0	0
5	Others, please specify	0	0
	Total (A)	7,123,863	7,123,863
	Ceiling as per the Act		26,518,723

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:

Sl. No.	Particulars of Remuneration	Name of the Independent Directors		Total Amount ₹
		Mr. B K Syngal	Ms. Radhika Rajan	
1	Independent Directors			
	(a) Fee for attending board committee meetings	220,000	240,000	460,000
	(b) Commission	0	0	0
	(c) Others, please specify	0	0	0
	Total (1)	220,000	240,000	460,000
2	other Non-Executive Directors			
	(a) Fee for attending board committee meetings	0	0	0
	(b) Commission	0	0	0
	(c) Others, please specify.	0	0	0
	Total (2)	0	0	0
	Total (B)=(1+2)	220,000	240,000	460,000
	Ceiling as per the Act			5,303,745
	Total Managerial Remuneration			7,583,863
	Overall Ceiling as per the Act			58,341,191

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

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 Act, 1961.	--	--
	(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	--	--
5	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
SONATA INFORMATION TECHNOLOGY LIMITED

Place: Mumbai
Date: 29th May, 2017

P SRIKAR REDDY
CHAIRMAN

Annexure IV

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. B K Syngal (Chairman)
 - ii. P Srikar Reddy
 - iii. Radhika Rajan
3. Average net profits of the Company for the last three financial years is ₹ 39,83,42,847.
4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above) is ₹ 79,66,857.
5. Details of CSR spent during the Financial Year 2016-17.
 - a) Total amount spent for the Financial Year 2016-17 was ₹ 80,14,893 (out of which ₹ 2,55,000 is amount accrued during the Financial Year and payable).
 - b) Amount unspent – Nil.
 - c) Manner in which the amount spent during the Financial Year 2016-17 is detailed below-

(Amount in ₹)

(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	Digitalizing primary education among schools around buffer zone of tiger reserves	Education	Bandipur, Tamil Nadu	5,00,000	(1) 4,84,500 (2) 27,738	5,12,238	Wildlife Conservation Trust
2	Creation of ecommerce and digital archive for traditional Handloom students	Art and Crafts	Maheshwar, Madhya Pradesh	68,00,000	(1) 60,36,899	60,36,899	Direct

(Amount in ₹)

(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	Enabling advanced learning system for specially challenged students	Education	Yelahanka, Karnataka	5,00,000	(1) 5,12,106 (2) 29,318	5,41,424	Sense International
4	Scholarship for technical education for economically challenged students	Education	Gadag, Karnataka	2,00,000	(1) 2,00,000 (2) 22,900	2,22,900	SKSVMA Charitable Trust
5	Provide golf training for economically challenged talented students	Sports	Delhi	66,000	(1) 66,000 (2) 7,557	73,557	The Golf Foundation
6	Research on IT trends in CSR for the FY 2015-16	Research	Bengaluru, Karnataka	3,00,000	(1) 3,00,000 (2) 17,175	3,17,175	NASSCOM Foundation
7	Fostering sustainable environment within society and among employees	Environment	Bengaluru, Karnataka Chintamani, Karnataka	5,00,000	(1) 55,700 (2) 2,55,000	3,10,700	Direct
Total				88,66,000		80,14,893	

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

B K Syngal
Chairman of CSR Committee

Place: Mumbai
Date: 29th May, 2017

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)

- 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, 2017, which was not at arm's length basis.

- 2) Details of material contracts or arrangement or transactions at arm's length basis

(Amount in ₹)

Name of the Related Party	Sonata Software Limited	Sonata Software FZ LLC
Nature of Relationship	Holding Company	Fellow subsidiary
Nature Of Contracts/ Arrangements/ Transactions :		
Revenue from software product and licenses	115,002,597	-
Other reimbursements recovered	-	616,399
Deputation cost/ service charges/ software project fees	211,259,557	-
Reimbursement of expenses	15,195,099	-
Inter- corporate deposit taken	5,155,211,505	-
Inter- corporate deposit repaid	5,174,711,505	-
Interest on inter- corporate deposit paid	23,761,353	-
Rent paid	5,147,273	-
Dividend paid	33,753,940	-
Commission paid on corporate guarantees	4,969,255	-

Notes:

- Duration of the above Contracts / Arrangements / transactions are all ongoing contracts.
- Salient terms of the Contracts or arrangements or transactions above mentioned are all based on transfer pricing guidelines.
- Appropriate approvals have been taken for these Related Party Transactions.
- Advances paid have been adjusted against billings, wherever applicable.

For and on behalf of the Board
SONATA INFORMATION TECHNOLOGY LIMITED

Place: Mumbai
Date: 29th May, 2017

P SRIKAR REDDY
CHAIRMAN

Independent Auditors' Report

TO THE MEMBERS OF SONATA INFORMATION TECHNOLOGY LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **SONATA INFORMATION TECHNOLOGY LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Act.

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 statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2017, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Act, based on our audit we report, to the extent applicable 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, and the Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account.
 - d) In our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under section 133 of the Act.
 - e) On the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 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 Auditors' 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.
 - iv. The Company did not have any holdings or dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the 8th November, 2016 of the Ministry of Finance, during the period from 8th November, 2016 to 30th December, 2016.
2. As required by the Companies (Auditors' 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 & SELLS
Chartered Accountants
(Firm's Registration No. 008072S)

Place: Mumbai
Date: 29 May, 2017

V. Srikumar
Partner
(Membership No. 84494)

Annexure “A” To The Independent Auditors’ Report

(Referred to in paragraph 1 under ‘Report on Other Legal and Regulatory Requirements’ 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 31st March, 2017 in conjunction with our audit of the standalone 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.

Auditors’ Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting 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 31st March, 2017, 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”.

For DELOITTE HASKINS & SELLS

Chartered Accountants
(Firm's Registration No. 008072S)

Place: Mumbai
Date: 29 May, 2017

V. Srikumar
Partner
(Membership No. 84494)

Annexure “B” To The Independent Auditors’ 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 clause (i)(c) of the CARO 2016 is not applicable.
- (ii) As explained to us, the inventories are physically verified annually, at the year end. As at the year end, since there are no inventories, no physical verification has been carried out by 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 (iv) of the CARO 2016 is not applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposit during the year. In respect of unclaimed deposits, the Company has complied with the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013.
- (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 the reporting under clause (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, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, 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, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Cess and other material statutory dues in arrears as at 31st March, 2017 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 31st March , 2017 on account of disputes are given below:

Name of the statute	Nature of dues	Forum where dispute is pending	Period to which the Amount Relates	Amount (In ₹)
Income Tax Act, 1961	Income tax and interest thereon	Supreme Court	Asst Year 2001-02 and Asst Year 2002-03	218,239,587 [^]
Income Tax Act, 1961	Income tax and interest thereon	Commissioner of Income Tax (Appeals)	Asst Year 2013-14	56,081,520*
			Asst Year 2014-15	82,786,140~
Finance Act, 1994	Service Tax	CESTAT	Financial Year 2004-05 and 2005-06	21,352,990
Karnataka VAT Act, 2003	Sales Tax	The Joint Commissioner of Commercial Taxes (Appeals), Bangalore	Financial year 2001-02	147,008**

[^] Net of ₹ 12,500,000 paid under protest

[#] Net of ₹ 106,291,100 paid/refund adjusted under protest

~Net of ₹ 51,587,640 paid/refund adjusted under protest

** Net of ₹ 147,008 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 financial institutions, banks and government and dues to debenture holders.
- (ix) In our opinion and according to the information and explanations given to us, 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 (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 (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 Sections 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 financial statements etc. 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 CARO 2016 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, subsidiary or associate company or persons connected with them and hence provisions of section 192 of the Act, are not applicable.
- (xvi) The Company is not required to be registered under Section 45-I of the Reserve Bank of India Act, 1934.

For DELOITTE HASKINS & SELLS

Chartered Accountants
(Firm's Registration No. 008072S)

Place: Mumbai
Date: 29 May, 2017

V. Srikumar
Partner
(Membership No. 84494)

Balance Sheet as at March 31, 2017

	Note No.	As at 31.03.2017	As at 31.03.2016
(₹)			
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	3	33,753,940	33,753,940
Reserves and surplus	4	1,307,509,901	991,838,423
		1,341,263,841	1,025,592,363
NON-CURRENT LIABILITIES			
Other long-term liabilities	5	13,156,517	2,041,985
		13,156,517	2,041,985
CURRENT LIABILITIES			
Short-term borrowings	6	17,758,902	244,903,857
Trade payables			
Total outstanding dues of micro and small enterprises	27	-	-
Total outstanding dues other than micro and small enterprises	7	3,904,303,274	2,096,657,224
Other current liabilities	8	427,136,066	245,503,322
Short-term provisions	9	33,737,097	28,634,110
		4,382,935,339	2,615,698,513
TOTAL		5,737,355,697	3,643,332,861
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	10(i)	16,359,148	6,497,291
Intangible assets	10(ii)	-	-
Capital work-in-progress		156,751	-
		16,515,899	6,497,291
Deferred tax assets (net)	11	19,139,884	8,065,981
Long-term loans and advances	12	256,790,474	176,916,065
Other non-current assets	13	15,004,467	7,834,197
		307,450,724	199,313,534
CURRENT ASSETS			
Current investments	14	180,031,920	-
Inventories	15	-	100,090,229
Trade receivables	16	4,075,855,234	2,401,577,465
Cash and cash equivalents	17	809,914,589	629,039,242
Short-term loans and advances	18	184,099,267	246,244,170
Other current assets	19	180,003,963	67,068,221
		5,429,904,973	3,444,019,327
TOTAL		5,737,355,697	3,643,332,861

See accompanying notes forming part of the financial statements

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

Chartered Accountants

V. Srikumar

Partner

Place : Mumbai

Date : 29th May 2017**For and on behalf of the Board of Directors****P SRIKAR REDDY**

Director

SUJIT MOHANTY

Vice President & Director

Profit And Loss Statement for the year ended March 31, 2017

	Note No.	Year ended 31.03.2017	Year ended 31.03.2016
(₹)			
REVENUE			
Revenue from operations	20.1	17,341,481,275	12,501,446,168
Other income	20.2	69,524,467	92,244,501
Total revenue		17,411,005,742	12,593,690,669
EXPENSES			
Purchases of stock-in-trade (traded goods)		16,224,600,167	11,643,790,466
Changes in inventories of stock-in-trade	21	100,090,229	(26,758,985)
Employee benefits expense	22	183,209,539	163,453,588
Finance costs	23	68,353,196	62,987,211
Depreciation and amortization expense	10(iii)	5,866,046	3,630,605
Other expenses	24	340,352,939	265,830,783
Total expenses		16,922,472,116	12,112,933,668
Profit before exceptional item and tax		488,533,626	480,757,001
Add : Exceptional item (Interest income on Income tax refund)		20,686,416	36,804,281
Profit before tax		509,220,042	517,561,282
Tax expense			
Current tax expense		189,580,640	181,830,850
Short/(excess) provision for tax relating to prior years		(5,697,206)	-
Deferred tax		(11,073,903)	(3,380,452)
Net tax expense		172,809,531	178,450,398
Profit for the year		336,410,511	339,110,884
Earnings per share - Basic and Diluted (on ₹ 10/- per share)	37	99.67	100.47
See accompanying notes forming part of the financial statements			

In terms of our report attached

For Deloitte Haskins & Sells

Chartered Accountants

For and on behalf of the Board of Directors

V. Srikumar

Partner

P SRIKAR REDDY

Director

SUJIT MOHANTY

Vice President & Director

Place : Mumbai

Date : 29th May 2017

Cash Flow Statement for the year ended March 31, 2017

	(₹)	
	Year ended 31.03.2017	Year ended 31.03.2016
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	509,220,042	517,561,282
Adjustments for :		
Depreciation and amortization expense	5,866,046	3,630,605
Finance costs	68,353,196	62,987,211
Bad trade receivables written off	3,850,653	1,184,131
Provision for doubtful trade receivables	14,030,562	446,394
Provisions/ liabilities no longer required written back	(3,664,784)	-
Interest income on Income tax refund	(20,686,416)	(36,804,281)
Interest income from fixed deposits/margin money with banks	(48,608,460)	(55,132,232)
Dividend income from current investments	(3,918,077)	(5,767,650)
Net (gain) / loss on sale of fixed assets / scrapped	2,182	(1,771)
Net (gain) / loss on sale of current investments	57,083	41,345
Unrealized foreign exchange (gain) / loss (net)	28,272,722	4,151,263
Operating profit before working capital changes	552,774,749	492,296,297
Adjustments for :		
Decrease/(increase) in trade receivables	(1,806,885,627)	(375,653,084)
Decrease/(increase) in inventories	100,090,229	(26,758,985)
Decrease/(increase) in other current assets	5,881,873	1,044,743
Decrease/(increase) in long-term loans and advances	3,397,813	(5,825,316)
Decrease/(increase) in short-term loans and advances	62,144,903	28,291,385
(Decrease)/increase in trade payables	1,805,254,444	165,135,666
(Decrease)/increase in other current liabilities	180,921,543	50,955,650
(Decrease)/increase in long-term provisions	11,114,532	767,761
(Decrease)/increase in short-term provisions	319,999	365,407
Cash generated from operations:	915,014,458	330,619,524
Direct taxes/advance tax (paid)/refund (net)	(241,686,252)	1,918,940
Net cash flow from operating activities	(A) 673,328,206	332,538,464
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(15,434,490)	(3,490,034)
Proceeds from sale of fixed assets	-	61,757
Proceeds / (purchase) of current investments (net)	(180,089,003)	75,122,693
Bank balances not considered as Cash and cash equivalents	(36,481,548)	(485,210,226)
Interest received	53,220,632	19,005,005
Dividend income from current investments	3,918,077	5,767,650
Net cash flow used in investing activities	(B) (174,866,332)	(388,743,155)

Cash Flow Statement for the year ended March 31, 2017

		(₹)
	Year ended 31.03.2017	Year ended 31.03.2016
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings from banks (net)	(207,644,955)	34,323,640
Inter corporate borrowings from Holding Company	5,155,211,505	5,137,000,000
Inter corporate borrowings paid to Holding Company	(5,174,711,505)	(5,117,500,000)
Dividends paid on equity shares	(33,753,940)	(67,507,880)
Dividend taxes paid on equity shares	(6,871,628)	(17,117,806)
Finance costs	(68,094,341)	(62,987,211)
Net cash flow used in financing activities	(C)	(93,789,257)
Net increase/(decrease) in Cash and cash equivalents	(A+B+C)	(149,993,948)
Opening Cash and cash equivalents (Refer Note 17)	69,952,877	220,791,966
Exchange difference on translation of foreign currency Cash and cash equivalents	(11,494,886)	(845,141)
Closing Cash and cash equivalents (Refer Note 17)	221,055,001	69,952,877
Cash and cash equivalents at the end of the year comprises:		
Balances with banks		
In Current accounts	147,318,798	64,763,207
In EEFC accounts	73,736,203	5,189,670
	221,055,001	69,952,877
See accompanying notes forming part of the financial statements		

In terms of our report attached

For Deloitte Haskins & Sells

Chartered Accountants

V. Srikumar

Partner

Place : Mumbai

Date : 29th May 2017

For and on behalf of the Board of Directors

P SRIKAR REDDY

Director

SUJIT MOHANTY

Vice President & Director

Notes forming part of financial statements

1: Corporate information

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

2: Significant accounting policies

a. Basis of accounting and preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 2013 ("the 2013 Act"), as applicable. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

b. Use of estimates

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

c. Inventories

Inventories are valued at lower of cost (weighted average) and the net realisable value.

d. Depreciation / Amortization

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value.

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

Leasehold improvements are amortized over the primary lease period.

Computer software are amortized over a period of 3 years on straight-line method.

The estimated useful life of the intangible assets and the amortization period are reviewed at the end of each Financial Year and the amortization period is revised to reflect the changes, if any.

e. Revenue recognition

Revenues from sale of hardware/software products and licenses are recognised on transfer of significant risks and rewards of ownership to the buyers, which generally coincides with delivery where there is no customisation required. In case of customisation the same is recognised over the life of the contract using the proportionate completion method, with contract costs determining the degree of completion. Foreseeable losses on such contracts are recognised when probable.

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

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

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

Revenues are reported net of discounts.

Dividend income is recognised when the right to receive it, is established. Interest income is accounted on accrual basis.

f. Fixed Assets (Tangible/Intangible)

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

g. Foreign currency transactions and translations

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

Accounting for forward contracts

Premium / discount on forward exchange contracts, which are not intended for trading or speculation purposes, are amortized over the period of the contracts if such contracts relate to monetary items as at the Balance Sheet date. Exchange difference on such contracts are recognised in the Statement of Profit and Loss of the reporting period in which the exchange rate changes. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognised as income or as expense in the period in

Notes forming part of financial statements

which such cancellation or renewal is made.

h. Employee benefits

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

Defined contribution plans

The Company's contribution to provident fund, superannuation fund and employee state insurance are considered as defined contribution plans and are charged as an expense based on the amount of contribution required to be made and when services are rendered by the employees.

Defined benefit plan

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

Long-term 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.

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.

i. Leases

Lease arrangements where the risks and rewards incidental

to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis over the lease term.

j. Earnings per share

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

k. Taxes on income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income- tax Act, 1961 and other applicable tax laws.

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

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

l. Impairment of assets

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to

Notes forming part of financial statements

their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss.

m. Provisions and contingencies

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

n. Hedge Accounting

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to firm commitments/ highly probable forecast transactions. The Company designates such forward contracts in a cash flow hedging relationship by applying the hedge accounting principles set out in "Accounting Standard 30-Financial Instruments: Recognition and Measurement" issued by the Institute of Chartered Accountants

of India. These forward contracts are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated and effective as hedges of future cash flows are recognised directly in "Hedging reserve" under Reserves and surplus, net of applicable deferred income taxes and the ineffective portion is recognised immediately in the Statement of Profit and Loss. Amounts accumulated in the "Hedging reserve" are reclassified to the Statement of Profit and Loss in the same periods during which the committed/ forecasted transaction affects profit or loss. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For committed/ forecasted transaction, any cumulative gain or loss on the hedging instrument recognised in "Hedging reserve" is retained until the committed/ forecasted transaction occurs. If the committed/ forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in "Hedging reserve" is immediately transferred to the Statement of Profit and Loss.

o. Operating cycle

Based on the nature of products/ activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

Notes forming part of financial statements

	As at 31.03.2017	As at 31.03.2016
3 : Share capital		
Authorized		
10,000,000 equity shares of ₹ 10/- each (As at 31.03.2016 : 10,000,000 equity shares of ₹ 10/- each)	100,000,000	100,000,000
Issued		
6,000,700 equity shares of ₹ 10/- each (As at 31.03.2016 : 6,000,700 equity shares of ₹ 10/- each)	60,007,000	60,007,000
Subscribed and paid-up		
3,375,394 equity shares of ₹ 10/- each (As at 31.03.2016 : 3,375,394 equity shares of ₹ 10/- each)	33,753,940	33,753,940
Total	33,753,940	33,753,940
Refer notes (i) to (iv) below		

Notes :

i) Reconciliation of number of shares and amount outstanding at the beginning and at the end of the reporting year	Opening balance	Fresh issue/ Other changes	Closing balance
Equity shares with voting rights Year ended 31.03.2017			
Number of shares	3,375,394	-	3,375,394
Amount ₹	33,753,940	-	33,753,940
Equity shares with voting rights Year ended 31.03.2016			
Number of shares	3,375,394	-	3,375,394
Amount ₹	33,753,940	-	33,753,940

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

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

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

The shareholders have all other rights as available to equity shareholders as per the provisions of the 2013 Act, read together with the Memorandum of Association and Articles of Association of the Company, as applicable.

iii) Details of shares held by Holding Company	As at 31.03.2017	As at 31.03.2016
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%

Notes forming part of financial statements

	As at 31.03.2017	As at 31.03.2016
(₹)		
4 : Reserves and surplus		
Capital redemption reserve	26,253,060	26,253,060
General reserve	45,000,000	45,000,000
Hedging reserve		
Opening balance	6,362,500	9,018,175
Less : Transferred to Statement of Profit and Loss	6,362,500	9,018,175
Add : Effect of foreign exchange rate variations on hedging instruments outstanding at the end of the year	26,249,035	6,362,500
Closing balance	26,249,035	6,362,500
Surplus in Statement of Profit and Loss		
Opening balance	914,222,863	656,363,115
Profit for the year	336,410,511	339,110,884
Less :		
Interim dividend (₹ 10/- equity share) (Previous year ₹ 20/- equity share)	33,753,940	67,507,880
Tax on dividend	6,871,628	13,743,256
Closing balance	1,210,007,806	914,222,863
Total	1,307,509,901	991,838,423
5 : Other long-term liabilities		
Term loan		
From others - Unsecured (Amount payable towards Vendor financing arrangement)	10,377,216	-
Lease rent equalization	2,779,301	2,041,985
Total	13,156,517	2,041,985
6 : Short-term borrowings		
Loans repayable on demand		
From banks - Secured (Working capital demand Loan of ₹ 150,000,000/- was secured by pari passu charge on the current assets of the Company and of ₹ 40,000,000/- was secured by pari passu first charge by way of hypothecation of stocks and book debts of the Company. Overdraft facility of was secured against fixed deposit)	-	225,403,857
Term loan		
From others - Unsecured (Amount payable towards Vendor financing arrangement)	17,758,902	-
Loans and advances from related parties		
Inter-corporate borrowings from Holding Company - Unsecured (Refer Note 34)	-	19,500,000
Total	17,758,902	244,903,857

Notes forming part of financial statements

	As at 31.03.2017	As at 31.03.2016
7 : Total outstanding dues of micro and small enterprises	3,904,303,274	2,096,657,224
Total outstanding dues of creditors other than micro and small enterprises - other than acceptances		
Total	3,904,303,274	2,096,657,224
8 : Other current liabilities		
Current maturities of long-term debt	12,720,961	-
(Amount payable towards Vendor financing arrangement)		
Income received in advance (Unearned revenue)	10,654,057	12,665,701
Interest accrued but not due on borrowings	258,855	-
Other payables		
Statutory remittances	318,555,863	190,624,433
Payable on purchase of fixed assets	1,197,346	745,000
Advances from customers	38,550,522	26,271,407
Reimbursable expenses payable to related party	39,848,083	10,489,867
Others	5,350,379	4,706,914
Total	427,136,066	245,503,322
9 : Short-term provisions		
Provision for employee benefits - Compensated absences	2,910,000	2,590,001
Provision for tax (net of advance tax - ₹ 417,299,413/- (as at 31.03.2016 - ₹ 414,332,611/-)	30,827,097	26,044,109
Total	33,737,097	28,634,110

FIXED ASSETS

10(i) Tangible assets

Particulars *	Gross block				Accumulated depreciation				Net block	
	Cost as at 01.04.2016	Additions	Deductions / adjustments	Cost as at 31.03.2017	Upto 31.03.2016	For the year	Deductions / adjustments	As at 31.03.2017	As at 31.03.2017	As at 31.03.2016
Leasehold improvements	2,230,601	9,723,858	-	11,954,459	2,022,543	1,803,808	-	3,826,351	8,128,108	208,058
	(2,230,601)	(-)	(-)	(2,230,601)	(1,938,863)	(83,680)	(-)	(2,022,543)	(208,058)	
Plant and equipments	19,774,922	2,435,351	1,058,439	21,151,834	14,266,181	3,007,480	1,058,439	16,215,222	4,936,612	5,508,741
	(17,056,993)	(3,149,452)	(431,523)	(19,774,922)	(11,522,461)	(3,175,239)	(431,519)	(14,266,181)	(5,508,741)	
Furniture and fixtures	768,616	1,374,969	-	2,143,585	359,339	306,111	-	665,450	1,478,135	409,277
	(607,182)	(247,837)	(86,403)	(768,616)	(335,661)	(110,073)	(86,395)	(359,339)	(409,277)	
Office equipments	1,676,247	2,195,907	46,541	3,825,613	1,305,032	748,647	44,359	2,009,320	1,816,293	371,215
	(2,007,798)	(92,745)	(424,296)	(1,676,247)	(1,407,741)	(261,613)	(364,322)	(1,305,032)	(371,215)	
Total	24,450,386	15,730,085	1,104,980	39,075,491	17,953,095	5,866,046	1,102,798	22,716,343	16,359,148	6,497,291
	(21,902,574)	(3,490,034)	(942,222)	(24,450,386)	(15,204,726)	(3,630,605)	(882,236)	(17,953,095)	(6,497,291)	

Notes forming part of financial statements

10(ii) Intangible assets

(₹)										
Particulars *	Gross block				Accumulated amortization				Net block	
	Cost as at 01.04.2016	Additions	Deductions / adjustments	Cost as at 31.03.2017	Upto 31.03.2016	For the year	Deductions / adjustments	As at 31.03.2017	As at 31.03.2017	As at 31.03.2016
Computer software - purchased	1,960,101	-	1,693,306	266,795	1,960,101	-	1,693,306	266,795	-	-
	(1,960,101)	(-)	(-)	(1,960,101)	(1,960,101)	(-)	(-)	(1,960,101)	(-)	
Total	1,960,101	-	1,693,306	266,795	1,960,101	-	1,693,306	266,795	-	-
	(1,960,101)	(-)	(-)	(1,960,101)	(1,960,101)	(-)	(-)	(1,960,101)	(-)	

Previous year figures are in brackets

* Represents owned unless otherwise stated

10(iii) Depreciation and amortization expense

(₹)		
Particulars	Year ended 31.03.2017	Year ended 31.03.2016
Depreciation on Tangible assets	5,866,046	3,630,605
As per Note 10(i)		
Amortization on Intangible assets	-	-
As per Note 10(ii)		
Total	5,866,046	3,630,605

(₹)		
	As at 31.03.2017	As at 31.03.2016
11 : Deferred tax assets (net)		
Tax effects on		
Difference between book balance and tax balance of fixed assets	735,501	682,501
Others	18,404,383	7,383,480
Total	19,139,884	8,065,981
12 : Long-term loans and advances		
Unsecured, considered good unless otherwise stated		
Security deposits	6,228,928	4,016,200
Other deposits	1,321,239	6,931,780
Balances with Government authorities - Receivable from customs authority	21,891,299	21,891,299
Advance Tax (net of provision for tax - ₹ 385,356,824/- (as at 31.03.2016 - ₹ 209,223,180/-))	227,349,008	144,076,786
Other recoverables	12,500,000	12,500,000
Less : Allowance for doubtful recoverable	12,500,000	12,500,000
	-	-
Total	256,790,474	176,916,065
13 : Other non-current assets		
Balance held as margin money or security against borrowings	14,530,401	7,822,076
Interest accrued but not due on margin money	474,066	12,121
Total	15,004,467	7,834,197

Notes forming part of financial statements

	(₹)	
	As at 31.03.2017	As at 31.03.2016
14 : Current investments		
Non-trade		
Investments in mutual funds (unquoted) - At lower of cost and fair value, unless otherwise stated		
Birla Sun Life Cash Plus - Daily Dividend - Direct Plan 499,120.97 units at ₹ 100.20 per unit (As at 31.03.2016 - Nil units)	50,009,427	-
IDFC Cash Fund - Daily Dividend (Direct Plan) 49,925.31 units at ₹ 1001.67 per unit (As at 31.03.2016 - Nil units)	50,008,495	-
Tata Money Market Fund Direct Plan - Daily Dividend 49,932.95 units at ₹ 1001.52 per unit (As at 31.03.2016 - Nil units)	50,008,786	-
DSP BlackRock Liquidity Fund - Direct Plan - Daily Dividend 29,981.01 units at ₹ 1001.81 per unit (As at 31.03.2016 - Nil units)	30,005,212	-
Total	180,031,920	-
Aggregate cost of unquoted investments	180,031,920	-
15 : Inventories		
Stock-in-trade - Hardware/Software product and licenses	-	100,090,229
Total	-	100,090,229
16 : Trade receivables		
Unsecured		
Trade receivable outstanding for a period exceeding six months from the date they are due for payment		
Considered good	64,324,911	97,357,011
Considered doubtful	21,854,236	7,762,536
	86,179,147	105,119,547
Less : Provision for doubtful trade receivables	21,854,236	7,762,536
	64,324,911	97,357,011
Other trade receivables :		
Considered good	4,011,530,323	2,304,220,454
Considered doubtful	2,695	63,833
	4,011,533,018	2,304,284,287
Less : Provision for doubtful trade receivables	2,695	63,833
	4,011,530,323	2,304,220,454
Total	4,075,855,234	2,401,577,465

Notes forming part of financial statements

	As at 31.03.2017	As at 31.03.2016
(₹)		
17 : Cash and cash equivalents		
Balances with banks		
In current accounts	147,318,798	64,763,207
In EEFC accounts	73,736,203	5,189,670
In earmarked accounts		
Balance held as margin money or security against borrowings	588,859,588	559,086,365
Total	809,914,589	629,039,242
The balance that meet the definition of Cash and cash equivalents as per AS-3 Cash flow Statement is ₹ 221,055,001/- (As at 31.03.2016 is ₹ 69,952,877/-)		
18 : Short-term loans and advances		
Unsecured, considered good		
Loans and advances to related parties - Advances recoverable (Refer Note 34)	616,399	-
Security deposits	418,997	2,631,725
Other deposits	10,325,640	3,842,814
Loans and advances to employees	531,924	426,364
Prepaid expenses	16,424,543	1,757,406
Gratuity (Refer Note 32)	2,781,798	2,914,668
Balances with government authorities		
Receivable from service tax authority	4,021,739	10,506,823
VAT credit receivable	52,593,528	26,104,859
Service tax credit receivable	94,513,877	194,672,196
	151,129,144	231,283,878
Other recoverables	1,870,822	3,387,315
Total	184,099,267	246,244,170
19 : Other current assets		
Unbilled revenue	113,875,016	9,869,819
Interest accrued but not due on fixed deposits/margin money	38,076,069	43,150,186
Unrealized gain on forward contracts	28,052,878	14,048,216
Total	180,003,963	67,068,221

Notes forming part of financial statements

	(₹)	
	Year ended 31.03.2017	Year ended 31.03.2016
20.1 : Revenue from operations		
Revenue from hardware/software products and licenses	17,120,187,009	12,306,060,501
Revenue from software services	221,279,266	195,091,021
Other operating revenues	15,000	294,646
Total	17,341,481,275	12,501,446,168
20.2 : Other income		
Interest income from fixed deposits/margin money with banks	48,608,460	55,132,232
Dividend income from current investments	3,918,077	5,767,650
Net gain on foreign currency transactions and translations	13,333,146	28,773,474
Other non-operating income		
Net gain on sale of fixed assets	-	1,771
Provisions/liabilities no longer required written back	3,664,784	-
Miscellaneous income	-	2,569,374
Total	69,524,467	92,244,501
21 : Changes in inventories of stock-in-trade		
Opening Stock		
Stock-in-trade - hardware/software product and licenses	100,090,229	73,331,244
	100,090,229	73,331,244
Closing Stock		
Stock-in-trade - hardware/software product and licenses	-	100,090,229
	-	100,090,229
(Increase) / decrease in inventories	100,090,229	(26,758,985)
22 : Employee benefits expense		
Salaries, wages, bonus and allowances	141,935,211	122,456,596
Contributions to provident and other funds (Refer Note 32)	8,244,179	9,048,348
Staff welfare expenses	3,748,322	1,979,101
	153,927,712	133,484,045
Deputation cost/Service charges from holding company (Refer Note 34)	29,281,827	29,969,543
Total	183,209,539	163,453,588
23 : Finance costs		
Interest expenses on:		
Borrowings	24,277,906	16,167,637
Inter corporate borrowings	23,761,353	26,855,946
Others	1,691,077	2,698,275
Other borrowing costs	18,622,860	17,265,353
Total	68,353,196	62,987,211
24 : Other expenses		
Power and fuel	1,264,002	1,386,298
Rent (Refer Note 35)	17,430,552	13,157,348
Repairs and maintenance - machinery	120,669	144,445
Insurance	8,862,287	8,307,584

Notes forming part of financial statements

	(₹)	
	Year ended 31.03.2017	Year ended 31.03.2016
Rates and taxes	6,921,112	5,348,409
Communication cost	3,717,839	3,332,035
Facility maintenance	6,234,973	3,866,531
Travelling and conveyance expenses	20,834,910	18,110,768
Sales commission	34,767,459	19,754,577
Professional and technical fees	15,274,172	17,212,704
Software project fees from Holding company (Refer Note 34)	168,926,888	132,372,503
Legal fees	1,136,731	354,139
Expenditure on corporate social responsibility	8,014,893	2,606,315
Payments to auditors (Refer Note below)	2,475,000	2,475,000
Net loss on sale of fixed assets scrapped	2,182	-
Net loss on sale of current investments	57,083	41,345
Bad trade receivables written off	3,850,653	1,184,131
Provision for doubtful trade receivables	14,030,562	446,394
Miscellaneous expenses	13,380,130	25,208,142
	327,302,097	255,308,668
Service charges from holding company (Refer Note 34)	13,050,842	10,522,115
Total	340,352,939	265,830,783
Note - Payments to auditors comprises (net of service tax input credit):		
Statutory audit	2,300,000	2,300,000
Other services	175,000	175,000
	2,475,000	2,475,000
The Company avails input credit for service tax and hence no service tax expense was accrued		

	(₹)	
25: Contingent liabilities	As at 31.03.2017	As at 31.03.2016
a) Disputed demand of Karnataka Sales Tax	294,017	294,017
b) Disputed demand of Service Tax		
The demand for payment of service tax on repair services relating to software is based on board circular of the department issued with retrospective effect. The Company had filed appeal before Customs, Excise and Service Tax Appellate Tribunal (CESTAT) and had got stay on recovery until disposal of appeal. It is confident of getting favorable outcome based on legal precedents which support its stand.	21,352,990	21,352,990
c) Disputed demands of Income-tax	3,449,157,374	3,412,186,668

Notes forming part of financial statements

Details of disputed demands of Income-tax by issue and by year are as below:

(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. ₹ 402,964,082 (As at 31.03.2016 - ₹ 402,964,082) for the financial years 2001-02, 2003-04, 2004-05, 2005-06, 2006-07 and 2007-08. 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. ₹ 44,659,336 (As at 31.03.2016 - ₹ 44,659,336) 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. ₹ 111,904,892 (As at 31.03.2016 - ₹ 111,904,892) for the Financial Year 2010-11. The Company has received favorable order from the Commissioner of Income-tax (Appeals) (CIT(A)). The Income-tax Department has preferred an appeal to the ITAT.
- iv. ₹ Nil (As at 31.03.2016 - ₹ 101,094,655) for the Financial Year 2011-12. The Company has preferred an appeal with the CIT(A) and during the year, the Company has received favorable orders from CIT(A).
- v. ₹ 294,414,600 (As at 31.03.2016 - ₹ 159,262,831) for the financial years 2012-13 and 2013-14. The Company has preferred an appeal to the CIT(A).

(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 ₹ 218,239,587 (As at 31.03.2016 - ₹ 218,239,587) 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 ₹ 128,598,266 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. ₹ 2,364,309,742 (As at 31.03.2016 - ₹ 2,364,309,742) 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. ₹ 12,665,134 (As at 31.03.2016 - ₹ 9,751,543) for the financial years 2012-13 and 2013-14 the Company has preferred an appeal to the CIT (A).
- d) 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.

Notes forming part of financial statements

	(₹)	
26 : Commitments	As at 31.03.2017	As at 31.03.2016
Estimated amount of contracts remaining to be executed on capital account and not provided for	-	8,438,508
Other commitments - purchase contracts	104,070,647	228,824,990
27 : Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006		
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	-	-
(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.

28 : Details on derivative instruments and unhedged foreign currency

- i) Objective of Company's hedges is to minimize the impact of Foreign exchange rate variations on INR value of the committed receipts and payments in foreign currencies. The company hedges majority of cash flows expected to arise from its future one-year firm commitments/ highly probable forecasted transactions on rolling month basis through simple forward exchange contracts. On every reporting date, Company obtains the Mark to Market valuation report of all the outstanding derivative contracts from the Foreign Exchange Authorized Dealers. Extent of fair value gains/(losses) recognized in the statement of profit and loss in the current year is ₹ 1,747,934 (for the year ended 31.03.2016 is ₹ 6,797,308) and recognised as Hedge Reserve as at 31.03.2017 is ₹ 26,249,035 (as at 31.03.2016 is ₹ 6,362,500).
- ii) Forward exchange contracts (being derivative instruments), which are not intended for trading or speculative purposes but for hedge purposes to establish the amount of reporting currency required or available at the settlement date of certain receivables.

The following are the outstanding forward exchange contracts entered into by the Company and outstanding as at 31.03.2017 (Previous year figures are in brackets).

Currency	Amount	Buy / Sell	Cross currency
USD	7,720,562	Sell	Rupees
	(13,279,855)	Sell	Rupees

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

	As at 31.03.2017		As at 31.03.2016		
	Receivable / (Payable) (₹)	Receivable/ (Payable) in Foreign currency	Receivable / (Payable) (₹)	Receivable/ (Payable) in Foreign currency	Currency
Trade receivables	18,207	225	-	-	GBP
	384,878,385	5,934,902	74,164,882	1,119,470	USD
Advances from customers	(1,345,788)	(20,752)	(85,989)	(1,298)	USD
Advances recoverable	616,399	9,505	-	-	USD
Trade payables	(276,450)	(3,416)	(326,260)	(3,416)	GBP
	(52,917,211)	(815,994)	(24,981,355)	(377,077)	USD

Notes forming part of financial statements

	As at 31.03.2017		As at 31.03.2016		Currency
	Receivable / (Payable) (₹)	Receivable/ (Payable) in Foreign currency	Receivable / (Payable) (₹)	Receivable/ (Payable) in Foreign currency	
Advances to vendor	32,360	499	3,067,960	46,309	USD
Other current liabilities	(576,452)	(8,889)	-	-	USD

(₹)

	Year ended 31.03.2017	Year ended 31.03.2016
29 : Value of imports calculated on CIF basis		
Stock-in-trade - Hardware/Software products and licenses	312,043,309	877,212,348
30 : Expenditure in foreign currency		
Travelling and conveyance expenses	693,560	389,578
Others	1,851,536	390,101
31 : Earnings in foreign exchange		
Export of goods calculated on FOB basis	338,343,037	135,913,780
Export of services	-	32,063,264

32 : Employee benefit plans**i) Defined contribution plans****a) Provident fund**

The Company makes contributions towards a 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 Company is required to contribute a specified percentage of payroll cost to fund the benefits.

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

Provident Fund contributions amounting to ₹ 5,125,411 (for the year ended 31.03.2016 ₹ 4,501,362) has been charged to the Statement of Profit and Loss (as part of Contribution to Provident Fund and other Funds in Note 22 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:

(₹)

	Year ended 31.03.2017	Year ended 31.03.2016
Employee's State Insurance (as part of Staff welfare expenses in Note 22 Employee benefits expense)	24,015	23,119
Superannuation (as part of Contribution to Provident Fund and other Funds in Note 22 Employee benefits expense)	2,737,721	2,270,197
National Pension Scheme (as part of Contribution to Provident Fund and other Funds in Note 22 Employee benefits expense)	248,187	224,724

Notes forming part of financial statements

(₹)

	Year ended 31.03.2017	Year ended 31.03.2016
ii) Defined benefit plans - Gratuity		
As per actuarial valuation		
Change in Obligation during the year		
Present value of Defined Benefit Obligation at beginning of the year	15,311,790	13,723,239
Current Service Cost	1,425,427	1,267,876
Interest Cost	1,280,066	1,093,742
Actuarial (Gains)/Losses	232,102	(250,521)
Benefits Paid	(608,859)	(522,546)
Present value of Defined Benefit Obligation at the end of the year	17,640,526	15,311,790
Change in Assets during the year		
Plan assets at the beginning of the year	18,226,448	12,823,267
Expected return on plan assets	1,523,731	1,022,014
Contributions by Employer	-	5,866,705
Actual benefits paid	(608,859)	(522,546)
Actuarial Gains/ (Losses)	1,281,004	(962,982)
Plan assets at the end of the year	20,422,324	18,226,458
Actual return on plan assets	2,804,735	59,032
Net Asset/(Liability) recognized in the Balance Sheet		
Present Value of Defined Benefit Obligation	17,640,526	15,311,790
Fair value of plan assets	20,422,324	18,226,458
Fund status (Surplus/(Deficit))	2,781,798	2,914,668
Net Assets /(Liability)	2,781,798	2,914,668
Expenses recognized in the Statement of Profit and Loss (as part of Contribution to Provident Fund and other Funds in Note 22 Employee benefits expense)		
Current Service Cost	1,425,427	1,267,876
Interest Cost	1,280,066	1,093,742
Expected return on plan assets	(1,523,731)	(1,022,014)
Net Actuarial (Gains)/Losses	(1,048,902)	712,461
Total Expense	132,860	2,052,065
The major categories of plan assets as a percentage of total plan		
Insurer Managed Funds	100%	100%
Category of funds :		
Secure Fund	23.09%	26.24%
Defensive Fund	35.96%	35.03%
Balanced Fund	40.96%	38.73%

Notes forming part of financial statements

(₹)

	Year ended 31.03.2017	Year ended 31.03.2016
Actuarial Assumptions:		
Discount Rate	7.60%	8.36%
Rate of return on plan assets	7.60%	8.36%
Mortality Table	Indian Assured Lives Mortality (2006-08)	Indian Assured Lives Mortality (2006-08)
Retirement Age	60 Years	60 Years
Salary Escalation	5.00%	5.00%
Estimate of amount of contribution in the immediate next 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						(₹)
Particulars	31.03.2017	31.03.2016	31.03.2015	31.03.2014	31.03.2013	
Present value of defined benefit obligation	17,640,526	15,311,790	13,723,239	11,065,468	11,911,407	
Fair value of plan assets	20,422,324	18,226,458	12,823,267	11,924,860	11,438,810	
Surplus / (deficit)	2,781,798	2,914,668	(899,972)	859,392	(472,597)	
Experience adjustments on plan liabilities - (gain)/losses	(1,045,002)	360,775	2,485,044	(328,363)	620,425	
Experience adjustments on plan assets - (losses)/gain	1,281,004	(962,982)	1,518,662	(38,653)	(129,426)	

33 : Segment reporting

The Company is engaged in the business of hardware/software product and licenses including related services in India which constitutes a single business segment. The Company's operations outside India did not exceed the quantitative threshold for disclosure envisaged in Accounting Standard (AS 17) on "Segment Reporting."

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

34 : 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 FZ LLC, Dubai
(c) Key Management Personnel (KMP)	Mr. P Srikar Reddy, Director Mr. Sujit Mohanty, Vice President & Director

Notes forming part of financial statements

ii) Transactions with related parties :

(₹)

Particulars	Holding Company		Fellow Subsidiary		KMP	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Revenue from Software products and licenses	115,002,597	32,216,326	-	-	-	-
Other reimbursements recovered	-	-	616,399	-	-	-
Deputation cost / Service charges / Software project fees	211,259,557	172,864,161	-	-	-	-
Rent paid	5,147,273	3,587,411	-	-	-	-
Inter corporate borrowings taken	5,155,211,505	5,137,000,000	-	-	-	-
Inter corporate borrowings repaid	5,174,711,505	5,117,500,000	-	-	-	-
Interest on inter corporate borrowings	23,761,353	26,855,946	-	-	-	-
Reimbursement of expenses	15,195,099	8,691,643	-	-	-	-
Dividend paid	33,753,940	67,507,880	-	-	-	-
Corporate guarantees taken	-	331,250,000	-	-	-	-
Commission on corporate guarantees	4,969,255	3,929,427	-	-	-	-
Remuneration - Mr. Sujit Mohanty, Vice President & Director	-	-	-	-	7,123,863	7,434,797
Balances outstanding at the end of the year						
Trade Receivables / Advances recoverable	31,432,472	-	616,399	-	-	-
Trade payables / Other current liabilities	39,847,462	33,383,305	-	-	-	-
Remuneration payable	-	-	-	-	2,300,000	2,500,000
Inter corporate borrowings payable	-	19,500,000	-	-	-	-
Corporate guarantees taken	1,022,750,000	1,043,750,000	-	-	-	-

Notes forming part of financial statements

35 : Details of leasing arrangements

- i. The Company has entered into various operating lease agreements for office premises, residential premises and guest houses. These leases are cancellable as well as non-cancellable and are for a period of 4 to 89 months and may be renewed based on mutual agreement of the parties.

(₹)

	As at 31.03.2017	As at 31.03.2016
ii. The total of future minimum lease payments for non-cancellable operating leases are as below :		
Not later than one year	5,104,710	3,519,456
Later than one year and not later than 5 years	2,536,170	5,048,880
Later than 5 years	-	-
iii. The lease payments recognised in the Statement of Profit and Loss are as under :		
included in Rent (Refer Note 24)	17,430,552	13,157,348
iv. There are no rents which are contingent in nature.		

36 : Corporate Social Responsibility

As per Section 135 of the 2013 Act, 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 Company as per the 2013 Act. 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 Company during the year is ₹ 7,966,857 (Previous Year is ₹ 5,203,080)
- (ii) Amount spent during the year is ₹ 8,014,893, out of which ₹ 255,000 is amount accrued during the year and payable (Previous year is ₹ 2,606,315)
- (iii) Amount unspent is Nil (Previous year is ₹ 2,596,765)

37 : Earnings Per Share

Particulars	Year ended 31.03.2017	Year ended 31.03.2016
Profit attributable to equity shareholders (₹)	336,410,511	339,110,884
Weighted average number of Equity Shares of ₹ 10/- each	3,375,394	3,375,394
Earnings Per Share - Basic and Diluted (₹)	99.67	100.47

38 : The Company did not have any holdings or dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the 8th November, 2016 of the Ministry of Finance, during the period from 8th November, 2016 to 30th December, 2016.

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

For and on behalf of the Board of Directors

P SRIKAR REDDY
Director

SUJIT MOHANTY
Vice President & Director

Place : Mumbai

Date : 29th May 2017

Notice of the 22nd Annual General Meeting

SONATA SOFTWARE LIMITED

(CIN No.L72200MH1994PLC082110)

Registered Office: 208, T V Industrial Estate, 2nd floor S. K. Ahire Marg, Worli, Mumbai – 400 030

Corporate Office: 1/4, APS Trust Building, Bull Temple Road, N.R.Colony, Bengaluru – 560 019

Tel: 91-80-67781999, Fax: 91-80-2661 0972, E-mail: info@sonata-software.com, • Website: www.sonata-software.com

NOTICE is hereby given that the Twenty-Second Annual General Meeting (AGM) of the members of SONATA SOFTWARE LIMITED will be held on Monday, 14th August, 2017 at 4.00 P.M. at M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg (Behind Prince of Wales Museum), Mumbai – 400 001 to transact the following business :

ORDINARY BUSINESS:

- To receive, consider, approve and adopt the following:
 - the Audited Financial Statements of the Company for the Financial Year ended 31st March, 2017 together with the Reports of the Directors and Auditors thereon; and
 - the Audited Consolidated Financial Statements of the Company for the Financial Year ended 31st March, 2017 together with the report of the Auditors thereon.
- To confirm the payment of Interim Dividend of ₹ 3.50 per equity share of Re. 1/- each (i.e. 350%), already paid and to declare a Final Dividend of ₹ 5.50 per equity share of face value of Re. 1/- each (i.e. 550 %), for the Financial Year 2016-17.
- To appoint a Director in place of Mr. Viren Raheja (DIN: 00037592), who retires by rotation and being eligible, offers himself for re-appointment.
- To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

RESOLVED THAT pursuant to the provisions of Section 139, 142 and such other applicable provisions of the Companies Act, 2013 and relevant Rules thereunder, as amended from time to time, pursuant to recommendation of the Audit Committee and that of the Board of Directors, the consent of the members of the Company be and is hereby accorded for appointment of Deloitte Haskins & Sells, LLP, Chartered Accountants, Bengaluru, (Firm Registration No. 117366W) as Statutory Auditors of the Company, in place of Deloitte, Haskins and Sells (FRN 008072S) retiring Auditor, 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 AGM by the members and that the Board of Directors be and are hereby authorized to fix such remuneration as may be recommended by the Audit Committee in consultation with the Auditors.

SPECIAL BUSINESS

- To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

RESOLVED THAT pursuant to the recommendation of the Nomination and Remuneration Committee and approval of the

Board and subject to the provisions of Sections 196, 197, 198, 203 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification or re-enactment thereof for the time being in force) read with Schedule-V of the Companies Act, 2013, the Company hereby approves, ratifies and confirms the 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, 2017 and concluding on 13th February, 2020, as well as the payment of salary, commission and perquisites (hereinafter referred to as “remuneration”), upon the terms and conditions as set out in agreement and detailed in the Explanatory Statement attached hereto, with further liberty to the Board of Directors of the Company to alter and vary the terms and conditions of the said re-appointment 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 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 do all such acts, deeds and things as may be deemed necessary to give effect to the above resolution.

Registered Office:

208, T. V. Industrial Estate
2nd floor, S.K. Ahire Marg,
Worli, Mumbai – 400 030

Date : 29th May, 2017

Place : Mumbai

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

**Kundan K Lal
Company Secretary**

NOTES:

- A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll on his behalf. A proxy need not be a member of the Company.** A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than 10 per cent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder.
- Proxies, in order to be effective, must be duly filled, stamped and signed and must reach the Company's Registered Office not

- less than 48 hours before the commencement of the Meeting. Proxies submitted on behalf of companies, societies etc. must be supported by an appropriate resolution/letter of authority, as may be applicable.
3. Since SEBI has made it mandatory for distributing dividends through Electronic Clearing Service (ECS), the Company will use the bank account details furnished by the Depositories for distributing dividends to shareholders holding shares in electronic form. Members are requested to notify any change in their bank account details to their Depository Participant immediately.
 4. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013 ('the Act'), and the Register of Contracts or Arrangements in which the directors are interested, maintained under section 189 of the Act, will be available for inspection by the members at the AGM.
 5. Members holding shares in physical form are requested to forward all applications for transfers and all other shares related correspondence (including intimation for change in address) to the Company's Share Transfer Agents, Karvy Computershare Pvt Ltd, 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.
 6. Since the Company's shares are in compulsory demat trading, to ensure better service and elimination of risk of holding shares in physical form, we request shareholders holding shares in physical form to dematerialize their shares at the earliest.
 7. 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 agents M/s. Karvy Computershare Pvt Ltd, Unit : Sonata Software Ltd, Karvy Selenium Tower B, Plot No.31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad, Telangana - 500 032.
 8. Members wishing to claim dividends, which remain unclaimed, are requested to correspond with the Company's Share Transfer Agents for further particulars. Members are requested to note that dividends not encashed or claimed within seven consecutive years from the date of transfer to the Company's Unpaid Dividend Account, will, as per Section 124 of the Act, be transferred to the Investor Education and Protection Fund.

Members may note that unclaimed Interim and Final Dividend for the Financial Year ended 2011 shall become due for transfer to IEPF on 9th December, 2017 and 14th July, 2018 respectively.
 9. 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 file the nomination form with the respective Depository Participant.
 10. The Members who have not registered their email addresses so far are requested to register their email address for receiving all communication including Annual Report, Notices, Circulars, etc. from the Company electronically.
 11. 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**.
 12. Electronic copy of the Annual Report for Financial Year 2016-17, the Notice of the 22nd AGM and instructions for e-voting, along with attendance slip and proxy form are being sent to all the Members whose email IDs are registered with the Company/Depository Participants for communication purposes unless any Member has requested for a hard copy of the same. For Members who have not registered their email address, physical copies of the Annual Report is being sent in the permitted mode. Members may please note that the Notice of 22nd AGM and Annual Report will be available on the Company's website – www.sonata-software.com.

The physical copies of the relevant documents referred in the Notice will also be available at the Company's Registered Office for inspection during normal business hours on working days up to the date of the AGM.
 13. Members/proxies are requested to bring their attendance slips duly filled in and their copy of the Annual Report for the Meeting.
 14. The Members who have not cast their vote through remote e-voting can exercise their voting rights at the AGM. The Company will make necessary arrangements in this regard at the AGM venue. The detailed instructions for availing e-voting facility are provided in **Annexure II**.
 15. Members who have already cast their votes by remote e-voting are eligible to attend the Meeting, however those members are not entitled to cast their vote again in the Meeting.
 16. Attendance Registration/Web Check-in:
 - a. Members are requested to tender their attendance slips at the registration counters at the venue of the AGM and seek registration before entering the meeting hall.
 - b. Alternatively, to facilitate hassle free and quick registration/entry at the venue of the AGM, the Company has provided a Web-Check in facility, which would help the shareholder enter the AGM hall without going through the registration formalities at the registration counters.
 - c. The online registration facility will be available from 9.00 a.m. (IST) on Friday, 11th August, 2017 upto 5.00 p.m. (IST) on Sunday, 13th August, 2017 (i.e. during the e-voting period).

The Procedure of Web Check-in is as follows:

 - a. Log on to <https://karisma.karvy.com> and click on "Web Checkin for General Meetings (AGM/EGM/CCM)".
 - b. Select the name of the company: Sonata Software Limited
 - c. Pass through the security credentials viz., DP ID/Client ID/ Folio no. entry, PAN No & "CAPTCHA" as directed by the system and click on the submit button.

- d. The system will validate the credentials. Then click on the "Generate my attendance slip" button that appears on the screen.
 - e. The attendance slip in PDF format will appear on the screen. Select the "PRINT" option for direct printing or download and save for printing.
 - f. The Members are requested to carry their valid photo identity proof such as PAN card, Passport, AADHAR card or driving license along with the above printed attendance slip for verification purpose to enter AGM hall.
17. The Register of Members and the Share Transfer Books will remain closed from Monday, 7th August, 2017 to Monday, 14th August, 2017 (both days inclusive) for the purpose of payment of the final dividend for the Financial Year ended 31st March, 2017 and the AGM.
 18. The Final Dividend for the year ended 31st March, 2017 as recommended by the Board, if approved at the Meeting, will be paid to those members whose names appear in the Register of Members as on 4th August, 2017. In respect of shares held in dematerialised form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited.
 19. In terms of Regulation 36 of the SEBI (LODR) Regulations, 2015, a brief resume of Mr. Viren Raheja seeking re-appointment vide Ordinary Business item No. 3 in the Notice is as follows:

Mr. Viren Raheja (DIN- 00037592) is a Non-executive Promoter Director of the Company. He holds a Bachelor's degree in commerce from the Mumbai University. He has passed all 3 levels leading to the CFA charter, and has a MBA degree from the London Business School. He is a Director of several companies, namely, Asianet Satellite Communications Ltd, Innovassynth Technologies (India) Ltd and Hathway Cable & Datacom Ltd etc. He is a member of the Nomination and Remuneration Committee of the Company. His shareholding in the Company is 82,50,000 shares (7.85%).

Annexure I To The Notice

STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

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 years and is the Director of Sonata Information Technology Limited and Sonata Software FZ LLC, Dubai, Chairman & Director of Interactive Business Information Systems Inc. He is also a member of the Audit Committee, Corporate Social Responsibility Committee, Nomination and Remuneration 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 13,15,228 shares (1.25%).

He is also a Director in Visaka Industries Limited, Listed entity.

Consequent to the expiry of term of appointment of Mr P. Srikar Reddy as Managing Director & Chief Executive Officer of the Company as on 13th February, 2017, 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, 2017 on the terms and conditions recommended by Nomination and Remuneration Committee and approved by the Board of Directors at its meeting held on 2nd November, 2016 and details as set out in the Agreement dated 29th December, 2016.

The terms and conditions including remuneration (as stipulated in the said employment agreement) is abstracted below:

- **Fixed compensation:** ₹ 1.7 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 on the net profits of the Company (and its Wholly- owned Subsidiaries) at 0.5%.

- **Variable pay:** Upto ₹ 1.7 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 SEBI (LODR) Regulations, 2015.

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 29th December 2016 between the Company and Mr. P. Srikar Reddy is available for inspection by the members of the Company at its Registered Office between 11.00 a.m. to 1.00 p.m. on all working days upto the date of ensuing AGM.

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.

Annexure II To The Notice

Instructions and other information relating to remote e-voting

In compliance with 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 the provisions of Regulation 44 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by Karvy Computershare Private Limited (Karvy) on all resolutions set forth in this Notice, from a place other than the venue of the Meeting (Remote e-voting).

The Company has appointed Mr. Sriram Parthasarathy, Practicing Company Secretary as the Scrutinizer for conducting the e-voting process in a fair and transparent manner. E-voting is optional. The e-voting rights of the shareholders/beneficiary owners shall be reckoned on the equity shares held by them as on Monday, the 7th August, 2017 being the Cut-off date for the purpose. Shareholders of the Company holding shares either in physical or in dematerialized form, as on the Cut-off date, may cast their vote electronically.

The instructions for E-Voting are as under:

1. A. In case a Member receives an email from Karvy [for Members whose email IDs are registered with the Company/Depository Participant (s)]:

- a) Launch internet browser by typing the URL: <https://evoting.karvy.com>
- b) Enter the login credentials (i.e. User ID and password mentioned in the email). In case of physical folio, User ID will be EVEN (E-Voting Event Number) followed by folio number. In case of Demat account, User ID will be your DP ID and Client ID. However, if you are already registered with Karvy for e-voting, you can use your existing User ID and password for casting your vote.
- c) After entering these details appropriately, click on "LOGIN".
- d) If you are logging in for the first time, you will now reach password change Menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A- Z), one lower case (a-z), one numeric value (0-9) and a special character (@,#,\$, etc.). The system will prompt you to change your password and update your contact details like mobile number, email ID etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.
- e) You need to login again with the new credentials.

- f) On successful login, the system will prompt you to select the e-voting Event Number for Sonata Software Limited.
- g) On the voting page enter the number of shares (which represents the number of votes) as on the Cut-off Date under "FOR/AGAINST" or alternatively, you may partially enter any number in "FOR" and partially "AGAINST" but the total number in "FOR/AGAINST" taken together shall not exceed your total shareholding as mentioned herein above. You may also choose the option ABSTAIN. If the Member does not indicate either "FOR" or "AGAINST" it will be treated as "ABSTAIN" and the shares held will not be counted under either head.
- h) Members holding shares under multiple folios/demat accounts shall choose the voting process separately for each folio/demat accounts.
- i) Voting has to be done for each item of the Notice separately. In case you do not desire to cast your vote on any specific item, it will be treated as abstained.
- j) You may then cast your vote by selecting an appropriate option and click on "Submit".
- k) A confirmation box will be displayed. Click "OK" to confirm else "CANCEL" to modify. Once you confirm, you will not be allowed to modify your vote. During the voting period, Members can login any number of times till they have voted on the Resolution(s).
- l) Corporate/Institutional Members (i.e. other than Individuals, HUF, NRI etc.) are also required to send scanned certified true copy (PDF Format) of the Board Resolution/Authority Letter etc., together with attested specimen signature(s) of the duly authorised representative(s), to the Scrutinizer at email srirampcs@gmail.com. The scanned image of the above mentioned documents should be in the naming format "Corporate Name_Event No."

B. In case of Members receiving physical copy of Notice [for Members whose email IDs are not registered with the Company/Depository Participant (s)]:

- a) Launch internet browser by typing the URL: <https://evoting.karvy.com>.
 - b) Enter the login credentials (i.e. User ID and password mentioned in the electronic voting form)
 - c) Please follow all steps from Sl. No. (c) to (l) above to cast your vote by electronic means.
2. The Portal will remain open for voting from: 09.00 a.m. (IST) on Friday, 11th August, 2017 upto 5.00 p.m. (IST) on Sunday, 13th August, 2017.

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 <https://evoting.karvy.com> or contact Mr. Anandan K of Karvy Computershare Pvt Ltd at 040- 6716 1591 or at 1800 345 4001 (toll free).
4. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
5. In case a person has become a Member of the Company after dispatch of AGM Notice but on or before the cut-off date for e-voting i.e., 7th August, 2017, he/she may obtain the User ID and Password in the manner as mentioned below :
 - i. If the mobile number of the member is registered against Folio No./ DP ID Client ID, the member may send SMS: MYEPWD <space> E-Voting Event Number+Folio No. or DP ID Client ID to 9212993399
 Example for NSDL:
 MYEPWD <SPACE> IN12345612345678
 Example for CDSL:
 MYEPWD <SPACE> 1402345612345678
 Example for Physical:
 MYEPWD <SPACE> XXXX1234567890
 - ii. If e-mail address or mobile number of the member is registered against Folio No. / DP ID Client ID, then on the

home page of <https://evoting.karvy.com>, the member may click "Forgot Password" and enter Folio No. or DP ID Client ID and PAN to generate a password.

- iii. Member may call Karvy's toll free number 1800-3454-001.
- iv. Member may send an e-mail request to evoting@karvy.com.
6. The Scrutinizers decision on validity of the votes shall be final and binding.
7. The Scrutinizer's after scrutinising the votes cast through remote e-voting and poll at the meeting, not later than 48 hours from the conclusion of the AGM, shall make a scrutinizer's report and submit the same to the Chairman or any authorised person who shall countersign the same.
8. The results of resolutions will be announced by the Company on its website www.sonata-software.com and on the website of Karvy <https://evoting.karvy.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**

Date : 29th May, 2017
Place : Mumbai

**Kundan K Lal
 Company Secretary**

SONATA SOFTWARE LIMITED

(CIN No.L72200MH1994PLC082110)

Registered Office: 208, T V Industrial Estate, 2nd floor S. K. Ahire Marg, Worli, Mumbai – 400 030

Corporate Office: 1/4, APS Trust Building, Bull Temple Road, N.R.Colony, Bengaluru – 560 019

Tel: 91-80-67781999 • Fax: 91-80-2661 0972 • E-mail: info@sonata-software.com • Website: www.sonata-software.com

ATTENDANCE SLIP

Reg. Folio No. / DP ID No. / Client ID No. : _____

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

I hereby record my presence at the TWENTY SECOND ANNUAL GENERAL MEETING of the Company on 14th day of August, 2017 at 4.00 p. m IST at M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg (Behind Prince of Wales Museum), Mumbai – 400 001

.....
Member's / Proxy's name in Block Letters

.....
Member's / Proxy's Signature

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

SONATA SOFTWARE LIMITED

(CIN No.L72200MH1994PLC082110)

Registered Office: 208, T V Industrial Estate, 2nd floor S. K. Ahire Marg, Worli, Mumbai – 400 030

Corporate Office: 1/4, APS Trust Building, Bull Temple Road, N.R.Colony, Bengaluru – 560 019

Tel: 91-80-67781999 • Fax: 91-80-2661 0972 • E-mail: info@sonata-software.com • Website: www.sonata-software.com

Form No. MGT-11

PROXY FORM

(Pursuant to Section 105 (6) of the Companies Act 2013 and rule 19 (3) of the Companies (Management and Administration) Rules, 2014)

Name of the Member (s)	
Registered address	
E-mail Id	
Folio No./Client Id	
DP ID	

I/We, being the member(s) of shares of the above named Company, hereby appoint

1	Name	
	Address	
	Email ID	
	Signature	
	or failing him / her	
2	Name	
	Address	
	Email ID	
	Signature	
	or failing him / her	
3	Name	
	Address	
	Email ID	
	Signature	

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Twenty-Second Annual General Meeting of the Company, to be held on the 14th August, 2017 at 4.00 p.m. IST at M. C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg (Behind Prince of Wales Museum), Mumbai – 400 001 and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.	Resolutions	Optional		
		For	Against	Abstain
Ordinary Business				
1.	Adoption of Financial Statements for the Financial Year 2016-17 (Including the consolidated Financial Statements).			
2.	Confirmation of the payment of Interim Dividend of Rs. 3.50 per equity share (i.e 350%) already paid and declare final Dividend of ₹ 5.50 per equity share (i.e. 550%) for the Financial Year 2016-17.			
3.	Appointment of a Director in place of Mr. Viren Raheja (DIN: 00037592), who retires by rotation and being eligible, offers himself for re-appointment.			
4.	Appointment of Deloitte Haskins & Sells, LLP Chartered Accountants (firm registration no. 117366W) as Statutory Auditors of the Company for six consecutive Annual General Meetings from conclusion of 22 nd Annual General Meeting till conclusion of 27 th Annual General Meeting and fixing their remuneration			
Special Business				
5.	Re-appointment of Mr. P Srikar Reddy (DIN 00001401), as Managing Director and Chief Executive Officer of the Company and fixing his remuneration			

Signed this day of 2017

Signature of shareholder:

Signature of Proxy holder(s):

Affix Revenue
Stamp ₹ 1

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



SONATA SOFTWARE LIMITED

1/4, APS Trust Building,
Bull Temple Road, N. R. Colony,
Bengaluru – 560 019 India
Tel: 91-80-6778 1999 • Fax: 91-80-2661 0972

Website: www.sonata-software.com

E-mail: info@sonata-software.com

(CIN No. L72200MH1994PLC082110)



SONATA SOFTWARE LIMITED



16th August, 2017

National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Mumbai
Kind Attn: Manager, Listing Department
Email Id: neaps@nse.co.in
Stock Code - SONATSOFTW

BSE Limited
P.J. Towers, Dalal Street
Mumbai
Kind Attn: Manager, Listing Department
Email Id: listing.centre@bseindia.com
Stock Code - 532221

Dear Sir/Madam,

Sub: Business Responsibility Report for the Financial Year 2016-17

With reference to the captioned subject, we are hereby forwarding a copy of Business Responsibility Report for the Financial Year 2016-17.

Kindly take the same on record.

Thanking you,

Yours faithfully
For **Sonata Software Limited**

Kundan K Lal
Company Secretary and Head of Legal

Encl: as above



SONATA SOFTWARE

Business Responsibility Report

Section A: General Information about the Company

1. **Corporate Identity Number (CIN) of the Company** : L72200MH1994PLC082110
2. **Name of the Company** : Sonata Software Limited
3. **Registered address** : 208 T V Industrial Estate, 2nd Floor, S. K. Ahire Marg, Worli Mumbai, 400030
4. **Website**: www.sonata-software.com
5. **E-mail id**: info@sonata-software.com
6. **Financial Year reported** : 1st April, 2016 to 31st March, 2017
7. **Sector(s) that the Company is engaged in (industrial activity code-wise)** :

Industrial activity code	Description
NIC Code : 62099	Other Information Technology and Computer Services activities

8. **List three key products/services that the Company manufactures/provides (as in balance sheet):**
 - Information Technology services and solutions
 - Platform IP
 - Technology Infrastructure

9. **Total number of locations where business activity is undertaken by the Company**

- i. **Number of International Locations (Provide details of major 5)**: North America, United Kingdom, Europe, Singapore, Australia, Middle East & Africa
- ii. **Number of National Locations**: Bengaluru, Chennai, Delhi, Hyderabad, Kolkata, Pune, Mumbai

10. **Markets served by the Company – Local/State/National/International**

North America, United Kingdom, Europe, Singapore, Australia, Middle East & Africa and India





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Section B: Financial Details of the Company

Sonata Software Limited			
		FY 2016-17 Standalone (Rs. Crores)	FY 2016-17 Consolidated (Rs. Crores)
1	Paid up capital	105,159,306	105,159,306
2	Total Turnover	6,302,604,361	25,614,588,874
	(a) Revenue from operations (net of excise duty)	5,926,033,666	25,211,284,473
	(b) Other income (net)	376,570,695	403,304,401
3	Profit for the year (after taxes and minority interest)	1,372,334,814	1,537,245,468

4. Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%):

1.85 % of average profit for previous three years in respect of standalone (computation as prescribed by the Companies Act, 2013).

5. List of activities in which expenditure in 4 above has been incurred:-

Sr. no	Particulars	Amount spent in Rs Crores
1	Support Business Incubation program through CEDI-NIT Trichy	0.36
2	Initiate Research and Outreach program @ IISc	0.37
3	Support for Animal welfare through CUPA	0.10
4	Developing back-end invoicing module for Industree Crafts Foundation	0.47
5	Developing virtual tour app for Deccan Heritage Foundation	0.16
6	Developing teacher-student interactive education app for RISHI valley schools	0.27
	Total	1.75

The Company's spending on Corporate Social Responsibility is 1.75 Crores.

Section C: Other Details

1. Does the Company have any Subsidiary Company/ Companies?

Yes. The Company has 9 subsidiaries, 1 Indian subsidiary and 8 overseas subsidiaries.





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2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)?

The Company's Indian subsidiary Sonata Information Technology Limited participates in the BR initiatives of the Company.

3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities?

No.

Section D: BR Information

1. Details of Director/Directors responsible for BR

a) Details of the Director/Director responsible for implementation of the BR policy/policies

- DIN Number : 00001401
- Name : Mr. P Srikar Reddy
- Designation : Managing Director & CEO

b) Details of the BR head

S.No.	Particulars	Details
1.	DIN Number (if applicable)	Not applicable
2.	Name	Mr. Prasanna Oke
3.	Designation	Chief Financial Officer
4.	Telephone number	080 6778 2600
5.	e-mail id	Prasanna.oke@sonata-software.com

2. Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)

S. No.	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
1.	Do you have a policy/policies for....	Y	Y	Y	Y	Y	Y	Y	Y	Y
2.	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3.	Does the policy conform to any national /international standards? If yes, specify? (50 words)	Y	Y	Y	Y	Y	Y	Y	Y	Y
4.	Has the policy being approved by the Board?	Y	Y	Y	Y	Y	Y	Y	Y	Y





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	Is yes, has it been signed by MD/owner/CEO/appropriate Board Director?									
5	Does the company have a specified committee of the Board/Director/Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6	Indicate the link for the policy to be viewed online?	http://www.sonata-software.com/corporate_governance								
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
8	Does the company have in-house structure to implement the policy/policies.	Y	Y	Y	Y	Y	Y	Y	Y	Y
9	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
10	Has the company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	N	N	N	N	N	N	N	N	N

3. Governance related to BR

- **Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year**

The BR performance would be assessed yearly. However there is no fixed term. The Board may review the BR initiatives and other related policies on regular intervals.

- **Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?**

The Business Responsibility Report would be published annually on the website of the Company. Link to the same would be provided in the Annual Report.





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Section E: Principle-wise performance

Principle 1

1. Does the policy relating to ethics, bribery and corruption cover only the company? Yes/ No. Does it extend to the Group/Joint Ventures/ Suppliers/Contractors/NGOs /Others?

The Company has separate policies for Directors/employees and third parties. The Company has a third Party Code of Conduct for all its stakeholders. The same is posted on the website of the Company.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? *If so, provide details thereof, in about 50 words or so.*

The Company has not received any stakeholder complaint during the financial year 2016-17.

Principle 2

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

Since the Company is in the business of Information technology. The Company does not manufacture physical products but create and offer IT solutions and services. Thus product policies are not applicable to the Company. All the laws applicable to the company under the environmental laws are duly complied.

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product(optional):
 - i. Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain? Not Applicable
 - ii. Reduction during usage by consumers (energy, water) has been achieved since the previous year? Not Applicable

3. Does the company have procedures in place for sustainable sourcing (including transportation)?

Not Applicable

4. Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?

Not Applicable.





5. Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.

Not Applicable

Principle 3

1. Total number of employees- 3366 as on 31st March, 2017
2. Total number of employees hired on temporary/contractual/casual basis- 114 as on 31st March, 2017
3. Number of permanent women employees- 806 as on 31st March, 2017
4. Number of permanent employees with disabilities- 1 as on 31st March, 2017
5. Do you have an employee association that is recognized by management? - No
6. What percentage of your permanent employees is members of this recognized employee association?
Not applicable
7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year:

S.No.	Category	No of complaints filed during the financial year	No of complaints pending as on end of the financial year
1	Child labour/forced labour/involuntary labour	NIL	NIL
2	Sexual harassment	NIL	NIL
3	Discriminatory employment	NIL	NIL

8. What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?

Particulars	Safety training	Skill up-gradation training
Permanent Employees	70%	70%
Permanent Women Employees	70%	70%
Casual/Temporary/Contractual Employees	70%	20%
Employees with Disabilities	70%	70%





Principle 4

1. Has the company mapped its internal and external stakeholders? Yes/No

Yes.

2. Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders.

Yes.

3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.

Industree Crafts Foundation- Industree Crafts Foundation is a non-profit organization that works largely with women entrepreneurs at the grass roots level. Industree aims to generate employment and provide sustained, secure livelihoods by creating an ownership based, creative manufacturing ecosystem for small producer owned businesses.

Principle 5

1. Does the policy of the company on human rights cover only the company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?

Yes. The policy is applicable to Sonata, its subsidiaries and vendors.

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

The Company has not received any complaint regarding violation of human rights.

Principle 6

1. Does the policy related to Principle 6 cover only the company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others.

The policy is applicable to Sonata, its subsidiaries and vendors.

2. Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.

Yes. http://www.sonata-software.com/sites/default/files/upload_files/GOGREEN-SEP2016.PDF





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3. Does the company identify and assess potential environmental risks? Y/N

Yes.

4. Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?

No.

5. Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.

Yes.

6. Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?

Yes.

7. Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.

No show cause/ legal notices have been received from CPCB/ SPCB.

Principle 7

1. Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:

Yes, below mentioned are a few associations-

- a. National Association of Software and Services Companies
- b. Confederation of Indian Industry
- c. Retailers Association of India
- d. Indo-American Chamber of Commerce
- e. Indo- German Chamber of Commerce

2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)

No.





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Principle 8

- 1. Does the company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.**

Yes. The names of the programmes/initiatives in pursuit of the policy are listed specified below-

- a. Sense International (SITL)
- b. SKSVMA (Smt Kamala & Sri Venkappa M Agadi Charitable Trust) (SITL)
- c. Industree Crafts Foundation
- d. WCT(Wildlife Conservation Trust)(SITL project)
- e. The Handloom School

- 2. Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organization?**

Yes. Some of the projects that Sonata has undertaken is carried out through in-house team and the rest through external partners like NPOs/NGOs.

- 3. Have you done any impact assessment of your initiative?**

No. The current programmes have been rolled out a couple of years back and it is early to really measure the impact. However, we have definitely planned to look at impact assessment in the upcoming years.

- 4. What is your company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken.**

Sonata's contribution towards community development projects has been around 74 Lakhs.

- 5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.**

Yes. Each program has a program plan which is monitored through regular governance meetings to ensure the project objectives as per the plan is accomplished.

Principle 9

- 1. What percentage of customer complaints/consumer cases are pending as on the end of financial year.**

Nil.

- 2. Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. /Remarks(additional information)**

Not applicable.





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3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.

No.

4. Did your company carry out any consumer survey/ consumer satisfaction trends?

Yes.

