



SONATA SOFTWARE LIMITED



14<sup>th</sup> August, 2018

National Stock Exchange of India Limited  
Exchange Plaza, Bandra Kurla Complex,  
Mumbai

Kind Attn: Manager, Listing Department

Email Id: [neaps@nse.co.in](mailto: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](mailto:listing.centre@bseindia.com)

Stock Code - 532221

Dear Sir/Madam,

**Sub: Annual Report for the Financial Year 2017-18**

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 2017-18 duly approved and adopted by the members in the 23<sup>rd</sup> Annual General Meeting of the Company as per the provisions of the Companies Act, 2013.

Kindly take the same on record.

Thanking you,

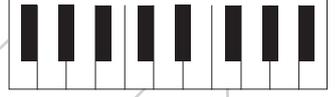
Yours faithfully

For **Sonata Software Limited**

**Kundan K Lal**  
**Company Secretary and Compliance Officer**

**Encl: as above**

SONATA



SONATA SOFTWARE

# Digital Transformation —redefined through Platformation™

Annual Report 2017-18



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Certain statements in this annual report concerning our future growth prospects are forward-looking, which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such 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.



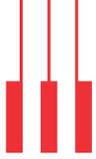
Scan to view the report online



# Digital Transformation – redefined through Platformation™

Last year we had highlighted that the success of ‘born digital’ players, was due to their ability to think and execute platform based business models. We look at this as an interplay of value creation between seekers & providers, systems that enable this exchange and underlying data that powers value matching across participants. We further introduced the concept of Platformation™ as our unique approach to help customers in this journey to build open, connected, scalable and intelligent digital businesses.

We are pleased to note that since we announced our unique model of digital transformation, we have seen a wider acceptance of creating successful digital businesses through implementation of digital platforms.



# Creating Digital Ecosystems

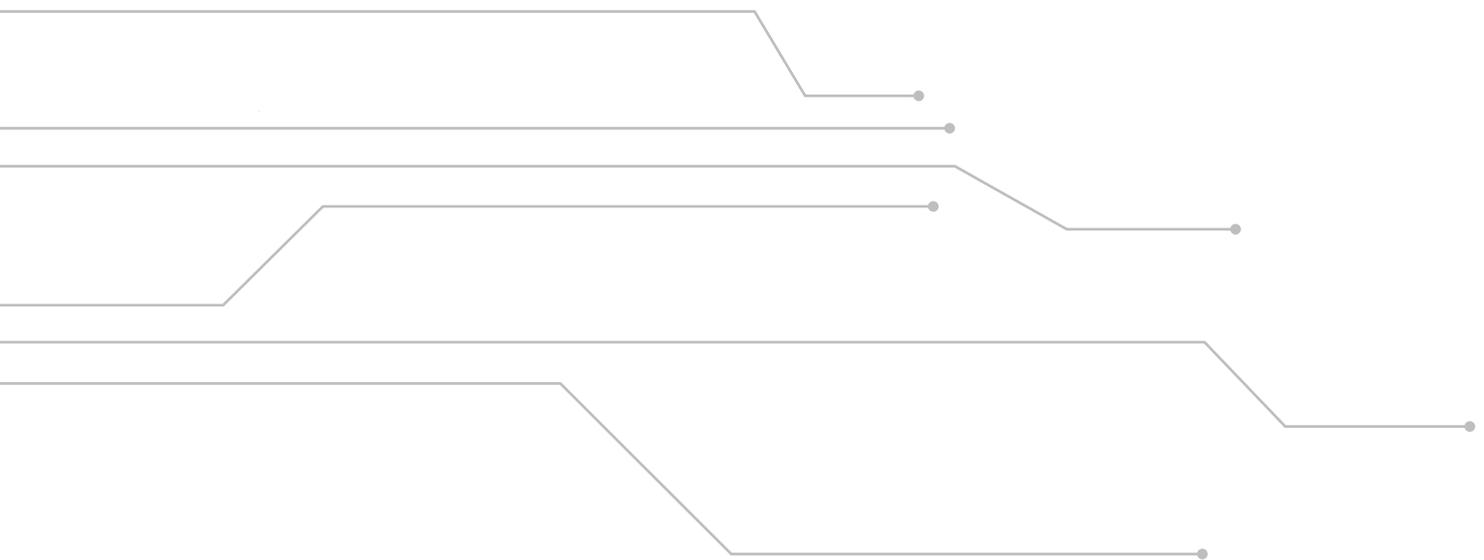
A recent McKinsey study states that Companies are creating digital ecosystems across industry segments, and by 2025, close to \$60 trillion in annual revenue could be redistributed across the economy through these digital ecosystems based on platform based business models. We believe this to be a reaffirmation that is in alignment with our pioneering Platformation™ proposition.

We have seen a few significant themes in the market in the last year , which could be success levers for the Platformation™ journey.

Businesses are being re-imagined to transform customer experience at scale. According to a report by Couchbase, 87% of business leaders are concerned that their revenues would drop if they couldn't uniquely improve their customer

experience. Industry vertical nuances are also playing a key factor in this journey. A case in point is how our focus industry segments are witnessing momentum in creating digital platforms.

We believe technology to be a strategic anchor for several of our customers in their digital journey. Re-imagining the platform architecture or the entire data journey are emerging as key enablers towards building open, connected, intelligent & scalable digital platforms. The technology environment, application build approach and the IT operations model work together as one system for creating this robust technology framework.

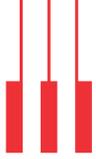




Customers are placing emphasis on change enablement as a critical success factor in this journey. We are in fact seeing a new breed of change leaders & specialists emerge to help customers succeed in the platform economy.

Sonata is uniquely placed in a leadership position to address these mandates. Our Platformation™ approach is finding significant resonance with our customers, industry segments, partners and analysts, since we pioneered the Platformation™ concept a year ago.





# From Diagnostics to Execution

The Platformation™ approach also gives us an extraordinary opportunity to redefine our competencies inside-out and in context to each of our customers' unique digital needs. This has resulted in a unified engagement and execution framework for Platformation™. Couple this with our industry ready IPs, deep domain experience, investments and expertise in nextgen technologies – we have created an ecosystem to co-innovate with customers, partners and thought leaders to envision and execute this journey. A case in point is how one of our customers who has embarked on the Platformation™ journey co-innovated the concept of Marchitecture. We believe this to be a unique blueprint and interplay of market needs that the customer operates in technology and data. The Platformation™ execution approach is flexible and amenable to specific customer needs. Sonata Ready, Sonata Accelerate and Sonata Custom are manifestations of our customer engagement and execution approach.

Our early successes with clients since the launch of Platformation™ and a wider acceptance of our model of digital transformation through platformation have resulted in us being chosen as a strategic partner for multiyear digital transformation programs for our customers. Our credentials and recognition in the last year are testimonials to the success of this approach. Sonata's industry ready IP Rezopia which

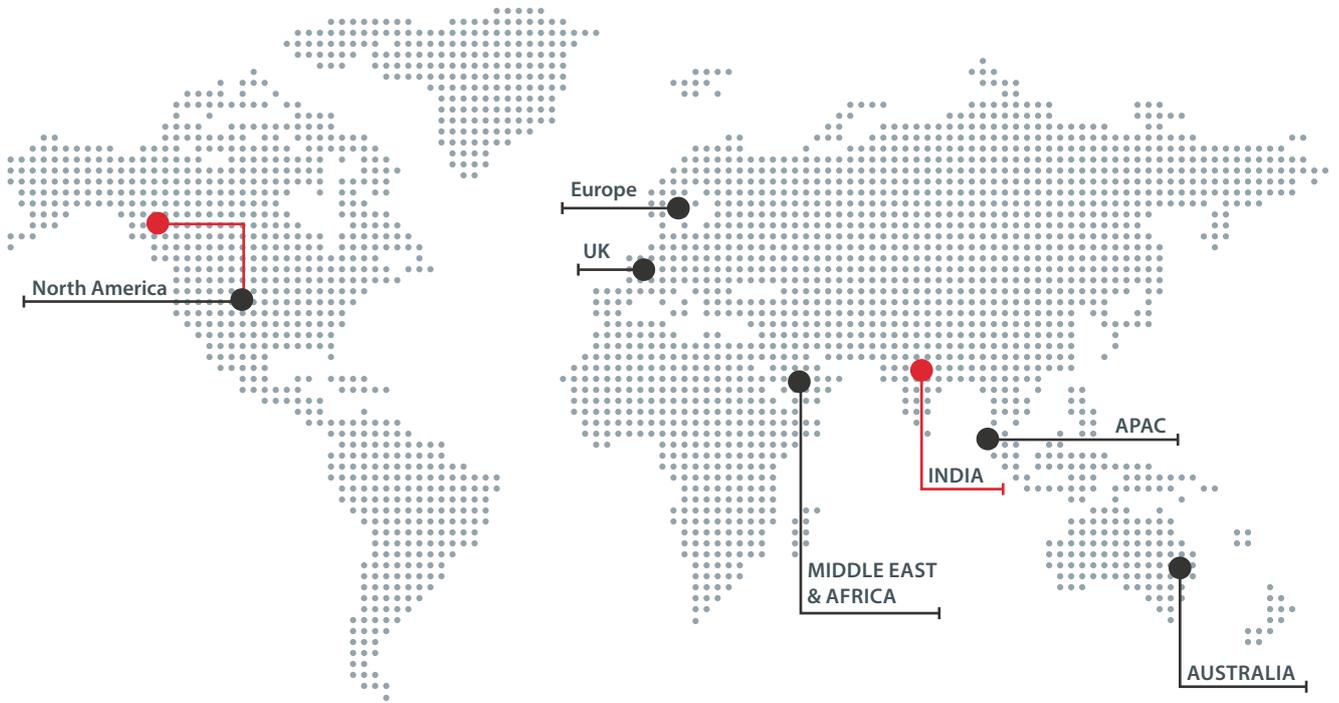
**Design Thinking is in the DNA of our Platformation™ approach. This has helped customers re-imagine their digital strategy through a structured methodology from diagnostics to execution. Our customers have begun to embrace this approach to realize their digital imperatives. We believe this to be a multi-year journey with Sonata as the strategic partner that has a shared vision in this transformation.**

is a key enabler in the Platformation™ framework for the travel industry segment, has been awarded the World Travel Award. Our partner ecosystem is key to the success of our strategy and execution. We continue to be recognized by the likes of Microsoft, SAP and Oracle as a valued strategic partner in this journey.

Sonata is also co-funding research and thought leadership with premier academic institutions like IISC, NIT and IIT in alignment to our Platformation™ strategy and fostering next-gen business and technology themes.

We believe all these place us in a unique leadership position to build upon the success and momentum we have created through our pioneering Platformation™ proposition over the last one year. We are well positioned as a strategic partner of choice in the digital transformation journey of our customers and "redefining digital transformation – through Platformation™".

# Business Footprint



SALES OFFICES	
●	<b>North America</b>
	Atlanta
	Chicago
	Fremont
	New Jersey
●	<b>UK</b>
	London
●	<b>Middle East &amp; Africa</b>
	Qatar, Dubai
●	<b>Europe</b>
	France
	Germany
	Netherlands
	Denmark
●	<b>APAC</b>
	Singapore
●	<b>Australia</b>
	Sydney, Melbourne

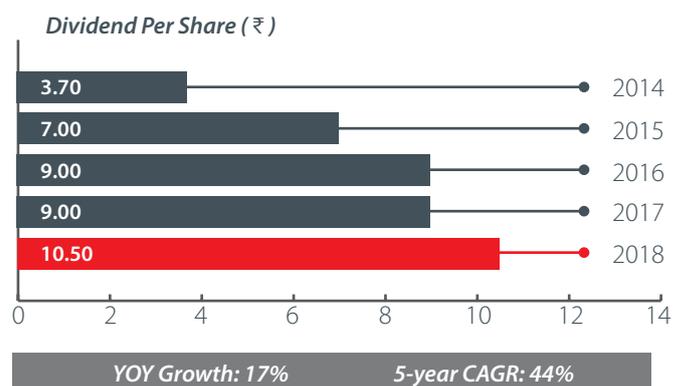
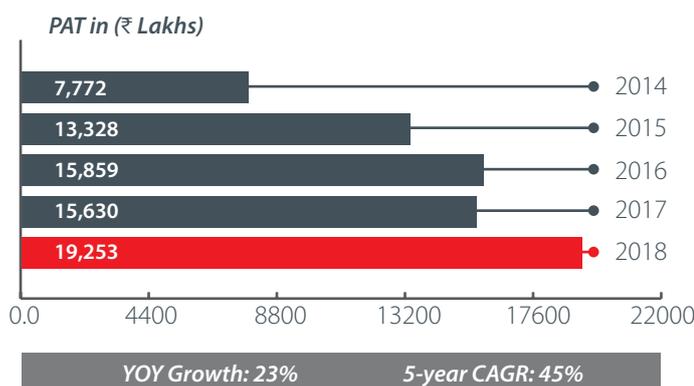
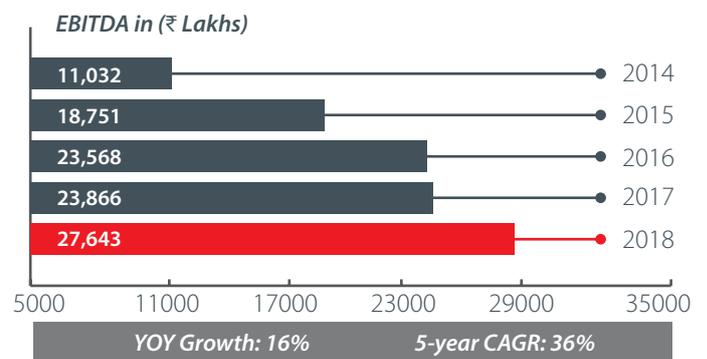
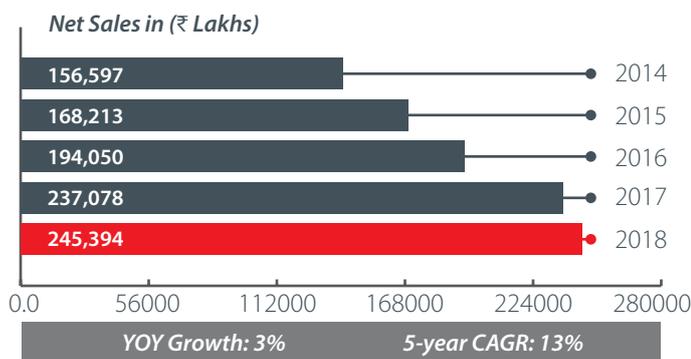
DEVELOPMENT CENTERS	
●	<b>Redmond</b>
●	<b>India</b>
	Bengaluru (3)
	Hyderabad (1)
OFFICES	
	Bengaluru
	Chennai
	Delhi
	Hyderabad
	Kolkata
	Pune
	Mumbai

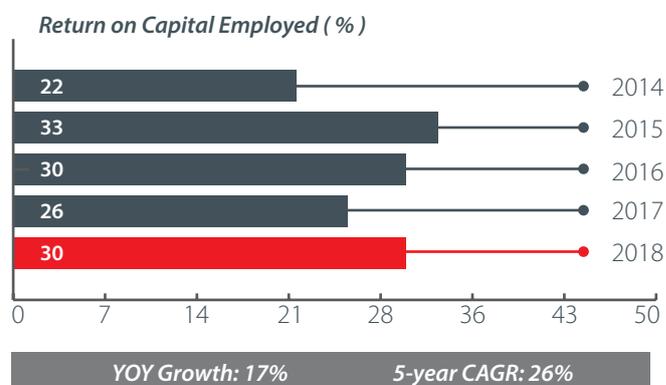
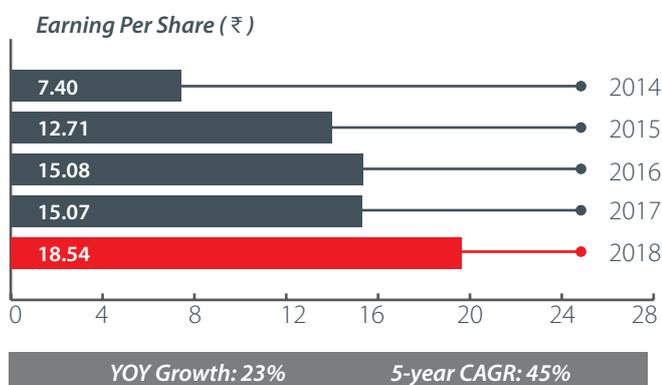


# Operational Highlights

- Registered and trademarked the rights to 'Platformation', in Singapore and applied for the same rights across other geographies as well
- Acquired 15% stake in a Danish Company Izara to strengthen the dynamics capabilities and access to Nordics markets
- Conducted client leadership summit in USA, Sonata Spark 2017: Leading Digital Business Change on 13<sup>th</sup> and 14<sup>th</sup> July, with over 30 customer leaders attending the event
- Conducted tech-innovation event, HackAata – the Sonata Hackathon to identify new innovation opportunities; winning entries featured cutting-edge new technology such as robotic process automation and platform engineering
- Registered and trademarked the enterprise digital platform for Retail-Brick and Click; the platform is designed to enable multi-channel operations in a seamless manner
- Acquired the copyright of TRANSIT and RETINA software in India; The Big Data ready analytical platform for the Travel and Retail vertical
- Opened new office in Copenhagen, Denmark, to facilitate the ease of reach to Northern European customers
- Finalized our new 32,000 SqFt. facility in Hyderabad as a part of our expansion plans
- Added 32 new customers for various products and solutions, including the addition of new logos across geographies and competencies

# Financial Highlights





(₹ in Lakhs)

Key Financials	FY18	FY17	FY16	FY15	FY14
Net Sales	245,394	237,078	194,050	168,213	156,597
EBITDA	27,643	23,866	23,568	18,751	11,032
PAT	19,253	15,630	15,859	13,328	7,772
Net Worth	65,326	59,075	47,099	42,843	37,440
Debt	3,373	5,522	17,603	2,443	569
Debtors	39,644	51,991	35,443	31,017	20,838
Cash	54,887	38,097	34,749	26,366	24,512
Per Share Ratio (₹)					
EPS	18.54	15.07	15.08	12.71	7.40
DPS	10.50*	9.00	9.00	7.00	3.70
BVPS	62.12	56.18	44.78	40.74	35.60
Margin Ratio (%)					
EBITDA Margin	11	10	12	11	7
Net Profit Margin	8	7	8	8	5
RoE	31	29	35	33	22
RoCE	30	26	30	33	22

\* This includes a final dividend of ₹ 6.75 (675% 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 (AGM) of the Company.

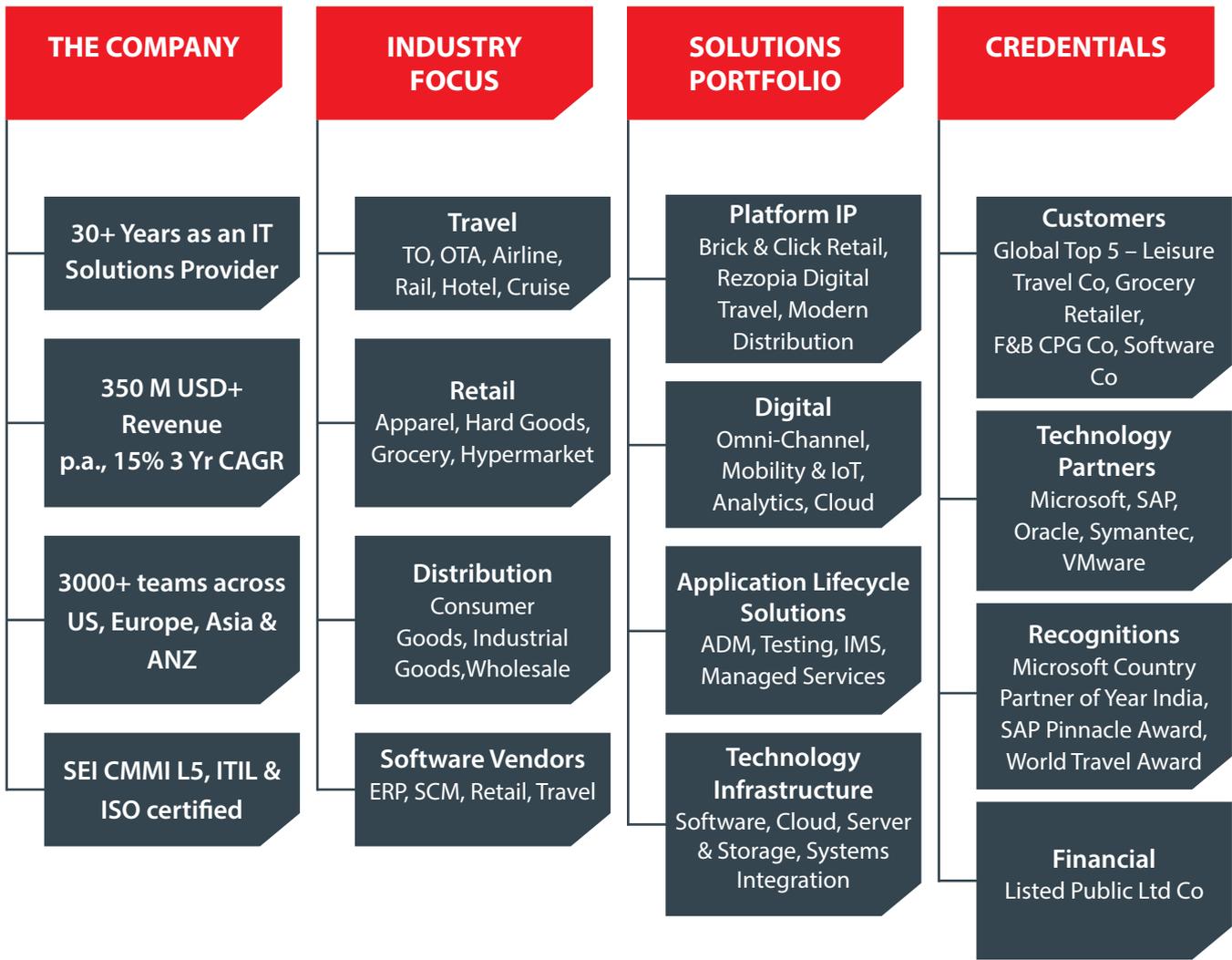


# Sonata Software at a Glance

Sonata is a global technology Company that enables successful platform based digital transformation initiatives for enterprises, to create businesses that are connected, open, intelligent and scalable. Sonata's Platformation™ methodology brings together industry expertise, platform technology excellence, design thinking led innovation and strategic engagement models to deliver sustained long term value to customers. A trusted partner of world leaders in the Retail, Distribution, Travel and Software industries, Sonata's solution portfolio includes its own digital platform such as Brick & Click Retail Platform©, Modern Distribution Platform©, Rezopia Digital Travel Platform©, RAPID DevOps Platform© and Halosys Mobility Platform©, best-in-class capabilities on ISV digital technology platforms such as Microsoft Dynamics 365, Microsoft Azure, SAP Hybris, Cloud Engineering and Managed Services, as well as new digital applications like IoT, Artificial Intelligence, Machine Learning, Robotic Process Automation, Chatbots, Block Chain and Cyber Security. Sonata's people and systems are nurtured to bring together the depth of thought leadership, customer commitment and execution excellence to make a difference to business with technology.

## Vision

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



# Corporate Social Responsibility at Sonata

## Sector: Traditional Arts, Textile and Handicrafts



**Initiative:** India's rich heritage of arts, textiles and handicrafts is well known. Equally well known is the fact that the custodians of our heritage - artisans, weavers and craftspeople - find it increasingly difficult to earn sustained livelihoods due to lack of access to markets, resources, customer trends and preferences.

We aim to build sustainable businesses for artisan clusters by providing tech-enabled market linkages beyond their traditional markets, and thus improve their livelihoods as well as that of the other players down the value chain. Technology also channels market information and design communication to help the handmade compete on a more level-playing field.

Sonata partners with Industree to develop an e-Commerce enabled storefront for Industree's creative manufacturing clusters. The platform is designed to connect artisans, especially those from remote, underserved zones to directly connect with urban consumers.

We also built a customer facing platform for Women Weave 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.

**Partner:** Industree Crafts Foundation, Women Weave

**Location:** Bangalore, Maheshwar

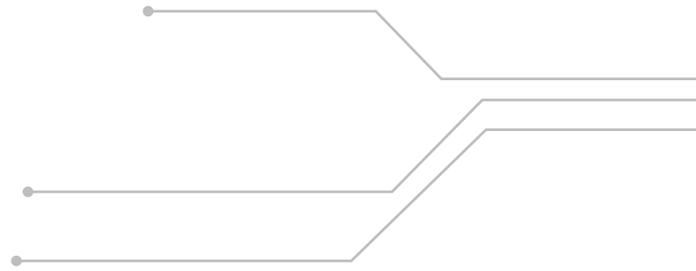
## Sector : Technology Incubation & Entrepreneurship



**Initiative :** In keeping with our CSR vision - to leverage technology to 'Make a Deep Impact and Transform Lives'- we have chosen to especially foster the learning and practice of technology. The partnership with CEDI-NITT is designed to provide technology startups an early opportunity to interact with industry and to enable a thorough understanding of market trends in business and technology that are crucial to success. Sonata supports CEDI- NITT (Incubation center) through technical and managerial mentorship as well as with a committed funding support in certain pre-identified technologies.

**Partner :** CEDI-NITT

**Location :** Trichy



**Sector : Education and the Environment**



**Initiative :** Our CSR activities in the Education vertical are implemented in collaboration with select institutions across a continuum - from primary and middle schools in rural areas and forest buffer zones to institutes of higher learning such as IISc, and onwards to training the trainers.

We back the Summer school program at IISc with the primary objective to introduce undergraduate students to cutting-edge research in Computer Science. We support ongoing research in our areas of focus, thus giving an assurance to students that pursuing research in technology is doable and sustainable.

To foster technical talent amongst students from economically challenged backgrounds, we offer scholarships and grants under our programs in colleges like SKSVMA Charitable Trust.

With the IIIT-B partnership, another premier academia -industry engagement program. Sonata through this program has demonstrated its commitment to accelerate the impact of technology on society. The 3-year project, funded by Sonata, will focus on research fellowships, evangelization of technology for digital transformation

**Partner :** CSA, IISc, SKSVMA Charitable Trust and IIITB

**Location :** Bangalore

**Sector : Preservation of our Cultural Heritage**



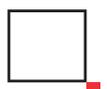
**Initiative :** Cultural heritage implies a shared bond, our belonging to a community. It represents our history and our identity; our bond to the past, to our present and the future.

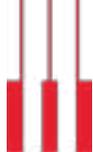
Sonata has partnered with organizations actively involved in reviving and preserving our rich heritage as well as raising awareness amongst the general public of these historical treasures building tools to help

The karez at Bidar is a network of gradually sloping, subterranean water tunnels carved into permeable rock and accessed through vertical wells, allowing for water storage and distribution to local communities We have been instrumental in building a tool that helps historians, researchers and tourists get a 360 degree virtual tour of the Bidar Karez, Once restored, the karez is expected to alleviate the quality of life of the local population by increasing access to clean drinking water with minimum energy costs, and improving agricultural productivity as well.

**Partner :** Deccan Heritage Foundation

**Location :** Bidar, North-eastern Karnataka





# 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 LLP

## 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  
2<sup>nd</sup> Floor, S K Ahire Marg, Worli  
Mumbai – 400 030, India  
Tel: 91-22-24943055;  
Email: info@sonata-software.com

## CORPORATE OFFICE

1/4, APS Trust Building  
Bull Temple Road, N. R. Colony  
Bengaluru - 560 019, India  
Tel: +91-80-6778 1999  
Email: info@sonata-software.com

## SUBSIDIARY COMPANIES OFFICES

### Sonata Information Technology Limited

208, T V Industrial Estate  
2<sup>nd</sup> floor, S K Ahire Marg, Worli  
Mumbai 400 030, India  
Tel: 91-22-24943055  
Email: info@sonata-software.com

### Sonata Software North America Inc.

2201, Walnut Avenue,  
Suite 180, Fremont, CA 94538  
Tel: 510-791-7220  
Email: info@sonata-software.com

### Rezopia Inc.

2201, Walnut Avenue,  
Suite 180, Fremont, CA 94538  
Tel: 510-791-7220  
Email: info@sonata-software.com

### Halosys Technologies Inc.

2201, Walnut Avenue,  
Suite 180, Fremont, CA 94538  
Phone No: 510-791-7220,  
Email: info@sonata-software.com

### Interactive Business Information Systems Inc.

# 420 Technology Parkway,  
Suite 100, Peachtree Corners,  
GA 30092  
Phone No: +1 770-368-4000  
Email: info@sonata-software.com

### Sonata Europe Limited

11<sup>th</sup> Floor (west), The Mille,  
1000 Great West Road  
Brent Ford –TW8 9 HH  
United Kingdom  
Tel: 44-20-8863 8833  
Email: info@sonata-software.com

### Sonata Software GmbH

BCM Buero-Center an der Messe GmbH,  
Beethovenstrasse, 8-10, 60325,  
Frankfurt am Main, Germany  
Email: info@sonata-software.com

### Sonata Software FZ – LLC

Office # 2117, 21 Floor  
Al Shatha Tower No.1  
PO Box: 502818 Dubai Internet City  
Dubai, United Arab Emirates  
Tel: 971-4-375 4355,  
Email: info@sonata-software.com

### Sonata Software (Qatar) LLC

Office 543, Regus Business Centre  
5<sup>th</sup> Floor, Gath Building,  
Fereej Bin Mahmood South  
Near Ramada Junction  
Email: info@sonata-software.com

## OFFICES

Sonata Towers, Global Village,  
RVCE Post, Mysore Road,  
Bengaluru - 560 059, India  
Tel : +91-80-6778 1499  
Email: info@sonata-software.com

6, Richmond Road  
Bengaluru - 560 025, India  
Tel : +91-80-6778 3299  
Email: info@sonata-software.com

1-10-176, Begumpet Main Road  
Opp. Hyderabad Public School  
Hyderabad - 500 016, India  
Tel : +91-40-6689 3899  
Email: info@sonata-software.com

Ground Floor-Eastern Wing  
Poly Hose Towers, #86, Mount Road,  
Guindy, Chennai 600 032, India  
Tel: 91-44-28290552  
Email: info@sonata-software.com

Suite No. N 215, Ideal Plaza  
11/1, Sarat Bose Road  
Kolkata 700020, India  
Tel: 91-33-22891202/05  
Email: info@sonata-software.com

24, First Floor, Okhla Industrial Estate  
Phase III, New Delhi 110020, India  
Tel: 91-11-26932411  
Email: info@sonata-software.com

127/2, Flat No.2, Above Vidya Sahakari Bank  
Next to Hotel Sarjaa, Sanewadi  
Aundh, Pune 411 007, India  
Tel: 91-20-25887045  
Email: info@sonata-software.com

1, North Bridge Road,  
#19-04/05, High Street Center,  
Singapore - 179094, Singapore  
Tel: 65-633-724-72  
Email: info@sonata-software.com

9, Temasek Bou., Suntec Tower, Singapore  
Email: info@sonata-software.com

Level 20, Tower A  
The Zenith, 821, Pacific Highway,  
Sydney, NSW 2067  
Email: info@sonata-software.com

Level 39, 385 Bourke Street,  
Melbourne, Victoria 3000,  
Australia.  
Email: info@sonata-software.com

Schiphol Boulevard 359,  
D Tower, 11<sup>th</sup> Floor,  
1118BJ Schiphol  
Email: info@sonata-software.com

38 Avenue Hoche,  
75008, Paris, France

15375, 90<sup>th</sup> Street, NE  
Redmond, WA 98052, USA  
Tel: 1-425-296-4625  
Email: info@sonata-software.com

Naperville- Main Street Promenade  
50 South Main Street  
Suite 200, Naperville IL 60540  
Email: info@sonata-software.com

405 State Hwy 121 Bypass  
Suite A250  
Lewisville, TX 75067  
Email: info@sonata-software.com

1200, Route 22 East, Suite 2000  
Bridgewater, New Jersey 08807, USA  
Email: info@sonata-software.com

Regus House  
Larsbjornsstraede 3  
Copenhagen, 1454  
Denmark  
Email: info@sonata-software.com

# BOARD'S REPORT

## To the Members,

Your Directors have pleasure in presenting before you the Twenty-Third Annual Report of your Company together with the Audited Financial Statements for the Financial Year ended 31<sup>st</sup> March, 2018.

## FINANCIAL RESULTS

(₹ in Lakhs)

Description	Standalone		Consolidated	
	Financial Year ended 31.03.2018	Financial Year ended 31.03.2017	Financial Year ended 31.03.2018	Financial Year ended 31.03.2017
Total Income	73,047	62,494	249,939	241,789
Total Expenditure	52,755	44,341	222,296	217,923
EBITDA	20,292	18,153	27,643	23,866
Depreciation and Amortization Expense	500	401	1,241	1,088
Finance Cost	17	399	480	928
Profit before Tax & Exceptional Items	19,775	17,353	25,922	21,850
Exceptional (Income)/Expenses	(49)	(565)	(115)	(772)
Provision for Tax (Net)	4,696	4,589	6,824	6,930
PAT before Non - Controlling Interest	15,128	13,329	19,213	15,692
Non - Controlling Interest	-	-	40	(62)
PAT after Non - Controlling Interest	-	-	19,253	15,630
Earnings Per Share (in ₹)	14.57	12.85	18.54	15.07

## BUSINESS PERFORMANCE

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

The Financial Year 2017-18 witnessed the results of recent internal improvement programs and also reflected the positivity of the macro environment. The Company took significant strides in creating enhanced value for shareholders. During the financial year, the Company explored new growth opportunities and performed significantly well in both the domestic as well as international markets. It was reflected in PAT with growth of 28% in IITS and 6% in DPS business, respectively.

During the Financial Year, your Company continued to provide business solutions wrapped with IPs. The revenues through this strategy has resulted in a quicker growth and margin expansions.

This is a major differentiator for Sonata and forms the base of our Platformation strategy. The term 'Platformation' is now officially owned by your Company as it has been trademark registered in Singapore and applied for in the USA and India. Besides, your Company continued to invest in differentiated IP and platforms across industry verticals of Travel, Retail, Distribution and software solutions.

There are several other notable achievements during the financial year. These include:

- Registered and trademarked the enterprise digital platform for retail-Brick and Click in India for retail vertical

- Acquired the copyright of TRANSIT software in India for the travel vertical
- Acquired copyright registration for RETINA software in India
- Added fourth industry solution – HALOSYS – on Microsoft Appsource platform

Your Company further organised first Sonata Hackathon – HackAata 2017 that saw a participation of over 50 teams across Bengaluru, Hyderabad and UK offices. As a part of marketing initiative, your Company partnered with NASSCOM India Leadership Forum 2018 as a Gold Sponsor hosting a panel discussion on Platforms as a driver of digital success and conducted client leadership summit in USA-Sonata Spark 2017.

The performance reflects Sonata's journey to reposition itself as a unique technology solutions provider that is committed to develop an emerging breed of platforms, thus enabling its customers to gain competitive advantage through the Company's future-ready digital transformation initiatives. Sonata's differentiated Platformation solutions, better alignment with alliance partners and stronger investments in sales and marketing will lead to stronger new business development.

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

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

## Standalone Financials

Total Income has shown a growth of 17%. The Earnings before Interest, taxes, Depreciation and Amortization (EBITDA) stood at 28% of total income and Net Profit at 21% of total income with Earnings per Share at ₹ 14.57.





## Consolidated Financials

Total income has shown a growth of 3%. The Earnings before Interest, taxes, Depreciation and Amortization (EBITDA) stood at 11% of total income and Net Profit at 8% of total income with Earnings per Share at ₹ 18.54.

Analyzing your Company's consolidated results by the two segments it operates in, International IT services contributed 38% of total revenues and 81% of PAT while Domestic products and services contributed to 62% of the total revenues and 19% of PAT.

International IT Services total revenue is ₹ 92,850 lakhs growth of 13% and \$ 144 million in US\$ terms with a growth of 18% in revenues. Your Company has achieved good results consistently because of its focus on serving and growing its existing customers, new customer additions of 32 throughout the Financial Year, and maintaining resource utilization at levels in excess of 85% over the Financial Year under review.

Domestic products and services has showed growth of 6% in PAT. The focus in this business has always been to manage Return on Capital Employed (ROCE), which was approximately 24% for the year under review.

Your Company during the Financial Year under review had a stronger consolidated Balance Sheet and has approximately ₹ 50,931 lakhs of cash and cash equivalents (net of borrowing), showing Return on Capital employed (ROCE) of 30% and Earnings per share at ₹ 18.54 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 the Company, your Directors are pleased to recommend payment of a final dividend of ₹ 6.75/- per equity share @675% on par value of ₹ 1/- each, subject to the approval of the shareholders at the forthcoming Annual General Meeting, which along with the interim dividend of ₹ 3.75/- per Equity Share adds up to a total dividend of ₹ 10.50/- per equity share for Financial Year 2017-18.

Your Company has not transferred any amount to reserve for the Financial Year ended 31<sup>st</sup> March, 2018.

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 Financial Year under review, the Board of Directors met 4 times. The Meetings were held on 29<sup>th</sup> May, 2017, 14<sup>th</sup> August, 2017, 13<sup>th</sup> November, 2017 and 7<sup>th</sup> February, 2018.

## DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

## 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 to them 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:

- 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 this 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;
- 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
- 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) and Mr. Pradip P Shah, Mr. S B Ghia, Mr. S N Talwar and Ms. Radhika Rajan as its members. The Committee met 4 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) and 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) and 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 with effect from 3<sup>rd</sup> February, 2017. The Dividend Distribution Policy is available on the website of the Company <https://www.sonata-software.com/sites/default/files/reports/DIVIDEND%20DISTRIBUTION%20POLICY.pdf>

### 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, Ind AS 110 and the Listing Agreement with the Stock Exchanges, wherever applicable. The statement pursuant to the proviso 129(3) of the Companies Act, 2013, containing salient features of the Financial Statement of the Company's Subsidiaries in Form AOC-1 is provided in **ANNEXURE II**.

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

### 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 of your Company at an exercise price of ₹ 18.10 per Share, which were vested on him as on 31<sup>st</sup> March, 2017. Further Mr. Prasanna Oke, Chief Financial Officer was granted Options to purchase equivalent shares under the Plan, had during the Financial Year under review, exercised 30,000 Options of your Company at an Exercise Price of ₹ 165.75 per share, which were vested in him as on 19<sup>th</sup> May, 2016.

During the Financial Year under review, Mr. P Srikar Reddy, Managing Director & CEO of the Company was granted an Option to purchase 60,000 ESOP Shares of the Company to be vested equally over a period of the contract period, subject to terms and conditions as set forth in the ESOP Plan, 2013 of the Company. Accordingly, the first tranche of 20,000 Options shall vest on him for exercise on 28<sup>th</sup> May, 2018.

Also during the Financial Year under review, Mr. Vikas Gurugunti, Chief Operating Officer of the Company was granted an Option to purchase 75,000 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 18,750 Options shall vest in him for exercise on 12<sup>th</sup> November, 2018.

Pursuant to the requirements of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, a Certificate has been issued by the Statutory Auditors of the Company confirming that the Plan has been implemented in accordance with the said Regulations and in accordance with the resolution of the Company in the General Meeting. 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 31<sup>st</sup> March, 2018 are uploaded on the website of the Company at [www.sonata-software.com](http://www.sonata-software.com).

### SECRETARIAL AUDIT

The Board had appointed Mr. Vijayakrishna KT, Practising Company Secretary as the Secretarial Auditor for the Financial Year 2017-18. The Secretarial Audit Report for the Financial Year ended 31<sup>st</sup> March, 2018 is annexed to this Report as **ANNEXURE III**.

### COST AUDIT

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

### QUALIFICATIONS IN AUDIT REPORTS

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

### STATUTORY AUDITORS

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

### SECRETARIAL STANDARDS

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

### EXTRACT OF ANNUAL RETURN

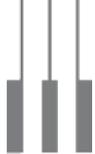
Pursuant to the provisions of Section 92(3) of the Companies Act, 2013 read with Rule 12 (1) of the Companies (Management and Administration) Rules, 2014, an extract of Annual Return in form MGT 9 is annexed to this Report as **ANNEXURE IV**.

### 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 successfully underwent surveillance audits for ISO 9001-2015 (Overall Quality Management System), ISO 20000-1 (IT Service Management) and ISO 27001 (Information Security).

Your Company continues to enhance the effectiveness of its delivery to all the customers. After successful CMMI re-appraisal





towards the end of last year, your Company formally received the CMMI-DEV v1.3 Level 5 Re-certification in April of this Financial Year. Your Company continues to drive Processes to maintain adherence to this Industry gold standard.

In terms of Customer Satisfaction, your Company has been able to achieve an Overall Aggregated Score of 4.1 out of a possible Top Score of 5 this year.

The Financial Year under review achieved the targeted renewed approach to Customer Value Delivery using defined Process-based methodology. There was a greater focus on Tools and Automation, in order to enhance the effectiveness and efficiency of delivery to our customers.

**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, the Company is always on the lookout for energy efficient measures for operation, and values conservation of energy through usage of latest technologies & innovation for improving productivity and quality of products and services. Every endeavour has been made to ensure the optimal usage of energy, avoid wastage and conserve energy. As an ongoing process the Company continued to undertake the following energy conservation measures to minimize the usage of energy

- Deployment of energy-efficient computers and sophisticated office automation and management equipment with the latest technologies, which optimizes conservation of energy.
- Installing LED lights which reduces electricity consumption.
- Installation of sensors at work space area resulting in lights automatically getting switched off in areas not in use.
- Continuous monitoring of floor areas after normal working hours and switching off lights
- Turning off air conditioners during non-peak hours and on weekends
- Installing of Energy Meters for closed monitoring of AHU run hours on daily basis.
- Regular UPS and AC plant maintenance to ensure efficient working of the equipment.

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

- 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
- Replacing the CFL based lighting to LED based lighting in phases which will give immense savings in Electricity consumption.
- 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 has progressed well with its proprietary model of achieving digital transformation called Platformation. Your Company continued to invest in differentiated IP and platforms across industry verticals of Travel, Retail, Distribution and software solutions.

**(C) Foreign exchange earnings and Outgo**

During the Financial Year under review, 91% of the revenue was generated 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 ₹ 8,713 Lakhs and Foreign Exchange inflow on account of export of software services (net), goods and other operating revenues was ₹ 62,635 Lakhs.

Customers today seek more efficient and effective operations along with technology based innovation and business transformation before they make any technology investments. Your Company has been successful in growing the size of existing teams, as well as branch into newer divisions within these customers.

**PUBLIC DEPOSITS**

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

**HUMAN RESOURCES MANAGEMENT**

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

- Senior Leadership Development through customised programs on Business Leadership, Design Thinking & sponsoring leaders to Strategic Leadership Programs with B-schools.
- Renewed focus on culture change by imbibing Design Thinking principles and mindset in all customer facing and managerial roles. Trained 250 Sonatians on Design Thinking. Management has been able to conduct workshops with customers and reap huge benefits from this exercise. Clients came forward with their testimonials of the benefits of Design Thinking approach used by the Company.
- With a belief that charity begins at home, your Company has digitized its campus hiring through a Platform.
- Organized several employee engagement & CSR events across our facilities enabling employees to engage, participate, contribute and do their bit to the society: Partnership with IIIT Bangalore for evangelization of Technology for Digital Transformation and Research, creating the e-commerce platform for IndusTree Crafts Foundation, promoted education to the vision and hearing impaired – contributed to Sense International India, a Centre for Deaf and Blind in Bengaluru; partnered with Wildlife Conservation Trust to provide advanced level of education for children studying in the buffer zones of Bandipur Tiger Reserve by creating a digital learning platform to hold the lesson repository and provide collaboration tools between all stakeholders of the project; created Digital enabled Learning Platform for River Foundation; Supported traditional Handloom through IT expertise – Developed an ecommerce online portal for Handloom students to popularise traditional weaving techniques and sell their products; Supported CEDI NIT, Trichy and Chitrika in creating a new website with better UI/UX functionalities for their existing websites and lastly

supported CUPA to help sustain and extend animal welfare activities with increasing degrees of excellence.

- Your Company was one among the Top 3 Finalists in the CSR Category of the Heroes of Bengaluru Competition. There were 50 nominations for the CSR Category & your Company's CSR program (River Foundation - Digital enabled Learning Platform) was in the Top 3 for 2018 competition.

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. The telecast this Financial Year was widely viewed across the locations. The Platformation concept took a new meaning for the Company with the crystallization of the concept through a video launched by your Company. the ACM enabled employees to develop a sense of purpose, vision and helped them align and give a deep sense of belonging to the organization's strategy, plans & objectives.

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

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

Your Company through this Policy has constituted a Committee and has established a grievance procedure for protection against victimization. The Policy is available on intranet for the employees to access as and when required. No complaints were received under this Policy during the Financial Year 2017-18

**DETAILS OF ADEQUACY OF INTERNAL CONTROL SYSTEM**

Sonata Internal Control Systems (ICS) are commensurate with its size and the nature of its operations. The ICS have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with the applicable statutes, safeguarding assets from unauthorized use, executing transactions with proper authorization, and ensuring compliance with corporate policies. The processes and the systems are reviewed constantly and changed to address the changing regulatory and business environment.

The existing ICS and their adequacy have been reviewed during the year by Internal Auditors and Statutory Auditors. 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.

The Audit Committee reviews the reports submitted by Internal Auditors and Statutory Auditors. Suggestions for improvement on ICS are considered and the corrective actions are undertaken.

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

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

**PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS**

During the Financial Year under review, your Company had given Inter Corporate Deposits at prevailing bank lending rate

to its Wholly Owned Subsidiary, Sonata Information Technology Limited for meeting its working capital requirements. The balance outstanding as on 31<sup>st</sup> March, 2018 is (NIL). The maximum amount outstanding at any point of time during the Financial Year has been ₹ 12,105 Lakhs.

Also, your Company has given Corporate Guarantees on behalf of Subsidiaries for facilitating its business needs. The outstanding amount as on 31<sup>st</sup> March, 2018 is as below:

Name of the Subsidiary	Amount in ₹ Lakhs
Sonata Software North America Inc., USA	5,865
Sonata Information Technology Limited, India	10,276

**RISK MANAGEMENT**

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

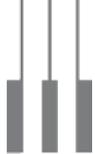
**CORPORATE SOCIAL RESPONSIBILITY (CSR)**

During the Financial Year, your Company has spent ₹ 210 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 six Projects incubated which have completed 3 years and have also identified two more new Projects that have been selected for seed fund for this Year.
- Developed a Back-End Invoicing Module for the e-commerce platform "Hastti" to facilitate direct interaction between craftspeople and their customers for the Industry's Crafts Foundation. Currently Industree Crafts Foundation are using the Platform to Beta test with a limited audience and will Go live once they get the Producer units on boarded with Inventory and Products to sell through the Platform. The overall objective is to be able to build sustainable livelihoods for creative producers & improve 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.
- Your Company is supporting a programme with RIVER Foundation that addresses today's educational challenges with a unique "School in a box" - a multi-grade multi-level (MGML) methodology kit & Digital learning, with an integrated curriculum that is made relevant to the local needs. The current platform is deployed by RIVER foundation and has been rolled out by RIVER in the Schools in Chittoor & Telangana
- Your Company is supporting CEDI NITT and Chitrika in creating a new website with better UI/UX functionality for their existing websites.





- Your Company is supporting CUPA to help sustain and extend animal welfare activities with increasing degrees of excellence.

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

#### **BUSINESS RESPONSIBILITY REPORT**

The SEBI (Listing Obligations 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 Regulation, BRR forms part of the Annual Report and is available on the Company's website at [www.sonata-software.com](http://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](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 – VI**.

#### **JUSTIFICATION FOR ENTERING INTO RELATED PARTY TRANSACTIONS**

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

#### **FORMAL ANNUAL EVALUATION**

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

A statement comprising the names of top 10 employees in terms of remuneration drawn and every person employed throughout the year, who were in receipt of remuneration in terms of Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, forms an integral part of this report. However the same is not being sent along with this annual report to the members of the company in line with the provision of Section 136 of the Companies Act, 2013. Members who are interested in obtaining these particulars may write to the Company Secretary at the Registered Office of the Company. The aforesaid annexure is also available for inspection by the Members at the Registered Office of the Company, 21 days before and upto the date of the ensuing Annual General Meeting during the business hours on working days.

#### **LISTING WITH STOCK EXCHANGES**

Your Company confirms that it has paid the Annual Listing Fees for the Financial Year 2017-18 to NSE and BSE where your Company's shares are listed.

#### **CORPORATE GOVERNANCE**

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

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

#### **ACKNOWLEDGEMENTS**

Your Directors would like to place on record their gratitude for all the guidance and co-operation received from all its clients, vendors, bankers, financial institutions, business associates, advisors, regulatory and government authorities. Your Directors also take this opportunity to thank all its shareholders and stakeholders for their continued support and all the Sonatians for their valuable contribution and dedicated service.

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

**Place:** Mumbai  
**Date:** 22<sup>nd</sup> May, 2018

**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 30<sup>th</sup> 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 3<sup>rd</sup> 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. B. K. 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)

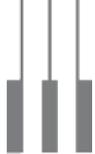
The Board has the power to reconstitute the Committee consistent with the Company's policies and applicable statutory requirement.

### 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 1<sup>st</sup> 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.

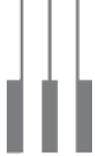
9.3.4 Stock Options:

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

### 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)	Rezopia Inc.	Halosys Technologies Inc.	Interactive Business Information Systems
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 = ₹ 65.17	USD = ₹ 65.17	Euro = ₹ 80.82	GBP = ₹ 92.26	USD = ₹ 65.17	USD = ₹ 65.17	USD = ₹ 65.17	USD = ₹ 65.17
4	Share capital	33,753,940	19,551,000	8,871,495	2,020,500	226,992,814	3,589,564	5,605	4,076,058	32,601,293
5	Reserves and surplus	1,611,611,906	265,287,193	(29,479,519)	25,917,067	338,229,312	(33,699,081)	(11,856,443)	(80,091,714)	(18,732,465)
6	Total assets	5,605,311,781	2,153,620,834	113,731,682	32,119,802	709,909,234	7,170,955	67,084,695	24,774,431	191,077,900
7	Total Liabilities	3,959,945,935	1,868,782,641	134,339,706	4,182,235	144,687,108	37,280,472	78,935,533	100,790,087	177,209,072
8	Investments	270,155,952	878,594,829	-	-	-	-	-	-	-
9	Turnover	15,467,881,591	4,462,083,673	179,066,939	45,593,644	536,835,385	6,039,919	44,024,344	6,780,939	585,941,776
10	Profit / (Loss) before taxation	544,107,739	90,992,048	9,799,939	7,602,645	30,520,346	(7,487,186)	(13,830,312)	(18,581,987)	68,124,482
11	Provision for taxation	186,231,149	36,617,850	-	2,422,620	(5,756,412)	-	-	-	-
12	Profit / (Loss) after taxation	357,876,590	54,374,198	9,799,939	5,180,025	36,276,758	(7,487,186)	(13,830,312)	(18,581,987)	68,124,482
13	% of shareholding	100	100	100	100	100	49	60	100	100

Notes:

- 1) In the details given above, the reporting currency has been converted to ₹ at the closing exchange rate as on 31<sup>st</sup> March, 2018.
- 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

**FOR AND ON BEHALF OF THE BOARD OF DIRECTOR**

**PRADIP P SHAH**  
Chairman

**P SRIKAR REDDY**  
Managing Director & CEO

**PRASANNA OKE**  
Chief Financial Officer

**R SATHYANARAYANA**  
VP - Finance & Accounts

**KUNDAN K LAL**  
Company Secretary

Place : Mumbai

Date : 22<sup>nd</sup> May, 2018

# Annexure III

## Form No. MR-3

### SECRETARIAL AUDIT REPORT

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

FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH, 2018

To  
The Members,  
Sonata Software Limited  
CIN: L72200MH1994PLC082110

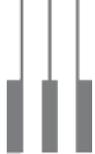
I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Sonata Software Limited (CIN: L72200MH1994PLC082110) (hereinafter called 'the Company'). Secretarial Audit was conducted in a manner that provided me a reasonable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

Based on my verification of the books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 2018 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by Sonata Software Limited for the financial year ended on 31<sup>st</sup> March, 2018 according to the provisions of:

- (i). The Companies Act, 2013 (the Act) and the rules made there under;
- (ii). The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii). The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iv). Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v). The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
  - (a) 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, 2015;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - (f) 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;
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
  - (h) The Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998; and
  - (i) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (vi) The Industry specific laws applicable to the Company are as follows:
  - The Information Technology Act, 2000
  - The Special Economic Zone Act, 2005
  - Policy relating to Software Technology Parks of India and its regulations
  - The Indian Copyright Act, 1957
  - The Patents Act, 1970
  - The Trade Marks Act, 1999
- (vii) The other general laws as may be applicable to the Company including the following:
  - Karnataka Shops & Commercial Establishment Act & Rules
  - The ESI Act & General Regulations
  - The Employees Provident Funds & Miscellaneous Provisions Act
  - The Minimum Wages Act & Rules
  - The Payment of Wages Act & Rules
  - The Payment of Gratuity Act & Rule
  - The Payment of Bonus Act & Rules
  - The Maternity Benefit Act
  - The Equal Remuneration Act
  - The Employment Exchanges (CNV) Act & Rules
  - The Karnataka Labour Welfare Fund Act & Rules
  - Industrial Employment Standing Orders Act
  - The Karnataka (National & Festival) Holidays Act & Rules
  - The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act
  - For majority of Central Labour Laws the States have introduced Rules [names of each of the Rules is not included here]





- The Competition Act, 2002
- The Indian Contract Act, 1872
- The Sales of Goods Act, 1930
- The Indian Stamp Act, 1899
- The Transfer of Property Act, 1882

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

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

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

**I further report that**

The Board of Directors of the Company is duly constituted with proper balance of Non-Executive Directors and Independent Directors. There were no changes in the composition of the Board of Directors during the period under review.

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

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

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

**Place:** Bengaluru  
**Date:** 22<sup>nd</sup> May, 2018

**Vijaykrishna KT**  
FCS No.: 1788  
C P No.: 980

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

**'Annexure'**

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

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

**Place:** Bengaluru  
**Date:** 22<sup>nd</sup> May, 2018

**Vijaykrishna KT**  
FCS No.: 1788  
C P No.: 980

## Annexure IV

### EXTRACT OF ANNUAL RETURN

For the financial year ended on 31.03.2018

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 <sup>th</sup> 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, 2nd 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 <sup>st</sup> April 2017)				No. of Shares held at the end of the year (as on 31 <sup>st</sup> March 2018)				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters and Promoter Group</b>									
<b>(1) Indian</b>									
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	3098217	0	3098217	2.95	3097951	0	3097951	2.95	0.00
d) Bank/FI	0	0	0	0.00	0	0	0	0.00	0.00
e) Any other	0	0	0	0.00	0	0	0	0.00	0.00
<b>SUB TOTAL (A) (1)</b>	<b>32550427</b>	<b>0</b>	<b>32550427</b>	<b>30.95</b>	<b>32550161</b>	<b>0</b>	<b>32550161</b>	<b>30.95</b>	<b>0.00</b>
<b>(2) Foreign</b>									
a) NRI- Individuals	0	0	0	0	0	0	0	0	0
b) Other Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks/FI	0	0	0	0	0	0	0	0	0
e) Qualified Foreign Investor	0	0	0	0	0	0	0	0	0
f) Any other...	0	0	0	0	0	0	0	0	0
<b>SUB TOTAL (A) (2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Shareholding of Promoter (A)= (A)(1)+(A)(2)</b>	<b>32550427</b>	<b>0</b>	<b>32550427</b>	<b>30.95</b>	<b>32550161</b>	<b>0</b>	<b>32550161</b>	<b>30.95</b>	<b>0</b>
<b>B. PUBLIC SHAREHOLDING</b>									
<b>(1) Institutions</b>									
a) Mutual Funds/UTI	1567757	0	1567757	1.49	4973540	0	4973540	4.73	3.24
b) Banks/FI	73755	0	73755	0.07	97211	0	97211	0.09	0.02
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	15062778	0	15062778	14.32	15430552	0	15430552	14.67	0.35
h) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
i) Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
j) Others (specify)	0	0	0	0.00	0	0	0	0.00	0.00
Beneficial holdings under MGT-4	8409	0	8409	0.01	0	0	0	0.00	0.01
<b>SUB TOTAL (B)(1)</b>	<b>16712699</b>	<b>0</b>	<b>16712699</b>	<b>15.89</b>	<b>20501303</b>	<b>0</b>	<b>20501303</b>	<b>19.50</b>	<b>3.62</b>
<b>(2) Non-Institutions</b>									
a) Bodies corporates	8538328	16000	8554328	8.13	6955552	6000	6961552	6.62	-1.51
b) Individuals									0.00
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	21788890	1340419	23129309	21.99	19359581	1130259	20489840	19.48	-2.51
ii) Individuals shareholders holding nominal share capital in excess of ₹ 1 lakh	20137209	0	20137209	19.15	20373657	0	20373657	19.37	0.22

Category of Shareholders	No. of Shares held at the beginning of the year (as on 1 <sup>st</sup> April 2017)				No. of Shares held at the end of the year (as on 31 <sup>st</sup> March 2018)				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
c) Others (specify)									
Directors	1365228	0	1365228	1.30	1231500	0	1231500	1.17	-0.13
Clearing members	126691	0	126691	0.12	203521	0	203521	0.19	0.07
Directors and their relatives	0	0	0	0.00	200000	0	200000	0.19	0.19
I E P F	0	0	0	0.00	199156	0	199156	0.19	0.19
Non-Resident Indians	591234	0	591234	0.56	562500	0	562500	0.53	-0.03
NRI Non-Repatriation	459371	0	459371	0.44	426971	0	426971	0.41	-0.03
Trusts	1485875	0	1485875	1.41	1380395	0	1380395	1.31	-0.10
NBFC	46935	0	46935	0.04	78750	0	78750	0.07	0.03
Qualified Foreign Investor	0	0	0	0.00	0	0	0	0.00	0.00
<b>SUB TOTAL (B)(2):</b>	<b>54539761</b>	<b>1356419</b>	<b>55896180</b>	<b>53.15</b>	<b>50971583</b>	<b>1136259</b>	<b>52107842</b>	<b>49.55</b>	<b>-3.60</b>
<b>Total Public Shareholding (B)= (B)(1)+(B)(2)</b>	<b>71252460</b>	<b>1356419</b>	<b>72608879</b>	<b>69.05</b>	<b>71472886</b>	<b>1136259</b>	<b>72609145</b>	<b>69.05</b>	<b>0.02</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total (A+B+C)</b>	<b>103802621</b>	<b>1356419</b>	<b>105159306</b>	<b>100.00</b>	<b>104023047</b>	<b>1136259</b>	<b>105159306</b>	<b>100</b>	

## (ii) Shareholding of Promoters

Sl. No.	Shareholders Name	Shareholding at the beginning of the year (1 <sup>st</sup> April, 2017)			Shareholding at the end of the year (31 <sup>st</sup> March, 2018)			% 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
	<b>Total</b>	<b>32550161</b>	<b>30.95</b>	<b>0.35</b>	<b>32550427</b>	<b>30.95</b>	<b>0.35</b>	<b>0.00</b>





(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	<b>Bhupati Investments and Finance Private Limited</b>				
	At the beginning of the year	1562217	1.49	1562217	1.49
	Sale of shares	266	0.00		
	At the end of the year			1561951	1.49

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

Sl. No.	For Each of the Top 10 Shareholders	Shareholding at end of the year		Date	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during the year (1 <sup>st</sup> April 2017 to 31 <sup>st</sup> March 2018)	
		No. of Shares at the beginning (1 <sup>st</sup> April 2018)/end of the year 31 <sup>st</sup> March 2017	% of total shares of the company				No. of shares	% of total shares of the company
1	<b>HEMENDRA M KOTHARI</b>	10660026	10.14	01/04/2017	-	Nil movement during the year		
				31/03/2018			10660026	10.14
2	<b>GOLDMAN SACHS INDIA LIMITED</b>	3608520	3.43	01/04/2017				
				07/04/2017	114738	Transfer	3723258	3.54
				14/04/2017	86313	Transfer	3809571	3.62
				31/03/2018			3809571	3.62
3	<b>ORANGE MAURITIUS INVESTMENTS LIMITED</b>	1844171	1.75	01/04/2017		Nil movement during the year		
				31/03/2018			1844171	1.75
4	<b>SANKARAN RAMACHANDRAN (SSLEW TRUST)</b>	1484875	1.41	01/04/2017				
				16/06/2017	-75000	Transfer	1409875	1.34
				09/03/2018	-15000	Transfer	1394875	1.33
				16/03/2018	-15000	Transfer	1379875	1.31
				31/03/2018			1379875	1.31
5	<b>OCEAN DIAL GATEWAY TO INDIA MAURITIUS LIMITED#</b>	1200000	1.14	01/04/2017				
				05/05/2017	-2302	Transfer	1197698	1.14
				12/05/2017	-9655	Transfer	1188043	1.13
				26/05/2017	-16359	Transfer	1171684	1.11
				02/06/2017	-593102	Transfer	578582	0.55
				09/06/2017	-34579	Transfer	544003	0.52
				30/06/2017	-121875	Transfer	422128	0.40
				07/07/2017	-422128	Transfer	0	0.00
				31/03/2018			0	0.00
6	<b>CREDIT SUISSE (SINGAPORE) LIMITED</b>	1183049	1.13	01/04/2017		Nil movement during the year		
				31/03/2018			1183049	1.13

Sl. No.	For Each of the Top 10 Shareholders	Shareholding at end of the year		Date	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during the year (1 <sup>st</sup> April 2017 to 31 <sup>st</sup> March 2018)	
		No. of Shares at the beginning (1 <sup>st</sup> April 2018)/end of the year 31 <sup>st</sup> March 2017	% of total shares of the company				No. of shares	% of total shares of the company
7	<b>PRESCIENT SECURITIES PRIVATE LIMITED#</b>	1050000	1.00	01/04/2017				
				17/11/2017	-1050000	Transfer	0	0.00
				31/03/2018			0	0.00
8	<b>SHOBITA SAIGAL</b>	1017955	0.97	01/04/2017				
				07/04/2017	-1900	Transfer	1016055	0.97
				14/04/2017	1000	Transfer	1017055	0.97
				21/04/2017	29100	Transfer	1046155	0.99
				21/04/2017	-6000	Transfer	1040155	0.99
				19/05/2017	-2500	Transfer	1037655	0.99
				02/06/2017	-500	Transfer	1037155	0.99
				09/06/2017	1	Transfer	1037156	0.99
9	<b>OPTIMUM STOCK TRADING CO. PVT LTD</b>	1000000	0.95	01/04/2017		Nil movement during the year		
				31/03/2018			1000000	0.95
10	<b>REETH PROPERTIES LLP</b>	1000000	0.95	01/04/2017		Nil movement during the year		
				31/03/2018			1000000	0.95
11	<b>GARONDA REAL ESTATE LLP</b>	1000000	0.95	01/04/2017		Nil movement during the year		
				31/03/2018			1000000	0.95
12	<b>HDFC SMALL CAP FUND* ^</b>	0	0.00	01/04/2017				
				27/10/2017	251500	Transfer	251500	0.24
				31/10/2017	249000	Transfer	500500	0.48
				03/11/2017	294500	Transfer	795000	0.76
				10/11/2017	277000	Transfer	1072000	1.02
				17/11/2017	149500	Transfer	1221500	1.16
				24/11/2017	1033000	Transfer	2254500	2.14
				01/12/2017	90000	Transfer	2344500	2.23
				08/12/2017	219000	Transfer	2563500	2.44
				15/12/2017	166000	Transfer	2729500	2.60
				22/12/2017	147000	Transfer	2876500	2.74
				05/01/2018	249457	Transfer	3125957	2.97
				12/01/2018	221000	Transfer	3346957	3.18
				19/01/2018	150000	Transfer	3496957	3.33
				09/03/2018	57500	Transfer	3554457	3.38
23/03/2018	157000	Transfer	3711457	3.53				
31/03/2018			3711457	3.53				

\* Not in the list of top 10 shareholders as on 01/04/2017. The same has been reflected above since the shareholder was one of the top 10 shareholders as on 31/03/2018.

# Ceased to be in the list of top 10 shareholders as on 31/03/2018. The same is reflected above since the shareholder was one of the top 10 shareholders as on 01/04/2017.

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





(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 the Company	% of total shares of the Company	No. of shares of the Company	% of total shares of the Company
<b>1</b>	<b>VIREN RAJAN RAHEJA</b>				
	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
<b>2</b>	<b>SHYAM BHUPATIRAI GHIA</b>				
	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
<b>3</b>	<b>SURESH N TALWAR</b>				
	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
<b>4</b>	<b>SRIKAR PALEM REDDY</b>				
	At the beginning of the year	1315228	1.25	1315228	1.25
	Purchase (through ESOP)	75000	0.07	1390228	1.32
	Sale	208728	0.20	1181500	1.12
	At the end of the year	1181500	1.12	1181500	1.12
<b>5</b>	<b>PRASANNA OKE</b>				
	At the beginning of the year	0	0.00	0	0.00
	Purchase (through ESOP)	30000	0.03	30000	0.03
	Sale	30000	0.03	0	0.00
	At the end of the year	0	0.00	0	0.00

V INDEBTEDNESS

(₹ in Lakhs)

Indebtedness of the Company including interest outstanding/accrued but not due for payment				
	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the Financial Year 01.04.2017</b>				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	-	-	-
<b>Change in Indebtedness during the Financial Year</b>				
Additions	8,279	-	-	8,279
Reduction	8,279	-	-	8,279
<b>Net Change</b>	-	-	-	-
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	Nil	Nil	-	Nil
ii) Interest due but not paid	Nil	Nil	-	Nil
iii) Interest accrued but not due	Nil	Nil	-	Nil
<b>Total (i+ii+iii)</b>	-	-	-	-

**VI REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL****A. Remuneration to Managing Director, Whole time Director and/or Manager:**

(Amount in ₹)

Sl. No.	Particulars of Remuneration	Name of the MD/ WTD/Manager	Total Amount (₹)
		Mr. P Srikar Reddy	
<b>1</b>	<b>Gross salary</b>		
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961.	33,424,373	33,424,373
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	59,515	59,515
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-
2	Stock option*	10,432,500	10,432,500
3	Sweat Equity	-	-
4	Commission as % of profit	9,359,617	9,359,617
	others (specify)	-	-
5	Others, please specify	-	-
	<b>Total (A)</b>	<b>53,276,005</b>	<b>53,276,005</b>
	<b>Ceiling as per the Act</b>		<b>98,152,488</b>

\* Includes only the value of shares that have been exercised during the year. The value is in accordance with the definition of perquisites under the Income Tax Act, 1961.

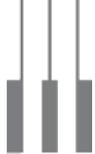
The 60,000 shares granted under the Employee Stock Option Plan and 165,000 units granted under the Stock Appreciation Rights Plan during the year is not included.

**B. Remuneration to other directors:**

(Amount in ₹)

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	
<b>1</b>	<b>Independent Directors</b>					
	(a) Fee for attending board committee meetings	180,000	260,000	300,000	200,000	940,000
	(b) Commission	3,457,442	3,457,442	3,457,442	3,457,442	13,829,768
	(c) Others, please specify	-	-	-	-	-
	<b>Total (1)</b>	<b>3,637,442</b>	<b>3,717,442</b>	<b>3,757,442</b>	<b>3,657,442</b>	<b>14,769,768</b>
<b>2</b>	<b>Other Non-Executive Directors</b>	<b>Mr. Viren Raheja</b>	<b>Mr. S B Ghia</b>			
	(a) Fee for attending board committee meetings	160,000	360,000			520,000
	(b) Commission	3,457,442	3,457,442			6,914,884
	(c) Others, please specify.	-	-			-
	<b>Total (2)</b>	<b>3,617,442</b>	<b>3,817,442</b>			<b>7,434,884</b>
	<b>Total (B)=(1+2)</b>	<b>7,254,884</b>	<b>7,534,884</b>	<b>3,757,442</b>	<b>3,657,442</b>	<b>22,204,652</b>
	<b>Total Managerial Remuneration (A + B)</b>					<b>75,480,657</b>
	<b>Overall Ceiling as per the Act.</b>					<b>215,935,473</b>





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

(Amount in ₹)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	Company Secretary (Mr. Kundan K Lal)	CFO	Total
1	<b>Gross Salary</b>				
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961.		4,135,849	9,416,281	13,552,130
	(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#	Already stated above	-	4,594,520	4,594,520
3	Sweat Equity		-	-	-
4	Commission		-	-	-
	as % of profit		-	-	-
	others, specify		-	-	-
5	Others, please specify		-	-	-
	<b>Total</b>		<b>4,135,849</b>	<b>14,010,801</b>	<b>18,146,650</b>

# Includes only the value of shares that have been exercised during the year. The value is in accordance with the definition of perquisites under the Income Tax Act, 1961.

**VII PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES**

There were no penalties/punishment/compounding of offences for the year ending 31<sup>st</sup> March, 2018

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

**Place:** Mumbai

**Date:** 22<sup>nd</sup> May, 2018

**PRADIP P SHAH  
CHAIRMAN**

## Annexure V

### 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

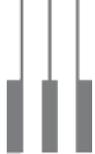
Further, initiatives are focused towards those programmes which directly or indirectly benefit the community and society at large by enhancing the quality of life and economic well-being of the local populace through continuous efforts.

- The CSR Committee comprises of the following Members-
  - Mr. S B Ghia (Chairman)
  - Mr. S N Talwar
  - Mr. P Srikar Reddy
- Average net profits of the Company for the last three Financial Years is ₹ 1,287,581,618.
- Prescribed CSR Expenditure (two per cent of the amount as in item 3 above) is ₹ 25,751,632.
- Details of CSR spend during the Financial Year 2017-18:
  - Total amount spent for the Financial Year 2017-18 was ₹ 20,988,997.
  - Amount unspent was ₹ 4,762,635.
  - Manner in which the amount spent during the Financial Year 2017-18 is detailed below

(Amount in ₹)

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 (in ₹)	Amount spent on the projects or programs Sub Heads: (1) Direct expenditure on projects or programs. (2) Overheads (in ₹)	Cumulative expenditure upto the reporting period.	Amount spent: Direct or through implementing agency
1	Creation of Back-end Invoicing module for Ecommerce platform	Arts and Crafts	HSR, Bengaluru	7,556,588	(1) 6,670,125 (2) 344,076	7,014,201	Direct
2	Developing a Virtual tour guide	Culture and Heritage	Bidar, Karnataka	348,896	(1) 348,896 (2) 17,445	366,341	Direct
3	Developing a collaborative teacher-student app	Education	Chitoor, Andhra Pradesh	3,246,148	(1) 3,246,148 (2) 162,307	3,408,455	Direct
4	Developing a website for CEDI NITT	Education	Trichy, Tamil Nadu	3,300,000	(1) 1,461,905 (2) 73,095	1,535,000	Direct
5	Support Education, Research and Outreach programs	Research	Bengaluru, Karnataka	3,500,000	(1) 3,570,000 (2) 170,000	3,740,000	IISc. Bengaluru
6	Provide Infrastructure development support for second adoption centre for animal welfare	Environment	Bengaluru, Karnataka	1,000,000	(1) ₹ 1,000,000 (2) ₹ 50,000	1,050,000	CUPA, Bengaluru





(Amount in ₹)

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 (in ₹)	Amount spent on the projects or programs Sub Heads: (1) Direct expenditure on projects or programs. (2) Overheads (in ₹)	Cumulative expenditure upto the reporting period.	Amount spent: Direct or through implementing agency
7	Support Evangelization of Technology for Digital Transformation and Research	Research	Bengaluru, Karnataka	3,500,000	(1) 3,500,000 (2) 175,000	3,675,000	IIIT Bengaluru
8	Support for creating content for website	Arts and Crafts	Hyderabad, Andhra Pradesh	3,300,000	(1) 200,000	200,000	Chitrika
<b>TOTAL</b>				<b>25,751,632</b>		<b>20,988,997</b>	

- In alignment with the vision, the Company has endeavored 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:** 22<sup>nd</sup> May, 2018

## ANNEXURE – VI

### 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 2018, which were 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 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
<b>Nature of contracts/ arrangements/ transactions:</b>									
Rendering of services	156,962,824	2,720,757,385	116,778,316	-	385,576,029	-	16,519,957	-	64,723,877
Software license fees paid	488,590,574	-	-	-	-	-	-	-	-
Service charges recovered	45,516,760	-	-	-	-	-	-	-	-
Reimbursement of expenses	15,957,740	3,703,186	82,498	371,011	8,904,618	-	468,559	300,000	999,226
Inter corporate deposits given	4,517,889,476	-	-	-	-	-	-	-	-
Inter corporate deposits recovered	4,517,889,476	-	-	-	-	-	-	-	-
Interest received on inter corporate deposits	20,145,519	-	-	-	-	-	-	-	-
Recovery of rent	5,208,307	-	-	-	-	-	-	-	-
Dividend received	33,753,940	-	-	-	-	-	-	-	-
Commission received on guarantees given on behalf of Subsidiary	5,104,223	2,783,641	-	-	-	-	-	-	-
Reimbursement of expenses paid	-	349,455	-	-	-	-	-	-	-

**Notes:**

- Duration of the above Contracts / Arrangements / transactions with subsidiaries 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.

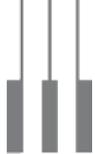
FOR AND ON BEHALF OF THE BOARD  
SONATA SOFTWARE LIMITED

Place: Mumbai

Date: 22<sup>nd</sup> May, 2018

PRADIP P SHAH  
CHAIRMAN





## Annexure VII

### 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 2017-18:1.

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	7.11	4.16	0.05	0.24
Srikar Palem Reddy	MD & CEO	21.26	60.92	0.77	3.52
Shyam Bhupatirai Ghia	Director	6.76	4.36	0.06	0.25
Viren Rajan Raheja	Director	8.44	4.14	0.05	0.24
Suresh Narsappa Talwar	Director	8.73	4.30	0.05	0.25
Brijendra Kumar Syngal	Director	7.57	4.25	0.05	0.25
Radhika Rajan	Director	8.99	4.18	0.05	0.24

(ii) The percentage increase in remuneration of Chief Financial Officer & Company Secretary, in the Financial Year 2017-18:

Name of Person	Designation	% of increase compared to previous year	% of Revenues	% of Profits after tax
Mr. Prasanna Oke	Chief Financial Officer	42.57	0.20	0.93
*Mr. Kundan K Lal	Company Secretary	NA	0.06	0.27

\*Joined on 2<sup>nd</sup> November 2016

(iii) The percentage increase in the median remuneration of employees in the Financial Year 2017-18:

The percentage increase in the median remuneration of Sonata during the Financial Year under review is 17%. This has been arrived at by comparing the median remuneration of the cost-to-the Company as on 31<sup>st</sup> March, 2018 as compared to previous year 31<sup>st</sup> March, 2017.

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

The total employee strength as on 31<sup>st</sup> March, 2018 is 3090 as against 3,004 as on 31<sup>st</sup> March, 2017.

(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 6% as compared to the average increase in the managerial remuneration of 5%.

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

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

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

Place: Mumbai

Date: 22<sup>nd</sup> May, 2018

**PRADIP P SHAH  
CHAIRMAN**

# Management Discussion and Analysis

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

Information provided in this Management Discussion and Analysis (MD&A) pertains to Sonata Software Limited (the Company) and its subsidiaries on a consolidated basis, unless otherwise stated.

## GLOBAL ECONOMIC REVIEW 2017-18

International Monetary Fund's (IMF) World Economic Outlook anticipated a pick-up in global growth in 2017-18. In-line with this forecast, the world economy grew by 3.7% in 2017-18 as against 3.2% growth in 2016-17. The upward revision is due to a notable uptick in the economic performances of Europe and Asia. The world output is projected to grow at 3.9% in 2018 and 2019. This increased growth is likely to emanate from improved global growth momentum and the expected impact of the recently approved US tax policy changes. World trade has grown strongly in H2FY18, supported by a pickup in investment, particularly among advanced economies, and increased manufacturing output in Asia with strong consumer confidence.

### Worldwide IT Spending Forecast (Billions of USD)

Particulars	2017	2017 (%) growth)	2018 (spending)	2018 (%) growth)	2019 (spending)	2019 (%) growth)
Data Center Systems	178	4.4	179	0.6	179	-0.2
Enterprise Software	355	8.9	389	9.5	421	8.4
Devices	667	5.7	704	5.6	710	0.9
IT Services	933	4.3	985	5.5	1,030	4.6
Communications Services	1,393	1.3	1,427	2.4	1,443	1.1
Overall IT	3,527	3.8	3,683	4.5	3,784	2.7

## INDIAN IT INDUSTRY

Information Technology (IT) has been one of the key driving forces fuelling India's economic growth. The Indian IT Services exports have been consistently outperforming the global technology growth and have recovered well after the global financial meltdown in 2008-09. Thriving on India's vast pool of low-cost technology graduates, Indian IT players penetrated developed markets, fiercely competing with global IT behemoths. In the late

Some parameters that were contradictory to this positive trend also emerged. Crude oil prices have risen by about 20% to over USD 60 per barrel supported by an improving global growth outlook, weather events in the United States, the extension of the OPEC and Russia agreement to limit oil production, and geopolitical tensions in the Middle East. Owing to increasing crude oil prices, the inflation rates in advanced and emerging economies rose in recent months. (Source: IMF World Economic Outlook). The US government policy on visas, especially H1B were particular factors affecting outsourced services. The political and military conflict in the Middle East also remained a factor impacting economic uncertainty in the EMEA geography. All the factors combine to make the year ahead a period for cautious optimism in terms of economic and IT industry growth.

## INDIAN ECONOMIC OVERVIEW

According to IMF, India's GDP is projected to increase from 6.7% in 2017 to 7.4% in 2018 and 7.8% in 2019. The growth will be largely driven by strong private consumption as well as fading transitory effects of the currency exchange initiative and implementation of the national Goods and Services Tax (GST).

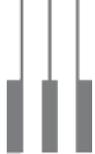
Over the medium term, growth is expected to gradually rise with continued implementation of structural reforms that raise productivity and incentivise private investment. It will consolidate country's position as the world's fastest growing economy, widening the gap with China. The conditions with respect to the Indian economy also thus tend to one of cautious optimism with some volatility in short term business and economic performance.

## GLOBAL IT INDUSTRY

According to Gartner, the worldwide total IT spending is projected to a total USD 3.7 trillion in 2018, an increase of 4.3% from spending of USD 3.5 trillion in 2017. The vast majority of technology spending stems from purchases made by corporate or government entities. The growth is expected to be driven by the projects in digital business, Blockchain, Internet of Things (IoT) and progression from Big Data to algorithms to Machine Learning to Artificial Intelligence (AI).

1990s and early next decade, Indian IT players started to distinguish themselves from 'sources of cheap labour' to 'strategic partners', providing end-to-end services to their clients, adding capabilities such as Business Process Management, Digital Services and IT Consulting to their offerings kitty. Of late the industry is facing the heat of global slowdown, shrinking technology budgets, rising uproar over outsourcing in the developed markets, operational level challenges like wage inflation and attrition. However, the





industry has always been resilient and agile to transform itself to overcome the challenges.

Indian IT spending in 2017-18 is expected to end at USD 79.8 billion, up 14.2% from 2016. It is further expected to grow over 9% to USD 87.1 billion in 2018. According to the Edelweiss report on Information Technology 'Digital drive: The race begins', the domestic IT players are expected to witness a positive momentum owing to the increasing digitization drive.

## **KEY SECTORS FOR SONATA**

### **Digital & Platform**

Digital transformation has become the main theme for most businesses as they attempt to compete with new emerging competitors and are simultaneously transforming their businesses by leveraging new technologies to create new business models. With ever changing consumer behaviour and expanding technologies, it is challenging to keep up with new demands on businesses to be agile and flexible. Business executives are increasingly involved in taking IT buying decisions unleashing technology's power by developing new platforms. The platform-based business models and strategies are the driving force behind the most profound global macroeconomic change since the industrial revolution. In the digital economy, platform ecosystems are cornerstones for new value creation. As reported, Platform Companies represent USD 2.6 trillion in market capitalization worldwide in 2017. Different building blocks for digital and Platform companies are Cloud services, API strategy and architecture, mobile development platforms among others.

Sonata had already built its strength in terms of customers, people, technologies, processes, alliances and IP which helps it to leverage on success and has already succeeded in digitally transforming its clients. The Company has progressed well with its proprietary model of achieving digital transformation called Platformation™ that it announced last year.

### **Software Products**

According to NASSCOM, the global ER&D spends have witnessed a robust CAGR of 7% since 2009. This is a sustainable growth as companies continuously pursue innovation to re-engineer their products as per market needs and align them with ever-improving technology. Moreover, with rising digital adoption, the role of ER&D will gain prominence in introducing new products or penetrating deeper into existing geographies. Digitization and user experience have been the central themes of today's software services. Several traditional OEMs are now re-branding themselves as technology firms. Platform-as-a-service, products-as-a-service and Big Data analytics are the new revenue drivers. Besides there have been new Cloud-based pricing models like pay-per-use. Investments are also being made on innovation labs and design centres to enable creation of indigenous & innovative solutions, establish strong IoT ecosystems as well as create a new genre of Cloud computing.

India continues to maintain its leadership in the offshore destinations in delivering engineering R&D services with a market share of 22%. The country has become a key contributor in global research and of growth in the Asia-Pacific (APAC) region, playing host to one-third of top 1,000 R&D spenders globally. According to a Zinnov study titled, 'Engineering R&D: Advantage India', the Indian market is expected to grow to USD 42 billion by 2020.

### **Travel & Tourism**

Technology in Travel and Tourism plays a key role in achieving economic growth. The advancement of IT allows continuous communication and streamlines the guest experience, from

reservation to checkout or to make reservations and compare prices. Booking engines cut costs for travel businesses by reducing call volume and give the traveller more control over their purchasing process. The development of vertical portals has further redefined the travel business. This has led to the formation of various last minute online travel portals which effectively organize and distribute distressed tourism inventories to the clients. Global tourism suppliers have started applying e-Commerce applications, thereby allowing their customers to directly access the reservations systems. The advent and application of mobile technologies have further impacted the Tourism and Travel industries. The emergence of new and high tech mobile phones has stirred a revolution in mobile technology. It is estimated that over 150 million travellers now use the smartphone for planning travel, accommodation bookings, ticket bookings, cab booking, route mapping and more activities.

The Travel and Tourism Sector's contributes to 10.4% of global GDP. During 2017, it grew 4.6%, outpacing the global economic growth for seven consecutive years. Asian countries continued to drive the global tourism. Besides, Tunisia, Turkey and Egypt also witnessed strong recovery from the devastating impacts of terrorist activities. As global economic growth continues to accelerate during 2018, the outlook for the Travel & Tourism sector remains encouraging.

### **Retail and Distribution Industry**

The e-Commerce industry comprised 10.2% of total global retail sales in 2017, up from 8.6% a year prior. According to eMarketer estimates, 2017 witnessed retail global e-Commerce sales touching USD 2.30 trillion, a 24.8% increase over the previous year. The growth was largely driven by Asia-Pacific region. Mobile was a key factor, as m-Commerce accounted for 58.9% of digital sales. Global m-Commerce sales rose 40.3% last year to USD 1.357 trillion, representing 6.0% of total retail expenditures. Markets with significant mobile spending include China, Japan, South Korea, the UK and the US. Growth has been helped along by consumers feeling more comfortable making purchases on their smartphones and, in some regions, a greater selection of low-cost items like apparel, which encourages impulse buying. Retailers are now focused on personalization for the customer and their shopping experience. The push now is to connect retailers with their customers in a more personal way. By using technology such as mobile apps, chat tools and website pages, retailers can create a more convenient and personalized shopping experience for each consumer that visits, not just consumers that make a purchase.

Sonata's expertise in the leading Retail, Distribution, Travel and transportation customers along with its range of IP-led platform solutions such as Brick & Click Retail, Retina, Halosys and Sonata Digital Commerce Platform makes the Company a preferred partner of its clients.

### **COMPANY OVERVIEW**

Sonata is evolving as a global technology Company that enables successful platform based digital transformation initiatives for enterprises, to create businesses that are connected, open, intelligent and scalable. Sonata's Platformation™ methodology brings together industry expertise, platform technology excellence, design thinking led innovation and strategic engagement models to deliver sustained long term value to customers. A trusted partner of world leaders in the Retail, Distribution, Travel and Software industries, Sonata's solution portfolio includes its own digital platform, best-in-class capabilities on ISV digital technology platforms, as well as new Managed Services on digital applications like Cloud Engineering, IoT, Artificial Intelligence, Machine Learning, Robotic Process Automation, Chatbots, Block Chain and Cyber Security. People and systems nurtured to bring together the depth of thought leadership, customer commitment

and execution excellence to make a difference to business with technology, remain the cornerstones of Sonata's approach.

**Highlights 2017-18**

- Registered and trademarked the rights to 'Platformation', in Singapore and applied for the same rights across other geographies as well
- Acquired 15% stake in a Danish Company Izara to strengthen the dynamics capabilities and access to Nordics markets
- Conducted client leadership summit in USA, Sonata Spark 2017: Leading Digital Business Change on 13<sup>th</sup> and 14<sup>th</sup> July, with over 30 customer leaders attending the event
- Conducted tech-innovation event, HackAata – the Sonata Hackathon to identify new innovation opportunities; winning entries featured cutting-edge new technology such as robotic process automation and platform engineering
- Registered and trademarked the enterprise digital platform for Retail-Brick and Click; the platform is designed to enable multi-channel operations in a seamless manner
- Acquired the copyright of TRANSIT and RETINA software in India; It is the Big Data ready analytical platform for the Travel vertical
- Opened a new office in Copenhagen, Denmark, to facilitate ease of reach to the Northern European customers
- Finalised our new 32000 sq. ft. facility in Hyderabad as a part of our expansion plans
- Added 32 new customers for various products and solutions including the addition of new logos across geographies and competencies; including key engagements listed below.

**Key new engagements 2017-18**

Customer	Product and Solution
One of the US's largest Apparel and Accessory Wholesaler, representing top sports and outdoor brands	Implementing Dynamics 365 Operations with K3 Retail Add-on for the distribution vertical
One of the world's largest retailer owned hardware cooperatives in the US	Rolling out modern POS for Dynamics across 150 outlets; this project illustrates the value of our Sonata Accelerate ISV platform-based digital solutions delivery
UK's largest ferry operators	Re-implementing Hybris and Sitecore to improve customer engagement and the ability to leverage the digital channels for upsell/cross sell
Is it 'A large European Hardware chain	De-risking and accelerating the Dynamics program by being their end to end QA partner. It ensured integration of their dynamics solution with all the other applications that touch this program

Customer	Product and Solution
One of the largest rail networks in the Middle East	Building a central reservation and ticketing engine based on Rezopia Rail IP
Global non-profit membership organization	Developing and managing supply chain data-sharing platform using open source technologies
The IT subsidiary of a Japanese multinational conglomerate in India	Building solutions on Azure Cloud and Azure Data Factory will be used as the integration tool to integrate and bring in a diverse set of data from multiple providers in multiple formats to a common repository for reporting. Data inputs include unstructured data, NLP/RPA which will be used to parse data for further processing.
Global Corporation specializing in servicing claim needs of corporations, brokers and insurers HQed in USA	Revamping and creating self-service portals for clients which includes one-stop solution instead of legacy multiple systems which Sonata will help implement using MS OS technologies
Largest ISV that provides remote connectivity tools for the mass market in Europe	Building connectors to Microsoft Dynamics CRM such that their product can have seamless connectivity with the helpdesk

**Awards and Recognition**

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

- Awarded Microsoft Country Partner of the Year, 2017
- Finalist in the global Microsoft Messaging Partner category
- Selected amongst only six global Microsoft Global ISV Dev Center partner
- SAP APJ Partner Excellence Award 2018 – Top Sell Partner of the year for APJ
- SAP APJ Partner Excellence Award 2018 – S/4 HANA partner of the year for APJ
- SAP Partner India Awards 2018 – Marketing Partner of the year, India
- Awarded the Oracle India FY16 Excellence Award for 'Best Cloud Transformation Partner of the Year'
- Winner of the 2017 Specialized Partner of the Year Award: PaaS/IaaS Cloud – APAC at Oracle Open World, SFO





**INVESTMENT IN PEOPLE**

The Company had on board the IT industry veteran, Mr. Vikas Gurugunti as the Chief Operating Officer. It also welcomed back Mr. Ramachandra Subramanya leading the Testing Competency and as the Delivery Director.

**Sonata Hackathon – HackAata 2017**

The Company organized the first Sonata Hackathon – HackAata 2017, and it was a resounding success. It had 50+ teams participating across our Bangalore, Hyderabad and UK offices. Some high-quality ideas were given a platform to showcase to the rest of the Company. The successive online sessions by the winning teams in the Company’s Knowledge Dissemination Series (KDS) will ensure more widespread visibility.

**Trainings and Workshops**

The Company took up the Design Thinking Framework to train 350 Sonatians with 200 more trainings in the pipeline. The Company also conducted customer workshops and received testimonials from them highlighting the unique benefits they derived from the activities.

**CORPORATE SOCIAL RESPONSIBILITIES (CSR)**

Sonata was shortlisted in the Top 3, amongst 150 entries in the CSR category under the Heroes of Bengaluru initiative. It was conducted to celebrate the spirit of Bengaluru, honouring and recognizing people and organizations that have inspired and created a powerful impact in their field of work. This significantly demonstrates the value that our CSR programs have been delivering to society. It gives us the confidence and encouragement that our programs are valued by leading personalities of society.

The Company also supports scientific research, education outreach and infrastructure development at the Department of Computer Science and Automation (CSA), Indian Institute of Science (IISc), under our Corporate Social Responsibility initiatives. The 3-year project, funded to the tune of ₹ 1.07 crores, will focus on boosting research activities in cutting-edge areas of computer science that are of contemporary relevance to both industry and academia. The Company has also recently signed a similar arrangement with IIT Bangalore to promote advanced research in emerging technologies.

**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 benefited the Company during the year. The Company added 32 new clients and enhanced its delivery center and customer service presence globally. As a part of the expansion plans, the Company finalised its new 32,000 Sq Ft. facility in Hyderabad. The construction of the first phase shall begin soon.

**1. IP Led Services:**

The Company is continuously making efforts to invest in platform and IP based solutions. The Company’s Travel platform, Rezopia and Mobility platform Halosys are featured on Microsoft Appsource which will give higher visibility for its travel IP mobility enterprise platform to the right customers. The Company further added features on B2B commerce and mobile field applications to its Modern Distribution platform built on top of Advanced Supply Chain Software, enhancing the scope of this solution.

**2. Delivery Process Excellence:**

The ISO 27000 surveillance audit was successfully completed which retains the Company’s strict adherence to existing processes,enhancing the Company’s image. It developed an upgraded in-house e Contract Management Tools for monitoring and execution of all contracts streamlined in one tool and integrated with Adobe to e-sign documents. Sonata also had presented a keynote session- “Tech Talk” on the “Future of Cyber Security & Scalability, Reliability and Availability of Infrastructure Security” to provide an overview on Cyber Security and the challenges in a digitized world to Tesco audience.

The Company was 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. Sonata’s thought-leading 3-phase customer value-added model of delivery and governance saw its first implementations. This delivery model aligned Company’s CCOE framework, focused on three levels of measuring and delivering value to client engagements – IT performance improvement, business performance improvement and strategic alignment to clients business.

The Company was further focused on improving its capabilities from a technical perspective with respect to architecture, technical competence, refining methodologies, reusability and automation. It aimed to make each of these competencies world class. Resultantly, each of these competencies have started to align themselves to the Platformation principles.

**3. Marketing Initiatives:**

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

- Featured in Economics Times on the Company’s strategy of Platformation and the routes to delivering it to customers – viz. Industry Ready platforms, ISV platforms and Custom platform engineering
- Conducted client leadership summit in USA, Sonata Spark 2017; attended by thirty senior customer leaders who shared their views and brainstormed with co-leaders and industry thought leaders on the future of business and technology.
  - Conducted milestone event at the Global Village campus to commemorate 15 years of successful partnership with PepsiCo; It was attended by major customer stakeholders
- Partnered NASSCOM India Leadership Forum 2018 as a Gold Sponsor hosting a panel discussion on Platforms as a driver of digital success, featuring speakers from leading customers and analysts.
- Maintained on-going website and social media marketing programs engaging with customers across the globe and expanding the follower base of the brand in platforms such as LinkedIn and Facebook.

**SEGMENT-WISE PERFORMANCE**

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

- International IT Services contributed with 38% of total revenues and 81% of PAT
- Domestic Products and Services with 62% of the total revenues and 19% of PAT

During the year, the International IT services revenues stood at ₹ 92,850 Lakhs (USD 144 million) a growth of 13% on Y-o-Y basis. Domestic products and services stood at ₹ 152,544 lakhs. The total consolidated revenue stood at ₹ 245,394 lakhs a growth of 4% on Y-o-Y basis.

The Company added 32 new logos during the year across verticals, regions in the International Services segment.

From a geographical perspective, USA contributed 59% to our services revenues, followed by Europe (including UK) contributing 27% and Rest of the World (RoW) delivering the balance. The onsite revenue contributed 44% while the balance was from offshore activities.

From a vertical perspective, Travel & Tourism contributed to 28% in the revenues, OPD contributed 29%, Retail Distribution contributed 26% while the balance came from other services.

From a competency perspective, 19% of our revenue was from AX business, 23% was contributed by Application Development and Maintenance while the balance came from ERP and other services. Overall 33% of our business came from Digital.

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

## FINANCIAL OVERVIEW

### Consolidated Financial Highlights:

Particulars	2017-18 (₹ in Lakhs)	2016-17 (₹ in Lakhs)	YoY Growth
Total Income	249,939	241,789	3%
EBIDTA	27,643	23,866	16%
Interest & Depreciation before exceptional items	1,721	2,016	
PAT After Non - Controlling Interest	19,253	15,630	23%
EPS	18.54	15.07	23%
EBIDTA Margin	11%	10%	10%
Net Profit Margin	8%	6%	33%

#### 1. Total Income

Total income increased 3% from ₹ 241,789 lakhs in 2016-17 to ₹ 249,939 lakhs in 2017-18 largely owing to increase in revenue from international IT services.

#### 2. EBIDTA

EBIDTA increased 16% from ₹ 23,866 lakhs in 2016-17 to ₹ 27,643 lakhs in 2017-18. The EBIDTA margins strengthened from 10% in 2016-17 to 11% in 2017-18.

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

Profit after Tax after non - controlling interest increased 23% from ₹ 15,630 lakhs in 2016-17 to ₹ 19,253 lakhs in 2017-18.

The Net Profit margins strengthened from 6% in 2016-17 to 8% in 2017-18.

#### 4. Interest and Borrowings

During the year the Company has incurred ₹ 480 lakhs as interest cost. The Company had a Net Cash balance of ₹ 50,931 lakhs (including investment in Mutual Funds and net of bank borrowing).

#### 5. Capital Employed

The Capital Employed strengthened 6% from ₹ 64,597 lakhs in 2016-17 to ₹ 68,699 lakhs in 2017-18. The Return on Average Capital Employed (ROCE) for the year ended 31st March, 2018 was reported at 30%.

#### 6. Net Worth

The Net Worth strengthened 11% from ₹ 59,075 lakhs in 2016-17 to ₹ 65,326 lakhs in 2017-18. The Return on Average Net Worth (RONW) for the year ended 31st March, 2018 was reported at 31%.

#### 7. Fixed Assets

The Company's fixed assets increased from ₹ 12,916 lakhs in 2016-17 to ₹ 13,720 lakhs in 2017-18 owing to addition of ₹ 775 lakhs. As a result, depreciation increased 14% from ₹ 1,088 lakhs in 2016-17 to ₹ 1,241 lakhs in 2017-18.

#### 8. Working Capital Management:

Days sales outstanding for international IT services reduced from 53 Days in 2016-17 to 42 Days in 2017-18.

Cash flow from operating activities increased from ₹ 18,451 lakhs in 2016-17 to ₹ 29,777 lakhs in 2017-18.

### Standalone Financial Highlights:

Particulars	2017-18 (₹ in Lakhs)	2016-17 (₹ in Lakhs)	YoY Growth
Total Income	73,047	62,494	17%
EBIDTA	20,292	18,153	12%
Interest & Depreciation before exceptional items	517	800	
PAT	15,128	13,329	13%
EPS	14.57	12.85	13%

#### 1. Total Income

Income increased 17% from ₹ 62,494 lakhs in 2016-17 to ₹ 73,047 lakhs in 2017-18 largely owing to increase in revenue from existing as well as new customers.

#### 2. EBIDTA

EBIDTA increased 12% from ₹ 18,153 lakhs in 2016-17 to ₹ 20,292 lakhs in 2017-18.

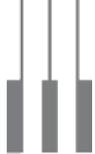
#### 3. Profit after Tax

Profit after Tax increased 13% from ₹ 13,329 lakhs in 2016-17 to ₹ 15,128 lakhs in 2017-18.

#### 4. Interest and Borrowings

During the year the Company has incurred ₹ 17 lakhs as interest cost. The Company had a Net Cash balance of ₹ 29,429 lakhs (including investment in Mutual Funds and net of bank borrowing).





**5. Capital Employed**

The Capital Employed strengthened 5% from ₹ 46,816 lakhs in 2016-17 to ₹ 49,143 lakhs in 2017-18. The Return on Average Capital Employed (ROCE) for the year ended 31<sup>st</sup> March, 2018 was reported at 32%.

**6. Net Worth**

The Net Worth strengthened 5% from ₹ 46,816 lakhs in 2016-17 to ₹ 49,143 lakhs in 2017-18. The Return on Average Net Worth (RONW) for the year ended 31<sup>st</sup> March, 2018 was reported at 32%.

**7. Fixed Assets**

The Company's fixed assets increased from ₹ 2,298 lakhs in 2016-17 to ₹ 2,940 lakhs in 2017-18 owing to addition of ₹ 656 lacs. As a result, depreciation increased from ₹ 401 lakhs in 2016-17 to ₹ 500 lakhs in 2017-18.

**8. Working Capital Management:**

Cash flow from operating activities increased from ₹ 9,730 lakhs in 2016-17 to ₹ 14,894 lakhs in 2017-18.

**OUTLOOK**

According to Gartner, the worldwide IT spending is projected to reach \$3.74 trillion in 2018, an increase of 6.2% from 2017. The growth will be largely driven by the declining U.S Dollar causing currency tailwinds. Since 2007, this is the highest annual growth rate that Gartner has projected, indicating an IT growth cycle. While in India, the IT spending is projected to reach \$87.1 billion in 2018, an increase of 9.2% from \$79.7 billion spending in 2017. This growth will be largely driven by adaptation of digital platforms like Cloud computing, data analytics, Blockchain, Artificial Intelligence (AI) and robotics.

While new U.S tax policy is expected to help in reducing tax burden to Indian IT vendors, strict work visa in significant markets like the US and UK still remains a major concern for the IT industry. Revenue growth is expected to remain stable for tier-I IT companies and

higher for mid-caps largely owing to dollar depreciating against all major currencies. Indian IT vendors are expected to continue with their investments into new digital avenues to stay globally competitive.

As highlighted in the economic and industry review, external factors such as world economy, geo political and policy environment is likely to be a mixed bag with no net impact on performance potential. The Indian IT players have made a transition to remain relevant, skilled and strategic partners to their customers. The overall IT industry and Indian IT services business is expected to show a moderate growth trend.

Within this broad context, Sonata is perfectly positioned to enjoy industry-beating performance by a range of sound strategic business decisions. Its focus on Platformation™ - platform based DT solutions, places it on one of the fastest growing segments in the market. The focus on delivering through differentiated IP of its own coupled with high quality ISV platform alliances with Microsoft and SAP will add to the value and margins. Sonata's industries of focus such as Retail and Distribution are seeing further digital disruptions. This will drive robust investments in the new technology services by our end customers. A wider customer base that is acquired over the years, offers us a strategic expansion potential within the existing accounts. Our differentiated Platformation™ solutions, strong alignment with alliance partners and investments in Sales and Marketing will drive new business development. These factors should see Sonata sustain its strong growth and profitability trends.

To further sustain and nurture this growth potential, the Company will be taking critical new initiatives going forward. Continued investments in talent development, enhanced infrastructure and an accent on new approaches based on design thinking capability built across organizational levels will be invested during the next fiscal. Strategic mergers and acquisitions that add leverage to the Company's growth potential will also remain on the radar. The Company is well placed to sustain its performance trend going ahead.

**Risks & Concern**

<b>Nature of Risk</b>	<b>Risk Explanation</b>	<b>Risk Mitigation</b>
<b>Economic Risk</b>	The Company's business may be adversely impacted by unforeseen economic reforms and events in the country it serves in.	The Company has a diversified geographical presence. It has always maintained healthy and long-standing relationship with its clients in partnering them as their IT solutions provider and adding value to their businesses.
<b>Foreign Currency Risk</b>	Unfavourable currency fluctuations may adversely impact Company's earnings.	The Company uses foreign currency forward contracts to hedge risks involving foreign currency fluctuation.
<b>Concentration Risk</b>	The regional concentration as well as vertical concentration can adversely impact Company's business in case of a slowdown.	The Company continues to further diversify its business in terms of regional and vertical exposure on ongoing basis.
<b>Competition Risk</b>	The Company operates in a competitive business environment. A loss of client can impact the regular cash flows.	The Company with its domain expertise, technological capabilities, differentiated IP and customer engagement provide value addition to its clients, thus strengthening relationships and building long-standing associations.

Nature of Risk	Risk Explanation	Risk Mitigation
<b>Attrition Risk</b>	Human capital plays a significant role in the IT services; attrition can lead to service and delivery failures.	The Company deploys best-in-class HR principles and practices to maintain a strong bonding between the Management and the employees. It further conducts regular team building activities, workshops and trainings to keep the workforce updated and motivated.
<b>Regulatory Risk</b>	The Company operates across several nations viz. UK and US. Any change in law, regulations and taxation framework may affect the business operations. Further legislation in various countries in which the Company operates may impose restrictions on companies in those countries from outsourcing work to us, or may implement stricter immigration laws, or may limit our ability to send our employees to certain client sites.	The Company has a professional team in and outside India to mitigate this risk on a continuous basis. Issues of tax related to litigations with Income Tax authorities in India on deduction/ exemption of profits derived from export of software under Section 10A of the Income-Tax Act, treatment of payments for purchase of software as 'royalty' and consequent denial of deductions for such payments on the basis that taxes have not been deducted at source, etc. Management is taking an active role in highlighting these issues and those faced by the Industry with Government Authorities through active representation. These initiatives outside of pure litigation have also helped in resolving long-standing disputes.

#### Material Development in Human Resource

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

The Company announced the Annual Awards during the ACM. Sailaja. N.S was awarded as the DNA Person of the Year, while Naidu B.S. and Tridip Saha were the Sonatians of the Year. The TUI CE SAP Support and QDF- AX R3 were the teams of the Year.

The Company ended the year with a headcount of 3476 which was an increase by 3% compared to the previous year's headcount of 3,366.

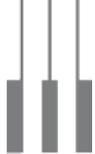
#### Internal Control System

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

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

The Company constantly reviews its processes and the systems with an aim to remain competitive and address the changing regulatory and business environment. The Control Systems provide a reasonable assurance of recording the transactions of its operations in all material aspects and of providing protection against misuse or loss of Company's assets. The external auditors as well as the internal auditors periodically review the internal control systems, policies and procedures for their adequacy, effectiveness and continuous operation for addressing risk management and mitigation strategies.





# REPORT ON CORPORATE GOVERNANCE

Your Company is in compliance with the requirements of the guidelines on Corporate Governance stipulated under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) and hereby presents the following Corporate Governance Report for the Financial Year 2017-18 based on the said requirements.

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

Sonata Software Limited (“the Company”) is committed to good Corporate Governance. The fundamental objective of the Company’s Corporate Governance is “enhancement of the long-term shareholder value while at the same time protecting the interests of other stakeholders without compromising on compliances of any laws and regulations.”

## II. BOARD OF DIRECTORS

The Board of Directors of the Company as on 31<sup>st</sup> March, 2018 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”). The Chairman of the Board is an Independent Director.

None of the Directors on the Board holds 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 is 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 SEBI Listing Regulations read with Section 149(6) of the Act.

During the Financial Year 2017-18, 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 29<sup>th</sup> May, 2017, 14<sup>th</sup> August, 2017, 13<sup>th</sup> November, 2017 and 7<sup>th</sup> February, 2018. The necessary quorum was present at all the meetings. The video-conferencing facilities were arranged for Directors for participating in Board and Committee Meetings.

During the Financial Year 2017-18, information as mentioned in Schedule II Part A of the Listing Regulations has been placed before the Board for its consideration. The Board obtains declarations from the respective functional heads confirming all the applicable laws were complied with during the Financial Year under review.

In accordance with Section 149 read with Schedule IV to the Act and Listing Regulations, a meeting of the Independent Directors was held during the Financial Year 2017-18 without the attendance of the Non-Independent Directors and members of the management.

During the year, familiarisation programmes were imparted to all the Directors of the Board. A workshop on design thinking was conducted for the Directors. This session was followed by briefing the Directors about Customer Experience Development Centre. Further, senior management of the Company conducted a strategy meet for Board members. Details of the familiarisation programmes are available on the Company’s website at <https://www.sonata-software.com/corporate-governance-policies>.

**The names, designation, categories of the Directors and their shareholdings in the Company as on 31<sup>st</sup> March, 2018 are as exhibited 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	11,81,500
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 2017-18 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 31<sup>st</sup> March, 2018 are furnished below :**

Name of the Director	No. of Board Meetings held during the tenure	No. of Board Meetings attended	Attendance at last AGM held on 14 <sup>th</sup> August, 2017	No. of Directorships held in other Indian Companies	No. of Committee Memberships/ Chairmanship held in other Indian Public companies*	
					As Chairman	As Member
Pradip P Shah	4	4	Yes	15	1	7
S B Ghia	4	4	Yes	4	0	4
Viren Raheja	4	4	No	19	0	3
P Srikar Reddy	4	4	Yes	2	0	1
S N Talwar	4	4	Yes	13	2	3
B K Syngal	4	4	Yes	4	2	2
Radhika Rajan	4	3	No	7	0	8

**Note:**

\*Includes only Committee Membership/Chairmanship of Audit Committee and Stakeholders' Relationship Committee.

**III. AUDIT COMMITTEE**

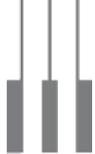
The Audit Committee was constituted in accordance with the requirements of the statutes.

• **Terms of Reference**

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

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
3. Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors;
4. Reviewing, with the management, the annual financial statements and Auditors' 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;
5. Review with the management the quarterly financial statements before submission to the Board for approval;
6. Review with the management the statement of uses/ application of funds raised through an offering through 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. Review with the management performance of statutory and internal auditors, adequacy of the internal control systems;
13. Review the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
14. Discussion with internal auditors of any significant findings and follow up there on;
15. Review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud





or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;

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. 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. Review the functioning of the Whistle Blower mechanism;
19. Consider and 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. Review the financial statements, internal audit reports, related party transactions and such other information as required under the Act or the Listing Regulations.

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

During the Financial Year under review, the Audit Committee met four times on 29<sup>th</sup> May, 2017, 14<sup>th</sup> August, 2017, 13<sup>th</sup> November, 2017 and 7<sup>th</sup> February, 2018.

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	4	4
Radhika Rajan	Independent Director	Member	4	3

**IV. NOMINATION AND REMUNERATION COMMITTEE**

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

**• Terms of Reference**

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

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

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

During the Financial Year under review, the Nomination and Remuneration Committee met four times on 29<sup>th</sup> May, 2017, 14<sup>th</sup> August, 2017, 13<sup>th</sup> November, 2017 and 7<sup>th</sup> February, 2018.

**• 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	4
Viren Raheja	Promoter, Non-Executive Director	Member	4	4

**• Performance evaluation criteria**

The Performance evaluation criteria of 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 31<sup>st</sup> March, 2018**

(Amount in ₹)

Name	Salary & Perquisites	Commission & Sitting fees	Shares issued under ESOP	Details of service contracts, notice period & severance fees
Pradip P Shah	Nil	3,637,442	Nil	-
P Srikar Reddy	33,483,888	9,359,617	10,432,500	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 was signed effective from 14.02.2017 for a period of three years.
S B Ghia	Nil	3,817,442	Nil	-
Viren Raheja	Nil	3,617,442	Nil	-
S N Talwar	Nil	3,757,442	Nil	-
B K Syngal	Nil	3,717,442	Nil	-
Radhika Rajan	Nil	3,657,442	Nil	-

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

The shareholders at their meeting held on 6<sup>th</sup> 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 14<sup>th</sup> February, 2012, all Non-Executive Directors are also being paid a sitting fee of ₹ 20,000/- for each meeting of the Board and Committee attended by them from Financial Year 2012-13 onwards.

#### V. STAKEHOLDERS RELATIONSHIP COMMITTEE:

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

- Terms of Reference**

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

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 on 29<sup>th</sup> May, 2017, 14<sup>th</sup> August, 2017, 13<sup>th</sup> November, 2017 and 7<sup>th</sup> February, 2018.

- 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
P Srikar Reddy	Executive Director	Member	4	4
Radhika Rajan	Independent Director	Member	4	3

- Kundan K Lal, Company Secretary acted as the Company's Compliance Officer.
- During the Financial Year under review 81 investor grievances were received and all of them were successfully resolved.

#### VI CORPORATE SOCIAL RESPONSIBILITY "CSR" COMMITTEE

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

- Terms of Reference**

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





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

The CSR Committee met two times during the Financial Year 2017-18 on 29<sup>th</sup> May, 2017 and 7<sup>th</sup> February, 2018.

**• 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
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.
2016-17	14.08.2017	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 2014-15 – No special resolution was passed at the AGM.

- b) Financial year 2015-16 – No special resolution was passed at the AGM.
- c) Financial year 2016-17 – No special resolution was passed at the AGM.
  - No special resolution was passed through postal ballot during the financial year ended 2017-18.
  - 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**

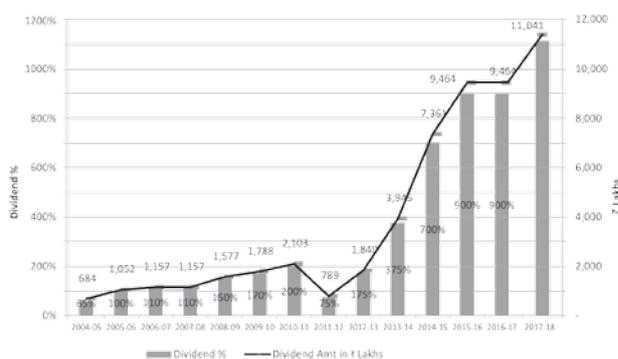
The next Annual General Meeting of the Company will be held on Monday, 13<sup>th</sup> day of August, 2018 at 4.00 p.m. at M. C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg (Behind Prince of Wales Museum), Mumbai – 400 001. Ph: (022) 22841523.

**2. Financial Year**

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

**3. Payment of Dividend**

The Company paid interim dividend of ₹ 3.75/- per equity share (375%) on 27<sup>th</sup> November, 2017. The Company has recommended final dividend of ₹ 6.75/- per equity share (675%) subject to the approval of the shareholders 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) Phiroze Jeejeebhoy Towers Dalal Street, Fort Mumbai – 400 001 Stock Code : 532221	National Stock Exchange of India Ltd (NSE) Exchange Plaza, 5 <sup>th</sup> Floor, Plot No. C/1 G Block, Bandra-Kurla Complex, Bandra (E) Mumbai – 400 051 Stock Code : SONATSOFTW
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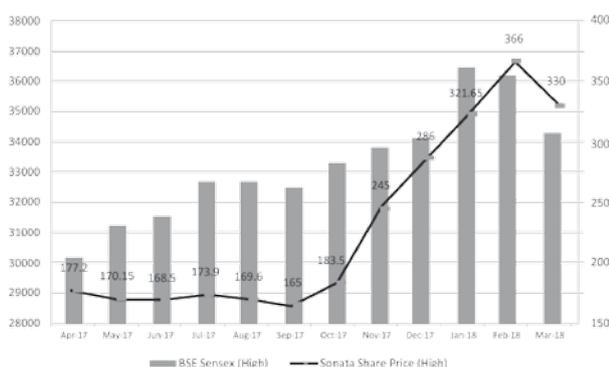
- (b) Listing fees for the financial year 2017-18 has been paid to the above mentioned stock exchanges.
- (c) As on 31<sup>st</sup> March, 2018, your Company had 38155 shareholders.

#### 5. Stock Market Data

- (a) Market Capitalization as on 31<sup>st</sup> March, 2018: ₹ 3290 crores (Based on closing price in BSE)
- (b) Number of shares traded during Financial Year 2017-18: BSE: 150 Lakhs & NSE: 824 Lakhs
- (c) The monthly high and low quotations of shares traded at BSE and NSE during Financial Year 2017-18 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-17	177.2	162.05	177.4	161.9	30184.22	29241.48
May-17	170.15	142.95	169.7	143	31255.28	29804.12
Jun-17	168.5	148.5	168.7	147.5	31522.87	30680.66
Jul-17	173.9	151.95	174	151.9	32672.66	31017.11
Aug-17	169.6	145	169.25	145.1	32686.48	31128.02
Sep-17	165	145	162.5	144.8	32524.11	31081.83
Oct-17	183.5	144.7	183.75	148	33340.17	31440.48
Nov-17	245	180.05	244.95	180.45	33865.95	32683.59
Dec-17	286	214.6	284.5	214	34137.97	32565.16
Jan-18	321.65	263.55	321.1	263.3	36443.98	33703.37
Feb-18	366	250.2	366.4	255.15	36256.83	33482.81
Mar-18	330	288.4	330	283	34278.63	32483.84



#### 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.

A Practicing Company Secretary reviews on quarterly basis the Reconciliation of Share Capital and issues a report as prescribed by SEBI and such Report is submitted to the Stock Exchanges.

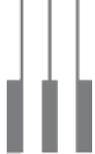
#### Total number of physical shares transferred during FY 2017-18:

Transfer period	No. of transferees (Folios)	No. of shares	Percentage
1-15 days	2	6450	100%
Above 15 days	0	0	0
Total	2	6450	100%

#### Details of complaints received and resolved from 1<sup>st</sup> April, 2017 to 31<sup>st</sup> March, 2018:

Complaints	Received	Attended to	Pending
Non-receipt of dividend	76	76	0
Non-receipt of Annual Report	3	3	0
Others	2	2	0
<b>Total</b>	<b>81</b>	<b>81</b>	<b>0</b>





**7. Distribution of shareholding**

**(a) Distribution Schedule**

Range of equity shares held	As on 31 <sup>st</sup> March, 2018				As on 31 <sup>st</sup> March, 2017			
	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	32186	84.36	3774236	3.59	30301	81.85	4153652	3.95
501-1000	2898	7.60	2494734	2.37	3350	9.05	2883539	2.74
1001-5000	2265	5.94	5304219	5.04	2480	6.70	5747838	5.47
5001-10000	340	0.89	2552712	2.43	391	1.06	2956661	2.81
Over 10001	466	1.22	91033405	86.57	500	1.35	89417616	85.03
<b>Total</b>	<b>38155</b>	<b>100.00</b>	<b>105159306</b>	<b>100.00</b>	<b>37022</b>	<b>100.00</b>	<b>105159306</b>	<b>100.00</b>

**(b) Shareholding Pattern**

Category	As on 31 <sup>st</sup> March, 2018				As on 31 <sup>st</sup> March, 2017			
	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	0.03	32550161	30.95
Bodies Corporate	438	1.15	6961552	6.62	591	1.60	8563003	8.14
FII's / NRIs	950	2.49	16620023	15.80	872	2.36	16113383	15.32
FIIs/Mutual Funds/Banks	15	0.04	5149501	4.90	19	0.05	1688447	1.61
Trusts	3	0.01	1380395	1.31	2	0.01	1485875	1.41
Clearing Members	125	0.33	203521	0.19	83	0.22	126691	0.12
Public	36612	95.96	42294153	40.22	35434	95.73	44631746	42.44
<b>Total</b>	<b>38155</b>	<b>100.00</b>	<b>105159306</b>	<b>100.00</b>	<b>37013</b>	<b>100.00</b>	<b>105159306</b>	<b>100.00</b>

**8. Dematerialization of shares and liquidity**

Your Company's shares are tradeable 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 Your Company's shares under the Depository System is INE269A01021.

**Details of Shares held in Physical and Electronic form:**

Particulars	As on 31 <sup>st</sup> March, 2018		As on 31 <sup>st</sup> March, 2017	
	No. of Shares	% of holding	No. of Shares	% of holding
Physical	1136259	1.08	1356419	1.29
Electronic	104023047	98.92	103802887	98.71
<b>Total</b>	<b>105159306</b>	<b>100.00</b>	<b>105159306</b>	<b>100.00</b>

Number of shares dematerialized during FY 2017-18: 46425 Shares.

Number of shares rematerialized during Financial Year 2017-18: NIL

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

**10. Office Locations**

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

**11. Tentative financial calendar for Financial Year 2018-19**

Financial results for the first quarter ending 30 <sup>th</sup> June, 2018	August, 2018
Financial results for the second quarter ending 30 <sup>th</sup> September, 2018	November, 2018
Financial results for the third quarter ending 31 <sup>st</sup> December, 2018	February, 2019
Financial results for the financial year ending 31 <sup>st</sup> March, 2019	May, 2019
Annual General Meeting for the year ending 31 <sup>st</sup> March, 2019	August, 2019

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

<b>Company Secretary</b> 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	<b>Karvy Computershare Pvt. Ltd.</b> Registrars and Share Transfer Agents Karvy Selenium Tower B, Plot No.31-32, Gachibowli, Financial District Nanakramguda, Hyderabad - 500 032, India Tel: (040) 67161591 Fax: (040) 23420814 Email: einward.ris@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 26<sup>th</sup> May, 2014 and subsequently revised by the Board at its meeting held on 9<sup>th</sup> February, 2016. This policy provides a secure framework to report genuine concerns about unethical behaviour, actual or suspected fraud, theft, bribery, misappropriation of Company funds, financial reporting violations, misuse of intellectual property, mismanagement, significant environmental safety or product quality issues, discrimination or harassment including sexual harassment, insider trading, actual or potential conflicts of interest, violation of Company's rules, Company's policies or violation of Code of Conduct of the Company.

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

[https://www.sonata-software.com/sites/default/files/reports/Sonata\\_Vigil%20Mechanism.pdf](https://www.sonata-software.com/sites/default/files/reports/Sonata_Vigil%20Mechanism.pdf).

The Company affirms that no employee has been denied access to the Audit Committee during the Financial Year 2017-18.

### XII MANDATORY/NON-MANDATORY REQUIREMENTS

During the Financial Year 2017-18, the Company-

- has duly complied with all mandatory requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- has adopted the following non-mandatory requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

- 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-policies>

### 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

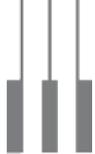
I, P Srikar Reddy, Managing Director & CEO of Sonata Software Ltd, to the best of my knowledge and belief, hereby declare that all the Directors on the Board and Senior Management Personnel have affirmed compliance with the Code of Conduct for the Financial Year ended 31<sup>st</sup> March, 2018.

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

Pursuant to the applicable provisions of the Companies Act, 2013 read with the IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ('the Rules'), all unpaid or unclaimed dividends are required to be transferred by the Company to the IEPF established by the Central Government, after the completion of seven years. Further, according to the Rules, the shares in respect of which dividend has not been paid or claimed by the shareholders for seven consecutive years or more shall also be required to be transferred to the demat account created by the IEPF Authority. Accordingly, the Company has transferred the unclaimed and unpaid dividends. Further, the corresponding shares are transferred as per the requirement of the rules, details of which are provided on our website, at [www.sonata-software.com](http://www.sonata-software.com). Members who have not yet encashed their dividend warrant(s) pertaining to the final dividend for the financial year 2010-11 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 28<sup>th</sup> 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 31<sup>st</sup> March, 2018 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 31<sup>st</sup> March, 2018, 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 31<sup>st</sup> March, 2018, there were:
  - (i) Significant changes, if any, in internal control over financial reporting during the year;
  - (ii) Significant changes, if any, in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - (iii) No instances of significant fraud of which we have become aware and there has been no involvement therein of the management or an employee having a significant role in the Company's Internal Control System over financial reporting.

**P Srikar Reddy**  
Managing Director & CEO

**Prasanna Oke**  
CFO

**Place:** Mumbai

**Date:** 22<sup>nd</sup> May, 2018

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## Corporate Governance Compliance Certificate

### To the members of SONATA SOFTWARE LIMITED

I have examined the compliance of conditions of Corporate Governance by Sonata Software Limited, for the Financial Year ended March 31, 2018, as stipulated in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

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

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

**Place:** Bengaluru  
**Date:** 22<sup>nd</sup> May 2018

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

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF SONATA SOFTWARE LIMITED

### Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of **Sonata Software Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2018, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Standalone Ind AS 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 Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these standalone Ind AS 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 and the Order issued under section 143(11) of the Act.

We conducted our audit of the standalone Ind AS 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 Ind AS 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 Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS 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 Ind AS 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 Ind AS 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 Ind AS financial statements.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us the aforesaid standalone Ind AS 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 Ind AS and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

### Other Matters

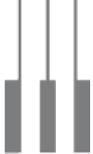
The comparative financial information of the Company for the year ended March 31, 2017 and the transition date opening balance sheet as at April 1, 2016 included in these standalone Ind AS financial statements, have been restated to comply with Ind AS. Adjustments made to the previously issued said financial information prepared in accordance with the Companies (Accounting Standards) Rules, 2006 to comply with Ind AS have been audited by us.

Our opinion on the standalone Ind AS financial statements is not modified in respect of this matter.

### 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 reports of the branch auditors and other auditors on the separate financial statements, 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 including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act.
  - e) On the basis of the written representations received from the directors of the Company as on March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164(2) of the Act.
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
  - g) With respect to the other matters to be included in the Auditor's Report in accordance with 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 Ind AS financial statements.
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **DELOITTE HASKINS & SELLS LLP**  
Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)

Place: Mumbai  
Date: May 22, 2018

**Vikas Bagaria**  
Partner  
(Membership No.60408)

# ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT

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

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

We have audited the internal financial controls over financial reporting of **Sonata Software Limited** (“the Company”) as of March 31, 2018 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

### **Management’s Responsibility for Internal Financial Controls**

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

### **Auditor’s Responsibility**

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

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

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

### **Meaning of Internal Financial Controls Over Financial Reporting**

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

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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

### **Opinion**

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the criteria for internal financial control over financial reporting established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **DELOITTE HASKINS & SELLS LLP**  
Chartered Accountants  
(Firm’s Registration No. 117366W/W-100018)

Place: Mumbai

Date: May 22, 2018

**Vikas Bagaria**  
Partner  
(Membership No.60408)





## ANNEXURE “B” TO THE INDEPENDENT AUDITOR’S REPORT

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

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and the records examined by us and based on the examination of the conveyance deed provided to us, we report that, the title deeds, comprising all the immovable properties of buildings which are freehold, are held in the name of the Company as at the balance sheet date. In respect of immovable properties of land that have been taken on lease and disclosed as 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) The Company does not have any inventory and hence reporting under clause 3(ii) of the Order is not applicable to the Company.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.
- (iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing guarantees and securities as applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposit during the year and does not have any unclaimed deposits and hence reporting under clause 3(v) of the Order is not applicable.
- (vi) The maintenance of cost records has not been specified by the Central Government under section 148(1) of the Companies Act, 2013 and hence reporting under clause 3(vi) of the Order is not applicable to the Company.
- (vii) According to the information and explanations given to us, in respect of statutory dues:
- (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees’ State Insurance, Income-tax, Sales Tax, Service Tax, Goods and 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, Goods and Service Tax, Customs Duty, Excise Duty, Value Added Tax, cess and other material statutory dues in arrears as at March 31, 2018 for a period of more than six months from the date they became payable.
- (c) Details of dues of Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, and Value Added Tax which have not been deposited as on March 31, 2018 on account of disputes are given below:

Name of Statute	Nature of Dues	Forum where Dispute is Pending	Period to which the Amount Relates	Amount Involved (₹ in lakhs)	Amount Unpaid (₹ in lakhs)
Income Tax Act, 1961	Withholding Tax and Interest thereon	Supreme Court	AY 2000-01 to 2002-03	2,841.87	2,841.87
			AY 2013-14	67.68	0.21
Finance Act, 1994	Service Tax, Penalty and Interest thereon	Central Excise and Service Tax Appellate Tribunal	FY 2005-06 to 2008-09	676.53	676.53
			FY 2005-06 to 2009-10	1,028.49	1,028.49

- (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 financial institutions and government or has not issued any debentures.
- (ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause 3(ix) of the Order is not applicable.
- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- (xii) The Company is not a Nidhi Company and hence reporting under clause 3(xii) of the Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 188 and 177 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.

- (xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause 3(xiv) of Order is not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with him and hence provisions of section 192 of the Companies Act, 2013 are not applicable to the Company.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **DELOITTE HASKINS & SELLS LLP**  
Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)

Place: Mumbai  
Date: May 22, 2018

**Vikas Bagaria**  
Partner  
(Membership No.60408)





# BALANCE SHEET as at March 31, 2018

₹ in Lakhs

	Note No.	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, Plant and Equipment	3	1,757	1,615	1,650
Capital work-in-progress		27	41	28
Goodwill	4	282	282	282
Financial assets	5			
Investments	5.1	9,617	2,561	2,920
Other financial assets	5.2	1,236	1,224	1,083
Deferred tax assets (net)	16	1,056	679	557
Other non-current assets	6	2,928	3,948	3,560
<b>Total non-current assets</b>		<b>16,903</b>	<b>10,350</b>	<b>10,080</b>
<b>Current assets</b>				
Financial assets	7			
Investments	7.1	10,295	10,993	8,066
Trade receivables	7.2	18,483	16,008	12,452
Cash and cash equivalents	7.3	11,627	2,446	1,845
Bank balances other than above	7.4	939	11,251	17,088
Loans	7.5	-	-	195
Other financial assets	7.6	2,145	3,441	2,429
Other current assets	8	513	703	607
<b>Total current assets</b>		<b>44,002</b>	<b>44,842</b>	<b>42,682</b>
<b>Total assets</b>		<b>60,905</b>	<b>55,192</b>	<b>52,762</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity share capital	9	1,038	1,037	1,036
Other equity	10	48,105	45,779	36,273
<b>Total Equity</b>		<b>49,143</b>	<b>46,816</b>	<b>37,309</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Other non-current liabilities	11	772	623	402
<b>Total non-current liabilities</b>		<b>772</b>	<b>623</b>	<b>402</b>
<b>Current liabilities</b>				
Financial liabilities	12			
Borrowings	12.1	-	-	9,651
Trade payables		5,772	3,856	3,236
Other financial liabilities	12.2	516	198	223
Other current liabilities	13	1,310	1,298	958
Provisions	14	990	708	643
Current tax liabilities (net)	15	2,402	1,693	340
<b>Total current liabilities</b>		<b>10,990</b>	<b>7,753</b>	<b>15,051</b>
<b>Total equity and liabilities</b>		<b>60,905</b>	<b>55,192</b>	<b>52,762</b>

See accompanying notes forming part of the financial statements

**In terms of our report attached**

**For Deloitte Haskins & Sells LLP**

Chartered Accountants

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

**Pradip P Shah**

Chairman

**P Srikar Reddy**

Managing Director  
& Chief Executive Officer

**Vikas Bagaria**

Partner

**Prasanna Oke**

Chief Financial Officer

**R Sathyanarayana**

VP - Finance & Accounts

**Kundan Kumar Lal**

Company Secretary

Place : Mumbai

Date: May 22, 2018

# STATEMENT OF PROFIT & LOSS for the year ended March 31, 2018

₹ in Lakhs

	Note No.	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>REVENUE</b>			
Revenue from operations	17.1	68,851	59,260
Other income	17.2	4,196	3,234
<b>Total revenue</b>		<b>73,047</b>	<b>62,494</b>
<b>EXPENSES</b>			
Purchase of stock-in-trade (traded goods)		4,494	2,654
Employee benefits expense	18	36,412	30,717
Finance costs	19	17	399
Depreciation and amortization expense	3	500	401
Other expenses	20	11,849	10,970
<b>Total expenses</b>		<b>53,272</b>	<b>45,141</b>
<b>Profit before exceptional item and tax</b>		<b>19,775</b>	<b>17,353</b>
Add : Exceptional item (Interest income on income tax refund)		49	565
<b>Profit before tax</b>		<b>19,824</b>	<b>17,918</b>
<b>Tax expense</b>	16		
Current tax expense		4,958	4,590
Short provision for tax relating to prior years		-	238
Deferred tax		(262)	(239)
<b>Net tax expense</b>		<b>4,696</b>	<b>4,589</b>
<b>Profit for the year</b>		<b>15,128</b>	<b>13,329</b>
<b>Other Comprehensive Income</b>			
1. (a) Items that will not be reclassified to profit/(loss)		(70)	(25)
(b) Income tax relating to items that will not be reclassified to profit/(loss)		17	6
		<b>(53)</b>	<b>(19)</b>
2. Items that will be reclassified to profit/(loss)			
(a) Exchange differences in translating the financial statements of foreign operations		238	(273)
(b) Exchange differences on cash flow hedges		(635)	494
(c) Income tax relating to Items that will be reclassified to profit/(loss)		97	(54)
		<b>(300)</b>	<b>167</b>
<b>Total</b>		<b>(353)</b>	<b>148</b>
<b>Total Comprehensive Income</b>		<b>14,775</b>	<b>13,477</b>
Earnings per share - (on ₹ 1 per share)	35		
Basic		14.57	12.85
Diluted		14.56	12.85

See accompanying notes forming part of the financial statements

**In terms of our report attached**
**For Deloitte Haskins & Sells LLP**  
Chartered Accountants
**For and on behalf of the Board of Directors**
**Pradip P Shah**  
Chairman

**P Srikar Reddy**  
Managing Director  
& Chief Executive Officer

**Vikas Bagaria**  
Partner

**Prasanna Oke**  
Chief Financial Officer

**R Sathyanarayana**  
VP - Finance & Accounts

**Kundan Kumar Lal**  
Company Secretary
Place : Mumbai  
Date: May 22, 2018



## CASH FLOW STATEMENT for the year ended March 31, 2018

₹ in Lakhs

	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net profit before tax</b>	<b>19,824</b>	<b>17,918</b>
Adjustments for :		
Depreciation and amortization expense	500	401
Finance costs	16	321
Allowances for credit losses	170	187
Rent deposits discounted	(21)	(41)
Interest from fixed deposits/margin money with banks	(209)	(847)
Interest from inter-corporate deposits	(201)	(238)
Interest on Income-tax refund	(49)	(565)
Dividend income from current investments	(330)	(157)
Dividend income from long-term investments in subsidiaries	(338)	(338)
Net (gain) / loss on sale of fixed assets / scrapped	-	18
Net (gain) / loss on current investments	(496)	(393)
Discounting of lease deposits debited to rent	8	44
Expenses on employee stock based compensation	72	61
Fair value change on investments	(279)	359
Unrealized foreign exchange gain / (loss) (net)	115	(553)
<b>Operating profit before working capital changes</b>	<b>18,782</b>	<b>16,177</b>
Adjustments for :		
Decrease/(increase) in trade receivables	(2,461)	(3,877)
Decrease/(increase) in other financial assets-current	(657)	(613)
Decrease/(increase) in other financial assets non-current	10	(99)
Decrease/(increase) in other non-current assets	12	77
Decrease/(increase) in other current assets	190	(121)
(Decrease)/increase in trade payables	1,901	823
(Decrease)/increase in other financial liabilities	(44)	16
(Decrease)/increase in other current liabilities	(58)	401
(Decrease)/increase in other non-current liabilities	149	221
(Decrease)/increase in provisions	282	65
<b>Cash generated from operations</b>	<b>18,106</b>	<b>13,070</b>
Direct taxes/advance tax paid (net)	(3,212)	(3,340)
<b>Net cash flow from / (used in) operating activities (A)</b>	<b>14,894</b>	<b>9,730</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets, including intangible assets, capital work-in-progress and capital advances	(521)	(472)
Proceeds from sale of fixed assets	14	8
Proceeds from redemption of investment in subsidiary	-	2,053
Proceeds from sale/maturity of non-current investments	(66,550)	(21,100)
Proceeds from sale/maturity of current investments	61,298	16,670
Bank balances not considered as Cash and cash equivalents	10,312	5,837
Interest received	667	1,464
Dividend received from subsidiary	338	338
Inter corporate deposit to subsidiary (net)	-	195
<b>Net cash flow from / (used in) investing activities (B)</b>	<b>5,558</b>	<b>4,993</b>

## CASH FLOW STATEMENT for the year ended March 31, 2018

₹ in Lakhs

	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds/(repayment) from/(of) short-term borrowings (net)	-	(9,651)
Dividends paid on equity shares	(9,531)	(3,556)
Dividend taxes paid on equity shares	(1,858)	(742)
Proceeds received from issue of equity shares	1	1
Finance costs	(16)	(321)
<b>Net cash flow from / (used in) financing activities (C)</b>	<b>(11,404)</b>	<b>(14,269)</b>
<b>Net increase/(decrease) in Cash and cash equivalents (A+B+C)</b>	<b>9,048</b>	<b>454</b>
Opening Cash and cash equivalents	2,446	1,845
Exchange difference on translation of foreign currency Cash and cash equivalents	133	147
<b>Closing Cash and cash equivalents</b>	<b>11,627</b>	<b>2,446</b>
Cash and cash equivalents at the end of the period comprises:		
Balances with banks		
In current accounts	3,682	2,098
In EEFC accounts	1,115	348
In demand deposit accounts	6,830	-
	<b>11,627</b>	<b>2,446</b>

See accompanying notes forming part of the financial statements

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

Chartered Accountants

**For and on behalf of the Board of Directors****Pradip P Shah**

Chairman

**P Srikar Reddy**Managing Director  
& Chief Executive Officer**Vikas Bagaria**

Partner

**Prasanna Oke**

Chief Financial Officer

**R Sathyanarayana**

VP - Finance &amp; Accounts

**Kundan Kumar Lal**

Company Secretary

Place : Mumbai

Date: May 22, 2018





# STATEMENT OF CHANGES IN EQUITY

## for the year ended March 31, 2018

(a) Equity Share Capital	₹ in Lakhs
Balance as at April 1, 2016	1,036
Add: Shares issued on exercise of employee stock option	1
<b>Balance as at March 31, 2017</b>	<b>1,037</b>
Balance as at April 1, 2017	1,037
Add: Shares issued on exercise of employee stock option	1
<b>Balance as at March 31, 2018</b>	<b>1,038</b>

Particulars	Reserves and Surplus (Refer Note 10)				Items of Other Comprehensive Income (Refer Note 10)			Total Other Equity
	Securities premium reserve	General reserve	ESOP reserve	Retained Earnings	Remeasurement of the defined benefit plans	Effective Portion of cash flow hedges	Foreign Currency Translation Reserve	
Balance as at April 1, 2016	4,493	8,292	35	22,735	-	718	-	36,273
Profit for the year	-	-	-	13,329	-	-	-	13,329
Amount transferred to initial amount of hedged item (net of tax)	-	-	-	-	-	219	-	219
Employee share based payments (Refer Note 29)	-	-	61	-	-	-	-	61
Payment of Cash dividends (Refer Note 36)	-	-	-	(3,570)	-	-	-	(3,570)
Dividend distribution tax (Refer Note 36)	-	-	-	(681)	-	-	-	(681)
Other comprehensive income, (net of tax)	-	-	-	-	(19)	373	(206)	148
<b>Balance as at March 31, 2017</b>	<b>4,493</b>	<b>8,292</b>	<b>96</b>	<b>31,813</b>	<b>(19)</b>	<b>1,310</b>	<b>(206)</b>	<b>45,779</b>
Balance as at April 1, 2017	4,493	8,292	96	31,813	(19)	1,310	(206)	45,779
Profit for the year	-	-	-	15,128	-	-	-	15,128
Amount transferred to initial amount of hedged item (net of tax)	-	-	-	-	-	(1,066)	-	(1,066)
Employee share based payments (Refer Note 29)	-	-	72	-	-	-	-	72
Payment of Cash dividends (Refer Note 36)	-	-	-	(9,597)	-	-	-	(9,597)
Dividend distribution tax (Refer Note 36)	-	-	-	(1,858)	-	-	-	(1,858)
Other comprehensive income, (net of tax)	-	-	-	-	(53)	(479)	179	(353)
<b>Balance as at March 31, 2018</b>	<b>4,493</b>	<b>8,292</b>	<b>168</b>	<b>35,486</b>	<b>(72)</b>	<b>(235)</b>	<b>(27)</b>	<b>48,105</b>

See accompanying notes forming part of the financial statements

### In terms of our report attached

**For Deloitte Haskins & Sells LLP**  
Chartered Accountants

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

**Pradip P Shah**  
Chairman

**P Srikar Reddy**  
Managing Director  
& Chief Executive Officer

**Vikas Bagaria**  
Partner

**Prasanna Oke**  
Chief Financial Officer

**R Sathyanarayana**  
VP - Finance & Accounts

**Kundan Kumar Lal**  
Company Secretary

Place : Mumbai  
Date: May 22, 2018

# NOTES forming part of financial statements

## Significant Accounting Policies

### 1. CORPORATE INFORMATION

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

The Company is a public limited company incorporated 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 BSE Limited. The financial statements were authorised for issuance by the Company's Board of Directors on May 22, 2018.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 BASIS OF PREPARATION & PRESENTATION OF FINANCIAL STATEMENTS

##### a. Statement of compliance

The financial statements have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (India Accounting Standards) Amendment Rules, 2016 as applicable.

Upto the year ended March 31, 2017, the Company prepared and presented its financial statements in accordance with the accounting standards notified under section 133 of the Companies Act, 2013 (Indian GAAP), which includes Standards notified under the Companies (Accounting Standards) Rules, 2006.

These are the Company's first Ind AS financial statements. The Company has adopted all applicable standards and the adoption was carried out in accordance with Ind AS 101 – 'First Time Adoption of Indian Accounting Standards'. An explanation of how the transition to Ind AS has affected the reported financial position, financial performance and cash flows of the Company are provided in Note no 38 - First Time Adoption. The date of transition to Ind AS is April 1, 2016.

##### b. Basis of measurement

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

##### c. Use of judgement, estimates and assumptions

The preparation of the financial statements in conformity with Ind AS requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities and disclosure relating to contingent liabilities as at the date of financial statement and the reported amounts of income and expenditure during the reported year. 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 / materialize.

The areas involving critical estimates or judgements are:

- i. **Depreciation and amortisation:** Depreciation and amortisation is based on management estimates of the future useful lives of certain class of property, plant and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the depreciation and amortisation charges.
- ii. **Impairment testing:** Investments in subsidiaries, goodwill and intangible assets are tested for impairment annually and when events occur or changes in circumstances indicate that the recoverable amount of the asset or cash generating units to which these pertain is less than its carrying value. The recoverable amount of cash generating units is higher of value-in-use and fair value less cost to dispose. The calculation of value in use of a cash generating unit involves use of significant estimates and assumptions which includes turnover and earnings multiples, growth rates and net margins used to calculate projected future cash flows, risk-adjusted discount rate, future economic and market conditions.
- iii. **Employee Benefits :** The present value of the employee benefits obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) includes the discount rate, wage escalation and employee attrition. Any changes in these assumptions will impact the carrying amount of obligations. The discount rate is based on the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated term of the obligations.
- iv. **Provision and contingencies :** Provisions and contingencies are based on the Management's best estimate of the liabilities based on the facts known at the Balance Sheet date.
- v. **Expected credit losses on financial assets:** The impairment provisions of financial assets are based on assumptions about risk of default and expected timing of collection. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, customer's creditworthiness, existing market conditions as well as forward looking estimates at the end of each reporting period.





## NOTES forming part of financial statements

- vi. **Other estimates:** The preparation of financial statements involves estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amount of revenues and expenses for the reporting period.

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

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

- 2.2 **Functional and presentation currency:** The functional and presentation currency of the Company is Indian Rupee (₹). The functional currency of its Branches is as per its respective domicile currency.

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Property, Plant and Equipment

**On Transition :** For transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment recognised as of April 1, 2016 (transition date) measured as per the previous GAAP and use that carrying value as its deemed cost as of the transition date.

#### Subsequent to Transition:

**Recognition & Measurement:** Property, Plant and Equipment are carried at cost less accumulated depreciation / amortization and impairment losses, if any. The cost of property, plant and equipment 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, other incidental expenses. Subsequent expenditure, if any, on property, plant and equipment 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.

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

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

#### c. Depreciation/ Amortisation

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

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

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

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

#### d. Intangible assets

**On Transition -** The Company has elected to continue with the carrying value of all of its intangible assets recognised as of April 1, 2016 (transition date) measured as per the previous GAAP and use that carrying value as its deemed cost as of the transition date.

#### Subsequent to Transition:

**Recognition & Measurement:** Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and impairment losses, if any.

Amortization is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period.

Computer software is amortized over a period of three years

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in Statement of Profit and Loss when the asset is derecognized.

#### e. Financial Instruments

**Financial assets :** The Company classifies its financial assets in the following categories:

- i. **Financial assets at amortised cost** - Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost.

## NOTES forming part of financial statements

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

Financial assets at amortised cost are represented by trade receivables, security and other deposits, cash and cash equivalent, employee and other advances.

- ii. **Equity investments** - Investment in subsidiaries are stated at cost less impairment loss if any.
- iii. **Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI)** - For assets which are not held for trading purposes and where the company has exercised the option to classify the investment as at FVTOCI, all fair value changes on the investment are recognised in OCI. The accumulated gains or losses on such investments are not recycled to the Statement of Profit and Loss even on sale of such investment.
- iv. **Financial assets at Fair Value through Profit and loss (FVTPL)** - Financial assets other than the equity investments and assets classified as FVTOCI are measured at FVTPL. These include surplus funds invested in mutual funds etc.

### Financial liabilities

**Initial recognition and measurement** - Financial liabilities are measured at amortised cost using effective interest method. For trade and other payable maturing within one year from the Balance Sheet date, the carrying value approximates fair value due to short maturity.

### Derivative financial instruments and hedging activities

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

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

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

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

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

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

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

### Offsetting financial instruments

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

### Fair value measurement

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

- i) Level 1 - The fair value of financial instruments quoted in active markets is based on their quoted closing price at the Balance Sheet date.
- ii) Level 2 - The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques using observable market data. Such valuation techniques include discounted cash flows, standard valuation models based on market parameters for interest rates, yield curves or foreign exchange rates, dealer quotes for similar instruments and use of comparable arm's length transactions.
- iii) Level 3 - The fair value of financial instruments that are measured on the basis of entity specific valuations using inputs that are not based on observable market data (unobservable inputs). When the fair value of unquoted instruments cannot be measured with sufficient reliability, the Company carries such instruments at cost less impairment, if applicable.

### f. Employee Benefits

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





## NOTES forming part of financial statements

**Provident Fund:** Employees receive benefits from a provident fund, which is a defined benefit plan. The employer and employees each make periodic contributions to the plan. A portion of the contribution is made to the approved provident fund trust managed by the Trustees of Sonata Software Limited Provident Fund while the remainder of the contribution is made to the government administered pension fund. The contributions to the trust managed by the Company is accounted for as a defined contribution plan as the Company is liable for any shortfall in the fund assets based on the government specified minimum rates of return.

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

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

Actuarial gains and losses are recognised in the Other comprehensive income 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 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.

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

### Short-term employee benefits

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

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

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

### Long-term employee benefits

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

## g. Provisions

A provision is recognised when the Company has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on a 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.

## h. Income Taxes

Income tax comprises current and deferred tax. Income tax expense is recognized in the Statement of Profit and Loss except to the extent it relates to items directly recognized in Equity or in Other Comprehensive Income.

- a) **Current income tax** - Current income tax for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the taxable income for the period. The tax rates and tax laws used to compute the current tax amount are those that are enacted or substantively enacted by the reporting date and applicable for the period. The Company off sets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis or to realize the asset and liability simultaneously.
- b) **Deferred tax** - Deferred income tax is recognized using the Balance Sheet approach. Deferred income tax assets and liabilities are recognized for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount in financial statements, except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profits or loss at the time of the transaction.

## NOTES forming part of financial statements

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

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

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

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 probable that future economic benefit associated with it will flow to the Company.

### i. Leases

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

### j. Cash flow Statement:

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

### k. Revenue Recognition

The Company derives revenue primarily from Information Technology Services and Solutions. The Company recognizes revenue when the significant terms of the arrangement are enforceable, services have been delivered and the collectability is reasonably assured. The method for recognizing revenues and costs depends on the nature of the services rendered:

#### a) Time and materials contracts

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

#### b) Fixed-price contracts

Revenues from fixed price contracts are recognised over the life of the contract using percentage of completion method, with contract costs determining the stage of completion at the end of the reporting period. Foreseeable losses on such contracts are recognised when probable.

#### c) Hardware/software products and licenses

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 customization required. In case of customization the same is recognised over the life of the contract using the proportionate completion method, with contract costs determining the degree of completion. Foreseeable losses on such contracts are recognised when probable.

#### d) Maintenance Contracts

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

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

### l. Borrowing Costs:

Borrowing costs consist of interest, ancillary and other costs that the Company incurs in connection with the borrowing of funds and interest relating to other financial liabilities. Borrowing costs also include exchange differences to the extent regarded as an adjustment to the borrowing costs.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.





## NOTES forming part of financial statements

### m. Foreign Currency transactions and translations

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

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

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

### n. Finance Income and expense

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

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

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

### o. Share based payments

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

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

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

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

### p. Impairment

a) **Financial assets** : In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss.

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

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

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

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

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

### q. 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

## NOTES forming part of financial statements

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.

### r. **Contingent Liabilities**

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

### s. **Contingent Assets**

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

### t. **Research & development expenses**

Research 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 capitalized. The amount capitalized 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.

### u. **Events after the reporting period**

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

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

### v. **First-time adoption – mandatory exceptions, optional exemptions**

The Standalone financial statements are prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended, read with relevant rules issued thereunder in terms of the SEBI LODR, as modified by Circular No CIR/CFD/FAC/62/2016 dated July 5, 2016.

For periods up to and including the year ended March 31, 2017, the Company prepared its financial statements in accordance with the then applicable Accounting Standards in India ('previous GAAP'). The adoption of Ind AS was carried out in accordance with Ind AS 101, considering April 1, 2016 as the transition date. Pursuant to adoption of Ind AS, the differences in the carrying amounts of assets and liabilities on the transition date under the previous GAAP and the balances on adoption of Ind AS have been recognised directly in equity. The financial statements for the year ended March 31, 2018, March 31, 2017 and as at April 1, 2016 have been presented under Ind AS for comparative purposes. Accounting policies have been applied consistently to all periods presented in these Standalone Financial Results.

In preparing the opening Ind AS statement of financial position, adjustments are carried out to the amounts reported in financial statements prepared in accordance with previous GAAP. An explanation of how the transition from previous GAAP to Ind AS has affected our financial performance, cash flows and financial position is set out in Note No 38.

### w. **New standards and interpretations not yet adopted**

**Appendix B to Ind AS 21, Foreign currency transactions and advance consideration:** On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. The amendment will come into force from April 1, 2018. The Company is evaluating the effect of this on the financial statements.

**Ind AS 115- Revenue from Contract with Customers:** On March 28, 2018, the Ministry of Corporate Affairs notified Ind AS 115 Revenue from Contracts with Customers. The standard replaces Ind AS 11 Construction Contracts and Ind AS 18 Revenue.

The new standard applies to contracts with customers. The core principle of the new standard is that an entity should recognize revenue to depict transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further, the new standard requires enhanced disclosures about the nature, timing and uncertainty of revenues and cash flows arising from the entity's contracts with customers. The new standard offers a range of transition options. An entity can choose to apply the new standard to its historical transactions and retrospectively adjust each comparative period. Alternatively, an entity can recognize the cumulative effect of applying the new standard at the date of initial application - and make no adjustments to its comparative information. The chosen transition option can have a significant effect on revenue trends in the financial statements. A change in the timing of revenue recognition may require a corresponding change in the timing of recognition of related costs. The standard is effective for annual periods beginning on or after April 1, 2018. The Company is currently evaluating the requirements of Ind AS 115, and has not yet determined the impact on the financial statements.





## NOTES forming part of financial statements

### 3. Property, Plant and Equipment

(₹ in lakhs)

Particulars	Tangible Assets							Total Tangible Assets
	Leasehold Land	Buildings	Office Equipments	Leasehold Improvements	Furniture and Fixtures	Plant and Equipments	Vehicles	
Deemed cost								
As at April 1, 2016	276	115	150	481	221	398	9	1,650
Additions	-	-	70	10	38	275	-	393
Disposals/Write off	-	-	(4)	-	(22)	-	(1)	(27)
<b>As at March 31, 2017</b>	<b>276</b>	<b>115</b>	<b>216</b>	<b>491</b>	<b>237</b>	<b>673</b>	<b>8</b>	<b>2,016</b>
As at April 1, 2017	276	115	216	491	237	673	8	2,016
Additions	-	-	107	54	59	269	167	656
Disposals/Write off	-	-	(6)	(5)	(1)	(2)	-	(14)
<b>As at March 31, 2018</b>	<b>276</b>	<b>115</b>	<b>317</b>	<b>540</b>	<b>295</b>	<b>940</b>	<b>175</b>	<b>2,658</b>
<b>Depreciation/ Amortization</b>								
As at April 1, 2016	-	-	-	-	-	-	-	-
Charge for the Year	11	2	60	130	54	141	3	401
<b>As at March 31, 2017</b>	<b>11</b>	<b>2</b>	<b>60</b>	<b>130</b>	<b>54</b>	<b>141</b>	<b>3</b>	<b>401</b>
As at April 1, 2017	11	2	60	130	54	141	3	401
Charge for the Year	10	2	91	137	52	184	24	500
<b>As at March 31, 2018</b>	<b>21</b>	<b>4</b>	<b>151</b>	<b>267</b>	<b>106</b>	<b>325</b>	<b>27</b>	<b>901</b>
<b>Net Block</b>								
<b>As at March 31, 2017</b>	<b>265</b>	<b>113</b>	<b>156</b>	<b>361</b>	<b>183</b>	<b>532</b>	<b>5</b>	<b>1,615</b>
<b>As at March 31, 2018</b>	<b>255</b>	<b>111</b>	<b>166</b>	<b>273</b>	<b>189</b>	<b>615</b>	<b>148</b>	<b>1,757</b>

### 4. Goodwill

(₹ in lakhs)

Intangible Assets	
Particulars	Goodwill on Purchase of Business
<b>Deemed cost</b>	
As at April 1, 2016	282
Additions	-
Disposals/Write off	-
<b>As at March 31, 2017</b>	<b>282</b>
As at April 1, 2017	282
Additions	-
Disposals/Write off	-
<b>As at March 31, 2018</b>	<b>282</b>
<b>Net Block</b>	
<b>As at March 31, 2017</b>	<b>282</b>
<b>As at March 31, 2018</b>	<b>282</b>

## NOTES forming part of financial statements

### 5.1. Investments

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
<b>Trade, Long-term, Unquoted and at cost</b>			
<b>In Subsidiary Companies</b>			
<b>Investment in Equity Instruments (Unquoted)</b>			
3,375,394 Equity shares of ₹ 10/- each in Sonata Information Technology Limited (fully paid)	338	338	338
(As at March 31, 2017 - 3,375,394 Equity shares of ₹ 10/- each (fully paid))			
300,000 Equity shares of 1 US Dollar each in Sonata Software North America Inc., (fully paid)	122	122	122
(As at March 31, 2017 - 300,000 Equity shares of 1 US Dollar each - (fully paid))			
2 Equity shares of Euro 12,500 each in Sonata Software GmbH, Germany (fully paid)	32	32	32
(As at March 31, 2017 - 2 Equity shares of Euro 12,500 each (fully paid))			
800 Equity shares of 1 Pound each in Sonata Europe Limited, UK (fully paid)	1	1	1
(As at March 31, 2017 - 800 Equity shares of 1 Pound each (fully paid))			
500 Equity shares in Sonata Software FZ LLC of 1,000 AED each (fully paid)	66	66	66
(As at March 31, 2017 - 500 Equity shares of 1,000 AED each (fully paid))			
98 Equity shares in Sonata Software (Qatar) LLC of 1,000 QAR each (fully paid)	12	12	12
(As at March 31, 2017 - 98 Equity shares of 1,000 QAR each (fully paid))			
<b>Investment in Preference shares (Unquoted)</b>			
2,459,560 - 2% non-cumulative convertible redeemable preference shares of 1 Pound each in Sonata Europe Limited, UK (fully paid)	2,269	1,990	2,349
(As at March 31, 2017 - 2,459,560 shares of 1 Pound each (fully paid))			

#### Investments in Mutual Funds (Quoted)

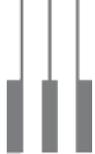
	No. of units	₹ in lakhs	No. of units	₹ in lakhs	No. of units	₹ in lakhs
Birla Sunlife Corporate Bond Fund	8,030,000	1,039	-	-	-	-
IDFC Super Saver Income Fund	2,641,424	1,090	-	-	-	-
HDFC Regular Savings Fund	4,503,382	1,551	-	-	-	-
DSPBR Income Opportunity Fund	3,614,375	1,034	-	-	-	-
ICICI Prudential Corporate Bond Fund	7,627,532	2,063	-	-	-	-
<b>Total</b>		<b>9,617</b>		<b>2,561</b>		<b>2,920</b>
Aggregate cost of quoted investments		6,600		-		-
Market value of quoted investments		6,777		-		-
Aggregate cost of unquoted investments		2,840		2,561		2,920
Investments carried at cost		571		571		571
Investments carried at fair value though profit or loss		9,046		1,990		2,349

### 5.2. Other financial assets

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Security deposits (*)	1,221	1,210	1,070
Balance held as margin money or security against borrowings	12	12	12
Interest accrued but not due on margin money	3	2	1
<b>Total</b>	<b>1,236</b>	<b>1,224</b>	<b>1,083</b>
(*) Security deposits carried at cost.	1,190	1,157	976





## NOTES forming part of financial statements

### 6. Other non-current assets

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Unsecured, considered good unless otherwise stated			
Capital advances	5	17	7
Lease pre-payments	39	47	91
Other deposits	154	139	160
Prepaid expenses	29	57	113
Advance Tax	2,689	3,677	3,178
Balances with government authorities			
VAT credit receivable, considered doubtful	7	7	7
Less : Provision for doubtful balances	7	7	7
	-	-	-
Other recoverables	12	11	11
<b>Total</b>	<b>2,928</b>	<b>3,948</b>	<b>3,560</b>

### 7.1. Investments

A) Current portion of long-term investments (at cost):	As at March 31, 2018		As at March 31, 2017		As at April 1, 2016	
	No. of units	₹ in lakhs	No. of units	₹ in lakhs	No. of units	₹ in lakhs
<b>Trade, (Unquoted)</b>						
<b>In Subsidiary Company</b>						
<b>Investment in Preference shares</b>						
Nil - 2% non-cumulative convertible redeemable preference shares of 1 Pound each fully paid in Sonata Europe Limited, UK		-		-		2,053
		-		-		<b>2,053</b>
<b>B) Other current investments (At lower of cost and fair value, unless otherwise stated) Non-trade:</b>						
<b>Investments in Mutual Funds (Quoted)</b>						
Birla Sun Life Cash Plus	550,574	552	799,123	801	-	-
Birla Sun Life Short Term Opportunities Fund	18,684,986	1,898	17,806,888	1,827	16,661,337	1,724
HDFC Floating Rate Income Fund	-	-	2,482,127	250	-	-
HDFC Liquid Fund	-	-	53,946	550	-	-
HDFC Short Term Fund	-	-	4,125,515	1,337	4,125,515	1,221
ICICI Prudential Corporate Bond Fund	1,137,375	412	-	-	-	-
ICICI Prudential Money Market Fund	550,905	552	-	-	-	-
ICICI Prudential Flexi Income	756,603	800	-	-	-	-
ICICI Prudential Liquid Fund	-	-	799,953	801	-	-
Tata Short Term Bond Fund	-	-	2,154,494	659	2,154,494	607
Tata Money Market Fund Plan	165,271	1,655	84,934,03	851	-	-
TATA Ultra Short Term Fund	99,648	1,001	-	-	-	-
IDFC Cash Fund	85,107	853	79,928	801	-	-
IDFC Ultra Short term Fund	8,901,109	900	-	-	-	-
DSP BlackRock Income Opportunities Fund	-	-	2,494,462	670	2,494,462	610
DSP BlackRock Liquidity Fund	35,058	351	79,977	800	7	-
DSP BlackRock Money Manager Fund	22,465	521	29,896	300	-	-
DSPBR Income Opportunity Fund	7,943,679	800	-	-	-	-
Reliance Regular Savings Fund	-	-	5,940,888	1,346	8,961,215	1,851
		<b>10,295</b>		<b>10,993</b>		<b>6,013</b>
<b>Total</b>		<b>10,295</b>		<b>10,993</b>		<b>8,066</b>
Aggregate cost of quoted investments		10,262		9,980		5,000
Market value of quoted investments		10,295		10,993		6,013
Aggregate cost of unquoted investments		-		-		2,053
Investments carried at fair value though profit or loss		10,295		10,993		6,013

## NOTES forming part of financial statements

### 7.2. Trade receivables

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Unsecured			
Considered good	18,483	16,008	12,452
Considered doubtful	379	195	10
	18,862	16,203	12,462
Less : Allowances for credit losses	379	195	10
<b>Total</b>	<b>18,483</b>	<b>16,008</b>	<b>12,452</b>
Movement in expected credit loss allowance;			
Movement in Expected Credit Loss allowance on Trade Receivables calculated at lifetime Expected Credit Loss	345	-	-
<b>Provision at the end of the period</b>	<b>345</b>		

### 7.3. Cash and cash equivalents

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Balances with banks			
In current accounts	3,682	2,098	1,705
In EEFC accounts	1,115	348	140
In demand deposit accounts	6,830	-	-
<b>Total</b>	<b>11,627</b>	<b>2,446</b>	<b>1,845</b>

### 7.4. Bank balances other than above

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
In fixed deposit accounts	730	526	376
In earmarked accounts			
Unpaid dividend accounts	191	125	111
Balance held as margin money or security against borrowings	18	10,600	16,601
<b>Total</b>	<b>939</b>	<b>11,251</b>	<b>17,088</b>

### 7.5. Loans

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Unsecured, considered good			
Loans and advances to related parties			
Inter-corporate deposits	-	-	195
<b>Total</b>	<b>-</b>	<b>-</b>	<b>195</b>
Maximum amount outstanding	12,105	7,880	-

### 7.6. Other financial assets

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Loans and advances to related parties - Advances recoverable	720	434	204
Security deposits	12	15	111
Interest accrued but not due on bank deposits/margin money	17	275	655
Unbilled revenue	1,396	1,024	542
Fair value of forward contracts	-	1,693	917
<b>Total</b>	<b>2,145</b>	<b>3,441</b>	<b>2,429</b>





## NOTES forming part of financial statements

### 8. Other current assets

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Loans and advances to employees	35	53	31
Prepaid expenses	375	392	382
Balances with Government authorities			
Service tax credit receivable	-	14	47
VAT credit receivable	3	-	55
GST credit receivable	14	-	1
Gratuity (Refer Note 28)	-	168	-
Other recoverables	86	76	91
<b>Total</b>	<b>513</b>	<b>703</b>	<b>607</b>

### 9. Equity share capital

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
<b>Authorized</b>			
150,000,000 equity shares of face value ₹ 1/- each (As at March 31, 2017 : 150,000,000 equity shares of face value ₹ 1/- each)	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>
<b>Issued</b>			
105,159,306 equity shares of face value ₹ 1/- each fully paid-up (As at March 31, 2017 : 105,159,306 equity shares of face value ₹ 1/- each)	<b>1,052</b>	<b>1,052</b>	<b>1,052</b>
<b>Subscribed and paid-up</b>			
103,779,431 equity shares of face value ₹ 1/- each fully paid-up (As at March 31, 2017 : 103,674,431 equity shares of face value ₹ 1/- each) (As at March 31, 2016 : 103,599,431 equity shares of face value ₹ 1/- each)	1,038	1,037	1,036
Out of issued capital, 1,379,875 (As at March 31, 2017 - 1,484,875) and (As at March 31, 2016 - 1,559,875) shares are held by Sonata Software Limited Employee Welfare Trust			
<b>Total</b>	<b>1,038</b>	<b>1,037</b>	<b>1,036</b>
Refer notes (i) to (iv) below			
<b>Notes:</b>			
<b>i) Reconciliation of number of shares and amount outstanding at the beginning and at the end of the reporting year</b>			
<b>Equity shares with voting rights</b>			
Number of shares outstanding at the beginning of the year	103,674,431	103,599,431	103,599,431
Add: Share issued on exercise of employee stock option	105,000	75,000	-
	103,779,431	103,674,431	103,599,431
Number of shares Issued to Sonata Welfare Trust in consideration other than cash	1,379,875	1,484,875	1,559,875
Number of shares outstanding at the end of the year	<b>105,159,306</b>	<b>105,159,306</b>	<b>105,159,306</b>

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

The Company has equity shares having a par value of ₹ 1/-. Each shareholder, other than shares issued on exercise of Employee Stock Option, is entitled to one vote per share. The shareholders have the right to receive interim dividends declared by the Board of directors and final dividends proposed by the Board and approved by the shareholders.

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

The shareholders have all other rights as available to equity shareholders as per the provisions of the Companies Act 2013, read together with the Memorandum of Association and Articles of Association of the Company, as applicable.

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

	As at March 31, 2018		As at March 31, 2017		As at April 1, 2016	
	No. of shares	% of holding	No. of shares	% of holding	No. of shares	% of holding
Hemendra M Kothari	10,660,026	10	10,660,026	10	10,660,026	10
Akshay Raheja	8,250,000	8	8,250,000	8	8,250,000	8
Viren Raheja	8,250,000	8	8,250,000	8	8,250,000	8
Suman Raheja	6,900,000	7	6,900,000	7	6,900,000	7

## NOTES forming part of financial statements

iv)

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
1,379,875 equity shares held by trust of face value ₹ 1/- each	14	15	16
(As at March 31, 2017 : 1,484,875 equity shares of face value ₹ 1/- each)			
(As at March 31, 2016 : 1,559,875 equity shares of face value ₹ 1/- each)			

### 10. Other equity

(₹ in lakhs)

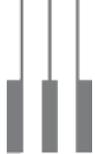
	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
<b>Securities premium reserve</b>	4,493	4,493	4,493
<b>General reserve</b>	8,292	8,292	8,292
<b>Employee Stock option reserve</b>	168	96	35
<b>Retained earnings</b>			
Opening balance	31,813	22,735	21,390
Ind AS transition reserve	-	-	854
Profit for the year	15,128	13,329	11,744
Less :			
Dividend paid	9,597	3,570	9,464
Tax on dividend	1,927	750	1,926
Set-off of tax on dividend paid by subsidiary	(69)	(69)	(137)
<b>Closing balance</b>	<b>35,486</b>	<b>31,813</b>	<b>22,735</b>
<b>Other Comprehensive Income:</b>			
<b>Remeasurement of the defined benefit plans</b>			
Opening balance	(19)	-	-
For the year, (net of tax)	(53)	(19)	-
<b>Closing balance</b>	<b>(72)</b>	<b>(19)</b>	<b>-</b>
<b>Effective portion of cash flow hedges</b>			
Opening balance	1,310	718	904
Add : Effect of foreign exchange rate variations on hedging instruments outstanding at the end of the year	(129)	937	718
Exchange differences on cash flow hedges, (net of tax)	(479)	373	-
Less : Transferred to Statement of Profit and Loss	937	718	904
<b>Closing balance</b>	<b>(235)</b>	<b>1,310</b>	<b>718</b>
<b>Exchange difference on foreign currency translation</b>			
Opening balance	(206)	-	-
For the year, (net of tax)	179	(206)	-
Closing balance	(27)	(206)	-
<b>Total</b>	<b>48,105</b>	<b>45,779</b>	<b>36,273</b>

### 11. Other non-current liabilities

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Lease rent equalization	772	623	402
<b>Total</b>	<b>772</b>	<b>623</b>	<b>402</b>





## NOTES forming part of financial statements

### 12.1. Borrowings

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Loans repayable on demand			
From banks - Secured	-	-	3,854
From banks - Unsecured	-	-	5,797
<b>Total</b>	-	-	<b>9,651</b>

### 12.2. Other financial liabilities

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Unpaid dividends	191	125	111
Payable on purchase of fixed assets	127	19	74
Other liabilities	3	2	2
Reimbursable expenses payable to related party	7	52	36
Fair value of forward contracts	188	-	-
<b>Total</b>	<b>516</b>	<b>198</b>	<b>223</b>

### 13. Other current liabilities

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Income received in advance (Unearned revenue)	288	164	67
Gratuity (Refer Note 28)	81	-	63
Tax on dividend	-	-	61
Other payables			
Statutory remittances	894	1,099	739
Advances from customers	12	-	14
Other liabilities	35	35	14
<b>Total</b>	<b>1,310</b>	<b>1,298</b>	<b>958</b>

### 14. Provisions

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Provision for employee benefits - Compensated absences	990	708	643
<b>Total</b>	<b>990</b>	<b>708</b>	<b>643</b>

### 15. Current tax liabilities (net)

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Provision for tax	2,402	1,693	340
<b>Total</b>	<b>2,402</b>	<b>1,693</b>	<b>340</b>

## NOTES forming part of financial statements

### 16. Income Tax

(₹ in lakhs)

	For the year ended March 31, 2018	For the year ended March 31, 2017
(a) Income tax expense in the statement of profit and loss consists of:		
<b>Current Tax:</b>		
In respect of current period	4,958	4,590
In respect of prior years	-	238
<b>Deferred Tax:</b>		
In respect of current period	(262)	(268)
In respect of prior years	-	29
<b>Total Income tax expense recognised in the statement of profit and loss</b>	<b>4,696</b>	<b>4,589</b>
(b) Income tax recognised in other Comprehensive income		
Deferred tax related to items recognised in other comprehensive income during the year:		
Net loss / (gain) on measurement of defined benefit plan	17	6
Net loss / (gain) on measurement of exchange difference	97	(54)
<b>Total</b>	<b>114</b>	<b>(48)</b>
The reconciliation between the provision of income tax of the Company and amounts computed by applying the Indian statutory income tax rate to profit before taxes is as follows:		
Profit before tax	19,824	17,918
Enacted income tax rate in India	34.61%	34.61%
Computed expected tax expense	6,861	6,201
Effect of:		
Unbilled Revenue	(84)	(78)
Income exempt from tax	(1,979)	(1,790)
Expenses that are not deductible in determining taxable profit	66	100
Expenses that are deductible in determining taxable profit	(111)	(171)
Adjustment of income tax expense in respect of prior years	-	267
Others	(57)	60
<b>Income tax expense recognised in the statement of profit and loss</b>	<b>4,696</b>	<b>4,589</b>

The tax rates under Indian Income Tax Act, for the year ended March 31, 2018 and March 31, 2017 is 34.61%.

The Company has units in Bengaluru registered as Special Economic Zone (SEZ) units, which are entitled to a tax holiday under Section 10AA of the Income Tax Act, 1961. The Company also has Software Technology Parks of India (STPI) units in Bengaluru and Hyderabad which were earlier entitled to a tax holiday under Section 10A of the Income Tax Act, 1961.

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

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





## NOTES forming part of financial statements

### 16. Deferred Tax

Deferred Tax Assets / (Liabilities) as at March 31, 2018 in relation to:

(₹ in lakhs)					
Particulars	As at April 1, 2017	Recognised in Profit & Loss	Recognised in Other Comprehensive Income	Others	As at March 31, 2018
Property, plant and equipment	366	149	-	-	515
Other Intangible Assets	6	(22)	-	-	(16)
Allowances for credit losses	67	64	-	-	131
Disallowance u/s 40(a)	116	(2)	-	-	114
Disallowance u/s 43B	380	(24)	-	-	356
Net gain or loss on Fair value of Mutual Funds	(350)	(34)	-	-	(384)
FVTOCI	-	-	114	-	114
Others	94	132	-	-	226
<b>Total</b>	<b>679</b>	<b>263</b>	<b>114</b>	<b>-</b>	<b>1,056</b>

Deferred Tax Assets / (Liabilities) as at March 31, 2017 in relation to:

Particulars	As at April 1, 2016	Recognised in Profit & Loss	Recognised in Other Comprehensive Income	Others	As at March 31, 2017
Property, plant and equipment	392	(26)	-	-	366
Other Intangible Assets	10	(4)	-	-	6
Allowances for credit losses	3	64	-	-	67
Disallowance u/s 40(a)	125	(9)	-	-	116
Disallowance u/s 43B	327	53	-	-	380
Net gain or loss on Fair value of Mutual Funds	(273)	(77)	-	-	(350)
FVTOCI	-	48	(48)	-	-
MAT Credit entitlement	69	-	-	(69)	-
Others	(96)	190	-	-	94
<b>Total</b>	<b>557</b>	<b>239</b>	<b>(48)</b>	<b>(69)</b>	<b>679</b>

The Company has not created deferred tax assets on the following:

(₹ in lakhs)			
Particulars	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Unused tax losses (long term capital loss) which expire in:			
-AY 2015-16	-	-	40
-AY 2018-19	-	595	595
-AY 2020-21	1,277	1,277	1,277
-AY 2021-22	438	438	438
-AY 2022-23	2,154	2,154	2,154
-AY 2024-25	461	461	461

## NOTES forming part of financial statements

### 17.1 Revenue from operations

(₹ in lakhs)

	For the year ended March 31, 2018	For the year ended March 31, 2017
Revenue from software services	64,242	56,225
Revenue from software product and licenses	4,544	2,863
Other operating revenues	65	172
<b>Total</b>	<b>68,851</b>	<b>59,260</b>

### 17.2 Other income

(₹ in lakhs)

	For the year ended March 31, 2018	For the year ended March 31, 2017
Interest income		
from fixed deposits/margin money with banks	209	847
from inter-corporate deposits	201	238
Others	21	41
Dividend income		
from current investments	330	157
from long-term investments in subsidiaries	338	338
Net gain on investments	496	409
Net gain on foreign exchange gain	2,490	1,050
Commission	79	78
Miscellaneous income	32	76
<b>Total</b>	<b>4,196</b>	<b>3,234</b>

### 18. Employee benefits expense

(₹ in lakhs)

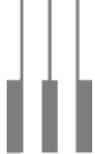
	For the year ended March 31, 2018	For the year ended March 31, 2017
Salaries, wages, bonus and allowances	33,821	28,442
Contributions to provident and other funds	2,330	1,990
Staff welfare expenses	605	578
	<b>36,756</b>	<b>31,010</b>
Less: Deputation cost/Service charges recovered from subsidiary	344	293
<b>Total</b>	<b>36,412</b>	<b>30,717</b>

### 19. Finance costs

(₹ in lakhs)

	For the year ended March 31, 2018	For the year ended March 31, 2017
Interest expense on:		
Borrowings	4	167
Others	1	78
Other borrowing costs	12	5
Foreign exchange loss (net)	-	149
<b>Total</b>	<b>17</b>	<b>399</b>





## NOTES forming part of financial statements

### 20 : Other expenses

(₹ in lakhs)

	For the year ended March 31, 2018	For the year ended March 31, 2017
Power and fuel	563	570
Rent (Refer Note 32)	2,469	2,488
Repairs and maintenance - Buildings	43	20
Repairs and maintenance - Machinery	128	125
Insurance	381	327
Rates and taxes	30	17
Communication cost	429	471
Facility maintenance	495	504
Travelling and conveyance expenses	2,851	2,984
Professional and technical fees	1,086	807
Software project fees	60	-
Legal fees	34	19
Insourcing professional fees	1,467	651
Software license fees	462	603
Expenditure on Corporate Social Responsibility	210	176
Payments to auditors	52	54
Allowances for credit losses	170	187
Miscellaneous expenses	1,030	1,098
	<b>11,960</b>	<b>11,101</b>
Less: Service charges recovered from subsidiary	111	131
<b>Total</b>	<b>11,849</b>	<b>10,970</b>
Note - Payments to auditors comprises (net of service tax input credit):		
Statutory audit	37	34
Other services	13	18
Reimbursement of expenses	2	2
	<b>52</b>	<b>54</b>

## NOTES forming part of financial statements

### 21 Contingent Liabilities

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017
<b>a) Guarantees</b>		
The Company has given corporate guarantees to certain suppliers of Sonata Information Technology Limited (SITL) and Sonata Software North America Inc (SSNA), its wholly owned subsidiaries. The amount drawn down as at year end against this facility is ₹ 3,297 (as at March 31, 2017 is ₹ 5,112)	16,141	16,065
<b>b) Disputed demand of Service tax</b>		
(i) The Company renders Information Technology related services to some of its clients in India. The Service Tax department had classified these services as 'Manpower Recruitment or Supply Agency Services'. The Company had contested this re-classification and had preferred an appeal before the Central Excise and Service Tax Appellate Tribunal (CESTAT). One of the clients of the Company had indemnified the Company for any demands that may arise on account of service tax liability up to an amount of ₹ 237. The amount included as disputed demand is excluding the amount indemnified by the client.	677	677
(ii) The demand for payment of service tax for the period from FY 2006-07 to FY 2012-13 on services received and consumed by UK branch of the company and a subsidiary company at USA, treating it as import of service, wrong availment of cervat credit and usage of software services provided to subsidiary. The company had filed appeal before the Commissioner of Appeals and is confident of getting favorable outcome based on legal precedents which support its stand.	1,028	-
<b>c) Other claims against the Company not acknowledged as debt</b>	937	937
<b>d) Disputed demands of Income-tax</b>	14,011	11,690

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

(₹ in lakhs)

#### (i) Disallowance of claims made under Section 10A of the Income-tax Act, 1961

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

The Income-tax department in its assessments has been denying or limiting the benefits of Section 10A of the Act to the multiple undertakings of the Company on the ground that they were in fact one single unit and thus the benefits claimed were in excess of permissible limits, and had raised a demand of ₹ 5,001, (As at March 31, 2017 - ₹ 5,001) for financial years 2007-08 to 2009-10. The company received favourable order from CIT(A) and the Department has preferred an appeal before Income-tax Appellate Tribunal (ITAT).

For the financial year 2006-07 ₹ 2,368 (As at March 31, 2017- ₹ Nil), the Company has received favorable order from Income-tax Appellate Tribunal (ITAT) and the Department has preferred an appeal before the Honorable High Court of Mumbai.

For the financial year 2001-02, ITAT had given a favorable order on the ground of income accrued under Section 10A of the Act against which the department had filed an appeal before the Honorable High Court of Mumbai ₹ 149 (As at March 31, 2017 - ₹ 149).

For the financial year 2013-14 ₹ 43 (As at March 31, 2017 - Nil), the Company has preferred an appeal before CIT(A).

#### (ii) Disallowance of Inter-Company Service Charges

The Company charges Sonata Information Technology Limited, its wholly owned subsidiary, for certain support services rendered. During assessments, the Income-tax department denied benefits under Section 10A of the Income Tax Act on such support services and assessed the same as normal business income and raised demand of ₹ 2,337 (As at March 31, 2017 - ₹ 2,337) for financial years 2001-02 to 2004-05. The Company had received favorable orders from ITAT. However, the department preferred an appeal on the said orders before the Honorable High Court of Mumbai.

₹ 116 (As at March 31, 2017- ₹ 116) for the financial year 2010-11. The Company had filed an appeal before the CIT(A) The Company has received favorable orders and the Department has preferred an appeal before ITAT.

#### (iii) Transfer Pricing Adjustment

₹ 1,072 (As at March 31, 2017 - ₹ 1,162) for the financial year 2011-12 and 2013-14. The Income-tax department has recommended the upward adjustment in the value of Investment in subsidiary and sale of services to associated enterprises as Transfer Pricing Adjustment in the International transactions in order to consider them to be at arm's length price. The Company had preferred an appeal before CIT(A) heard and partly allowed. For the financial year 2011-12, the Company has preferred an appeal before ITAT. For the financial year 2013-14, the company has preferred an appeal before CIT(A).





## NOTES forming part of financial statements

### (iv) Withholding tax demand

The Income-tax department has been contending that amounts paid by the Company for buying the software products is in the nature of 'Royalty' and hence had to withhold Income-tax on the same as per the Income Tax Act and had raised demand of ₹ 2,842 (As at March 31, 2017- ₹ 2,842) from the financial year 1999-00 to 2001-02. The Company's contention has been that the payments were made for purchase of 'Goods' and hence was under no obligation to withhold Income-tax on the same. The Company had received favorable orders from the ITAT which were reversed by the Honorable High Court of Karnataka. The Company had preferred a Special Leave Petition Appeal on the said order to the Honorable Supreme Court of India, which had been admitted. However, for these years one of the principal suppliers of software to the Company had paid taxes of ₹ 879 out of the above demand. The amount included as disputed demand is excluding the amount paid by the supplier.

### (v) Deductions claimed under Section 80 O

Prior to the enactment of Section 10A of the Act, the Company claimed deduction for exports made, under Section 80 O of the Act. The department had re-opened the assessments and disallowed certain aspects of the claims made on the contention that cost allocation principles followed for the claim are erroneous and raised a demand of ₹ 83 (As at March 31, 2017 - ₹ 83) for the financial year 1994-95. The Company had received favorable orders from ITAT. 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.

## 22. Commitments

(₹ in lakhs)

	<b>As at March 31, 2018</b>	As at March 31, 2017
Estimated amount of contracts remaining to be executed on capital account and not provided for	1	118

## 23. Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

(₹ in lakhs)

<b>Particulars</b>	<b>As at March 31, 2018</b>	As at March 31, 2017
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	35	34
(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.

## NOTES forming part of financial statements

### 24 Financial instruments

The carrying value and fair value of financial instruments by categories as at March 31, 2018, March 31, 2017 and April 1, 2016 is as follows:

(₹ in lakhs)

Particulars	Carrying Value			Fair Value		
	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
<b>Financial assets</b>						
<b>Amortised Cost</b>						
Loans - Inter-corporate deposits	-	-	195	-	-	195
Trade receivable	18,483	16,008	12,452	18,483	16,008	12,452
Cash and cash equivalents	11,627	2,446	1,845	11,627	2,446	1,845
Bank balances other than Cash & cash equivalents	939	11,251	17,088	939	11,251	17,088
Other financial assets	3,224	2,396	2,061	3,224	2,396	2,061
<b>FVTPL</b>						
Investment in Mutual Fund (quoted)	17,072	10,993	6,013	17,072	10,993	6,013
Forward Contracts	-	1,693	917	-	1,693	917
Security Deposits	157	576	534	157	576	534
Investment in Equity instruments (unquoted)	571	571	571	571	571	571
Investment in Preference Shares (unquoted)	2,269	1,990	4,402	2,269	1,990	4,402
<b>Total Assets</b>	<b>54,342</b>	<b>47,924</b>	<b>46,078</b>	<b>54,342</b>	<b>47,924</b>	<b>46,078</b>
<b>Financial liabilities</b>						
<b>Amortised Cost</b>						
Borrowings	-	-	9,651	-	-	9,651
Trade payables	5,772	3,856	3,236	5,772	3,856	3,236
Other financial liabilities	328	198	223	328	198	223
<b>FVTPL</b>						
Forward Contracts	188	-	-	188	-	-
<b>Total Liabilities</b>	<b>6,288</b>	<b>4,054</b>	<b>13,110</b>	<b>6,288</b>	<b>4,054</b>	<b>13,110</b>

The management assessed that fair value of cash and short-term deposits, trade receivables, trade payables, inter corporate deposits and other current financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- The fair value of the quoted mutual funds are based on price quotations at reporting date. The fair value of loans from banks and other financial liabilities, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. In addition to being sensitive to a reasonably possible change in the forecast cash flows or discount rate, the fair value of the equity instruments is also sensitive to a reasonably possible change in the growth rates. The valuation requires management to use unobservable inputs in the model, of which the significant unobservable inputs are disclosed in the tables below. Management regularly assesses a range of reasonably possible alternatives for those significant unobservable inputs and determines their impact on the total fair value.
- The fair values of the unquoted equity and preference shares have been estimated using a discounted cash flow model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, discount rate, credit risk and volatility, the probabilities of the various estimates whose range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.
- The Company enters into derivative financial instruments with Banks. Foreign exchange forward contracts are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing model, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves etc. As at March 31, 2018, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.





## NOTES forming part of financial statements

### 25. Fair value hierarchy

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table presents the fair value measurement hierarchy of financial assets and liabilities measured at fair value on recurring basis as at March 31, 2018, March 31, 2017 and April 1, 2016.

(i) Quantitative disclosures of fair value measurement hierarchy for financial assets is as under:

(₹ in lakhs)

Particulars	Fair value			Fair value hierarchy	Valuation technique and Key inputs
	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016		
Investment in Mutual funds	17,072	10,993	6,013	Level 1	Fair value is determined based on the Net asset value published by respective funds.
Foreign currency forward contracts	(188)	1,693	917	Level 2	The fair value of forward foreign contracts are determined using forward exchange rates at the reporting date.

There have been no transfers among Level 1, Level 2 and Level 3 during the year.

(ii) Reconciliation of fair value measurement of investment in unquoted preference shares classified as FVTPL (Level 3):

(₹ in Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Opening balance	1,990	4,402	4,529
Remeasurement recognised	279	(636)	596
Sales	-	(1,776)	(723)
Closing balance	2,269	1,990	4,402

### Derivative financial instruments

The Company is exposed to foreign currency fluctuations on foreign currency assets/ liabilities and forecasted cash flows denominated in foreign currency. The Company uses derivatives to hedge foreign currency assets/ liabilities and foreign currency forecasted cash flows. The counter party in these derivative instruments is a bank and the Company considers the risks of non-performance by the counterparty as non-material.

For movement in cash flow hedge reserve gain or loss - Refer note 10

The following table presents the aggregate contracted principal amounts of the Company's derivative contracts outstanding:

(Amount in Lakhs )

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Designated derivative instruments (Sell):			
In USD	245	282	294
in GBP	67	59	58
in EUR	28	26	54

## NOTES forming part of financial statements

### 25. Fair value hierarchy (Contd.)

The foreign exchange forward and option contracts mature anywhere between 0 - 1 year. The table below analyzes the derivative financial instruments into relevant maturity groupings based on the remaining period as at the reporting date:

(Amount in Lakhs)

Particulars	As at	As at	As at
	March 31, 2018	March 31, 2017	April 1, 2016
Designated derivative instruments (Sell):			
Less than 3 months			
In USD	83	80	83
in GBP	18	16	16
in EUR	8	7	7
3 months to 1 year			
In USD	162	202	211
in GBP	49	43	42
in EUR	20	19	47

Average rate of coverage	As at March 31, 2018		As at March 31, 2017		As at April 1, 2016	
Currency	Amount (₹ in Lakhs)	Weighted Average Rate (₹)	Amount (₹ in Lakhs)	Weighted Average Rate (₹)	Amount (₹ in Lakhs)	Weighted Average Rate (₹)
USD	245	66.86	282	70.13	294	69.60
GBP	67	90.88	59	91.99	58	104.38
EUR	28	81.26	26	77.61	54	80.98

### 26. Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, foreign currency risk and interest rate risk. The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The primary market risk to the Company is foreign exchange risk. The Company uses derivative financial instruments to mitigate foreign exchange related risk exposures. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivative for speculative purposes may be undertaken.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below:

#### Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. Credit risk arises from cash held with banks and financial institutions, as well as credit exposure to clients, including outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

#### Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment.

The following table gives details in respect of revenues generated from top customer and top 5 customers (excluding Inter-company):

(₹ in lakhs)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Revenue from top customer	16,677	13,855
Revenue from top 5 customers	25,813	20,117

One customer accounted for more than 10% of the revenue for the year ended March 31, 2018, however none of the customers accounted for more than 10% of the receivables for the year ended March 31, 2018. One customer accounted for more than 10% of the revenue for the year ended March 31, 2017, however none of the customers accounted for more than 10% of the receivables for the year ended March 31, 2017.





## NOTES forming part of financial statements

### 26. Financial risk management (Contd.)

#### Investments

The Company limits its exposure to credit risk by generally investing in liquid securities and only with counterparties that have a good credit rating. The Company does not expect any losses from non-performance by these counterparties, and does not have any significant concentration of exposures to specific industry sectors.

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Also, the Company has unutilized credit limits with banks.

The Company's corporate treasury department is responsible for liquidity, funding as well as settlement management. In addition, processes and policies related to such risks are overseen by senior management.

The working capital position of the Company is given below:

(₹ in Lakhs)

Particulars	As at	As at	As at
	March 31, 2018	March 31, 2017	April 1, 2016
Cash and cash equivalents	11,627	2,446	1,845
Bank balances other than Cash & cash equivalents	939	11,251	17,088
Investments in mutual funds (quoted)	10,295	10,993	6,013
Inter Corporate deposits with subsidiary	-	-	195

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2018, March 31, 2017 and April 1, 2016:

(₹ in Lakhs)

Particulars	As at March 31, 2018		
	Less than 1 year	1-2 years	2 years & above
Borrowings	-	-	-
Trade payables	5,772	-	-
Other financial liabilities	516	-	-

Particulars	As at March 31, 2017		
	Less than 1 year	1-2 years	2 years & above
Borrowings	-	-	-
Trade payables	3,856	-	-
Other financial liabilities	198	-	-

Particulars	As at April 1, 2016		
	Less than 1 year	1-2 years	2 years & above
Borrowings	9,651	-	-
Trade payables	3,236	-	-
Other financial liabilities	223	-	-

#### Foreign Currency risk

The Company's exchange risk arises from its foreign operations, foreign currency revenues and expenses, (primarily in U.S. dollars, British pound sterling and euros). A significant portion of the Company's revenues are in these foreign currencies, while a significant portion of its costs are in Indian rupees. As a result, if the value of the Indian rupee appreciates relative to these foreign currencies, the Company's revenues measured in rupees may decrease. The exchange rate between the Indian rupee and these foreign currencies has changed substantially in recent periods and may continue to fluctuate substantially in the future. The Company reviews on a periodic basis to formulate the strategy for foreign currency risk management.

Consequently, the Company uses derivative financial instruments, such as foreign exchange forward contracts, to mitigate the risk of changes in foreign currency exchange rates in respect of its forecasted cash flows and trade receivables.

The details in respect of the outstanding foreign exchange forward contracts are given under the derivative financial instruments section.

In respect of the Company's forward contracts, a 1% decrease / increase in the respective exchange rates of each of the currencies underlying such contracts would have resulted in:

- an approximately ₹ 77 lakhs increase and decrease in the Company's net profit as at March 31, 2018;
- an approximately ₹ 67 lakhs increase and decrease in the Company's net profit as at March 31, 2017.

## NOTES forming part of financial statements

### 26. Financial risk management (Contd.)

The following table presents foreign currency risk from non-derivative financial instruments as at March 31, 2018, March 31, 2017 and April 1, 2016.

(₹ in lakhs)

Exposure currency	US \$	GBP	EUR	Other Currencies*
<b>As at March 31, 2018</b>				
<b>Assets</b>				
Trade receivables	8,330	1,619	217	156
Cash and Cash equivalents	258	2,940	618	640
Other assets	6	-	11	10
<b>Liabilities</b>				
Trade Payable	(1,292)	(533)	-	(29)
<b>Net assets/liabilities</b>	<b>7,302</b>	<b>4,026</b>	<b>846</b>	<b>777</b>
<b>As at March 31, 2017</b>				
<b>Assets</b>				
Trade receivables	6,130	2,028	-	255
Cash and Cash equivalents	213	1,635	25	235
Other current assets	-	-	-	4
<b>Liabilities</b>				
Trade Payable	(615)	(430)	(9)	(84)
<b>Net assets/liabilities</b>	<b>5,728</b>	<b>3,233</b>	<b>16</b>	<b>410</b>
<b>As at April 1, 2016</b>				
<b>Assets</b>				
Trade receivables	1,423	1,976	5	193
Cash and Cash equivalents	84	951	150	465
Other current assets	-	4	-	4
<b>Liabilities</b>				
Trade Payable	(66)	(450)	(11)	(10)
<b>Net assets/liabilities</b>	<b>1,441</b>	<b>2,481</b>	<b>144</b>	<b>652</b>

\*Others include currencies such as Singapore \$, Australian \$, Swiss Franc, etc

For the year ended March 31, 2018, every 1% increase / (decrease) of the respective foreign currencies compared to functional currency of the Company would impact operating margins by 0.19% / (0.19)%. For the year ended March 31, 2017, the impact on operating margins would be 0.16% / (0.16)%.

#### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates and investments. The Company's borrowings and investments are primarily short-term, which do not expose it to significant interest rate risk.

### 27. Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the return on capital as well as the level of dividends on its equity shares. The Company's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value.

The capital structure of the Company consists of net debt (borrowings offset by cash and bank balances) and total equity.

The capital structure is as follows:

(₹ in Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Total equity attributable to the equity share holders of the Company	49,143	46,816	37,309
As percentage of total capital	100%	100%	79%
Current borrowings	-	-	9,651
As a percentage of total capital	-	-	21%
Total capital (borrowings and equity)	49,143	46,816	46,960

The Company is predominantly equity financed which is evident from the capital structure table. Further, the Company has generally been a net cash Company with cash and bank balances along with investment which is predominantly investment in liquid and short term mutual funds being far in excess of debt.





## NOTES forming part of financial statements

### 28 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. There has also been no such deficiency since the inception of the Fund.

Provident fund contributions amounting to ₹ 1,132 lakhs (for the year ended March 31, 2017 ₹ 976 lakhs) has been charged to the Statement of Profit and Loss (as part of Contribution to Provident Fund and other Funds in Note 18 Employee benefits expense).

##### b) During the year the Company has recognised the following amounts in the Statement of Profit and Loss towards Employers contribution to:

(₹ in lakhs)

	For the year ended March 31, 2018	For the year ended March 31, 2017
Employee's State Insurance (as part of Staff welfare expenses in Note 18 Employee benefits expense)	21	11
Superannuation (as part of Contribution to Provident Fund and other Funds in Note 18 Employee benefits expense)	533	471
National Pension Scheme (as part of Contribution to Provident Fund and other Funds in Note 18 Employee benefits expense)	29	30
National Insurance Contribution (as part of Contribution to Provident Fund and other Funds in Note 18 Employee benefits expense)	299	237

#### ii) Defined benefit plans - Gratuity

As per valuation

The principal assumptions used for the purposes of the actuarial valuations were as follows.

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Discount rate(s)	7.87%	7.57%	8.36%
Expected rate(s) of salary increase	5.00%	5.00%	5.00%
Mortality Rate	Indian Assured Lives Mortality 2006-08	Indian Assured Lives Mortality 2006-08	Indian Assured Lives Mortality 2006-08
Retirement age	60 years	60 years	60 years

Amounts recognised in statement of profit and loss in respect of these defined benefit plans are as follows:

(₹ in lakhs)

	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>Service Cost:</b>		
Current Service Cost	350	272
Net Interest Expense	(13)	5
Components of defined benefit costs recognised in profit or loss	337	277
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	15	(91)
Actuarial (gains) / losses arising from changes in financial assumptions	(90)	190
Actuarial (gains) / losses arising from experience adjustments	145	(74)
Components of defined benefit costs recognised in other comprehensive income	70	25

The current service cost and the net interest expense for the year are included in the 'Employee benefits expense' line item in the statement of profit and loss.

## NOTES forming part of financial statements

### 28 Employee benefit plans (Contd.)

The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the balance sheet arising from the entity's obligation in respect of its defined benefit plans is as follows:

(₹ in Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Present value of funded defined benefit obligation	(2,709)	(2,320)	(1,881)
Fair value of plan assets	2,628	2,488	1,818
<b>Net (liability) / Assets arising from defined benefit obligation</b>	<b>(81)</b>	<b>168</b>	<b>(63)</b>
Movements in the present value of the defined benefit obligation are as follows:			
Opening defined benefit obligation	2,321	1,881	1,707
Current service cost	350	272	250
Interest cost	176	157	136
Remeasurement (gains)/losses:			
Actuarial gains and losses arising from changes in financial assumptions	(90)	190	(76)
Actuarial gains and losses arising from experience adjustments	145	(74)	(9)
Benefits paid	(193)	(106)	(127)
<b>Closing defined benefit obligation</b>	<b>2,709</b>	<b>2,320</b>	<b>1,881</b>
Movements in the fair value of the plan assets are as follows:			
Opening fair value of plan assets	2,488	1,818	1,691
Interest income	189	152	135
Return on plan assets (excluding amounts included in net interest expense)	(15)	91	(96)
Contributions from the employer	159	533	215
Benefits paid	(193)	(106)	(127)
<b>Closing fair value of plan assets</b>	<b>2,628</b>	<b>2,488</b>	<b>1,818</b>
The major categories of plan assets as a percentage of total plan:			
Insurer Managed Funds	100%	100%	100%
Category of funds :			
Secure Fund	9.39%	12.88%	9.49%
Defensive Fund	43.90%	42.32%	44.50%
Balanced Fund	46.58%	44.66%	45.83%
Stable Fund	0.13%	0.14%	0.18%

Sensitivity for significant actuarial assumptions is computed to show the movement in defined benefit obligation by 1%:

Particulars	As at March 31, 2018		As at March 31, 2017	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	320	268	283	237
Future salary growth (1% movement)	326	278	287	244

The Company expects to contribute ₹ 460 lakhs to its defined benefit plans during the next fiscal year.

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

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

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

#### Experience adjustments

(₹ in Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at March 31, 2016	As at March 31, 2015	As at March 31, 2014
Present value of defined benefit obligation	2,709	2,320	1,881	1,707	1,178
Fair value of plan assets	2,628	2,488	1,818	1,691	1,183
Surplus / (deficit)	(81)	168	(63)	(16)	5
Experience adjustments on plan liabilities - (gain)/losses	145	(74)	(9)	434	224
Experience adjustments on plan assets - (losses)/gain	(15)	91	(96)	158	(12)

The Company has established an income tax approved irrevocable trust fund to which it regularly contributes to finance liabilities of the plan. The fund's investments are managed by insurance company as per the mandate provided to them by the trustees and the asset allocation is within the permissible limits prescribed in the insurance regulations.





## NOTES forming part of financial statements

### 29. Share-based payments

#### a) Employee share option plan of the Company

##### i) Details of the employee share option plan of the Company

The Company has a stock option plan for employees of the Company and its subsidiaries, authorized by the nomination and remuneration committee. In accordance with the terms of the plan, as approved by shareholders at its annual general meeting dated August 19, 2014. Eligible employees are granted to get stock option with graded vesting period of four years. The quantum of stock option is decided by the Nomination and Remuneration Committee. The shares are transferred to employees from the Sonata Software Ltd Employee Welfare Trust based on approval.

Each vested stock option shall convert into one equity share of the Company upon exercise. The exercise price of the stock option shall be the closing market price of the share on National Stock Exchange of India Ltd on the trading day immediately preceding the date of the grant. The stock options carry neither rights to dividends nor voting rights unless the transfer of shares from the Sonata Software Ltd Employee Welfare Trust to the employee is duly registered by the company. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following share-based payment arrangements were in existence during the current and prior years:

Number of Shares	Grant date	Exercise price (₹)	Fair Value at grant date
375,000	Apr 1, 2012	18.10	4.45 - 6.55
120,000	May 20, 2015	165.75	53.35 - 68.45
160,000	Aug 8, 2016	154.45	55.21 - 68.60
60,000	May 29, 2017	149.65	43.49 - 55.86
75,000	Nov 13, 2017	191.95	54.78 - 79.62

##### ii) Fair value of share options granted in the year

Options are priced using Black - Scholes pricing model.

Inputs into the model

Particulars	Apr 1, 2012	May 20, 2015	Aug 8, 2016	May 29, 2017	Nov 13, 2017
Grant date share price	4.45 - 6.55	53.35 - 68.45	55.21 - 68.60	43.49 - 55.86	54.78 - 79.62
Exercise price	18.10	165.75	154.45	149.65	191.95
Expected volatility	49.84 - 51.82	46.52 - 47.05	43.18 - 44.24	36.47 - 40.61	31.78 - 40.86
Option life	5.00	5.00	5.00	5.00	5.00
Dividend yield	0.00	0.00	0.00	0.00	0.00
Risk-free interest rate	8.18 - 8.60	7.79 - 7.86	6.91 - 7.08	6.66 - 6.79	6.52 - 6.81

##### iii) Movements in share options during the year

The following reconciles the share options outstanding at the beginning and end of the year:

	2017-2018		2016-2017	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Balance at beginning of year	355,000	49.80	270,000	30.61
Granted during the year	135,000	61.51	160,000	61.72
Forfeited during the year	-	-	-	-
Exercised during the year	105,000	19.92	75,000	6.12
Expired during the year	-	-	-	-
Balance at end of year	385,000	62.06	355,000	49.80

All outstanding options are exercisable at the end of the respective reporting period.

##### iv) Stock options exercised during the year

The following share options were exercised during the year:

Granted on	Number exercised	Exercised date	Share price at exercise date
Apr 1, 2012	75,000	Jun 2, 2017	159.35
May 20, 2015	15,000	Feb 26, 2018	316.75
May 20, 2015	15,000	Mar 07, 2018	308.80
<b>Total</b>	<b>105,000</b>		

## NOTES forming part of financial statements

### 29. Share-based payments (Contd.)

#### v) Share options outstanding at the end of the year

The share options outstanding at the end of the year had a weighted average exercise price of ₹ 62.06 (as at March 31, 2017 ₹ 49.80)

#### b) Other Stock Based Compensation Arrangements

Stock Appreciation Rights Plan provides the certain employee with the right to receive cash that is equal to the increase in the value of the company's shares from the date the right was granted and the right was exercised. They are not entitled to any shares or dividend. This plan has been approved by the Board vide Board Meeting dated May 29, 2017.

The Company has also granted stock appreciation rights plan to certain employees during the year which is subject to certain vesting conditions. Details of the grant/issue as at March 31, 2018 are given below:

Particulars	As per plan
Total no. of units	270,000
Vested units	-
Lapsed units	-
Forfeited units	-
Cancelled units	-
Outstanding units as at the end of the year	270,000
Contractual life	3yrs
Date of grant	May 29, 2017
Price per unit Grant price (₹)	149.65

The weighted average fair value of each unit under the above mentioned stock appreciation rights plan granted during the year ended was ₹ 231.64 using the Monte Carlo simulation model with the following assumptions:

Particulars	As at March 31, 2018
Grant date	May 29, 2017
Exercise price	167.61 - 210.25
Dividend yield	-
Expected life	3
Risk free interest rate	7.00%
Volatility	11.10%

### 30 Segment reporting

The Company prepares consolidated financial statements, hence as per Ind AS 108 on Segment Reporting, segment information has not been provided in the standalone financial statements.

### 31 Consolidation of Employee Welfare Trust

Ind AS 110 – Consolidated financial statements defines control and establishes control as the main basis for consolidating the entities. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, in view of which the company has consolidated Sonata employee welfare trust accounts.

### 32 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.

(₹ in Lakhs)

	As at March 31, 2018	As at March 31, 2017
ii. The total of future minimum lease payments are non-cancellable operating leases are as below :		
Not later than one year	576	763
Later than one year and not later than 5 years	191	734
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	2,521	2,540
Less : Sub-lease payment received	52	52
Net rent expenses (Refer Note 20)	2,469	2,488
v. There are no rents which are contingent in nature.		





## NOTES forming part of financial statements

### 33. 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 programme directly or indirectly, benefit the community and society at large.

- (i) Gross amount required to be spent by the Company during the year is ₹ 258 lakhs (Previous year is ₹ 190 lakhs)
- (ii) Amount spent during the year is ₹ 210 lakhs (Previous year is ₹ 176 lakhs)
- (iii) Amount unspent is ₹ 48 lakhs (Previous year is ₹ 14 lakhs)

### 34. Earnings Per Share

Reconciliation of number of equity shares used in the computation of basic and diluted earnings per share is set out below:

Particulars	For the year ended March 31, 2018		For the year ended March 31, 2017	
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
Total number of equity shares outstanding	105,159,306	105,159,306	105,159,306	105,159,306
Weighted average number of Potential equity shares exercised by Sonata Employee Welfare Trust	(1,379,875)	(1,379,875)	(1,484,875)	(1,484,875)
Weighted average number of equity shares resulting from exercise of employee stock option	64,685	107,925	30,616	30,616
Weighted average number of equity shares for calculation of earning per share	103,844,116	103,887,356	103,705,047	103,705,047

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

### 36. Distributions made and proposed

The amount of per share dividend recognized as distributions to equity shareholders for the year ended March 31, 2018 and year ended March 31, 2017 was ₹ 10.50 and ₹ 9 respectively.

The Board of Directors at their meeting held on November 13, 2017 had declared an interim dividend of 375% (₹ 3.75 per equity share of par value of ₹ 1 each). Further, the Board of Directors at its meeting held on May 22, 2018 have recommended a final dividend of 675% (₹ 6.75 per equity share of par value ₹ 1 each) which is subject to approval of shareholders. If approved, this would result in a cash outflow of approximately ₹ 8,557 lakhs inclusive of dividend distribution tax.

The Board of Directors at their meeting held on November 2, 2016 had declared an interim dividend of 350% (₹ 3.5 per equity share of par value of ₹ 1 each). The Board of Directors at its meeting held on May 29, 2017 had recommended a final dividend of 550% (₹ 5.5 per equity share of par value ₹ 1 each). The proposal was approved by shareholders at the Annual General Meeting held on August 16, 2017, this has resulted in a cash outflow of ₹ 6,961 lakhs, inclusive of dividend distribution tax.

### 37. 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)
	Interactive Business Information Systems Inc. (subsidiary of Sonata Software North America Inc.)
(b) Subsidiaries	Rezopia Inc., USA (subsidiary of Sonata Software North America Inc)
	Sonata Software (Qatar) LLC, Qatar
(c) Post-employment benefit plan (Refer Note 28)	Sonata Software Limited Gratuity Fund
	Sonata Software Officers' Superannuation Fund
	Sonata Software Provident Fund Trust
(d) Key Management Personnel (KMP)	Mr. P Srikar Reddy, Managing Director & Chief Executive Officer

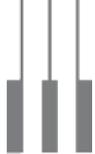
## NOTES forming part of financial statements

### ii) Transactions with related parties :

(₹ in Lakhs)

Particulars	WOS and Subsidiaries		KMP	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
<b>Rendering of services</b>				
Sonata Software North America Inc., USA	27,208	24,441	-	-
Sonata Europe Limited, UK	3,856	2,908	-	-
Sonata Software FZ-LLC, Dubai	1,168	2,013	-	-
Rezopia Inc., USA	165	305	-	-
Sonata Information Technology Limited, India	1,570	1,689	-	-
Interactive Business Information Systems Inc.	647	-	-	-
<b>Purchase of Software products and licenses</b>				
Sonata Information Technology Limited, India	4,886	1,150	-	-
<b>Service charges recovered</b>				
Sonata Information Technology Limited, India	455	423	-	-
<b>Reimbursement of expenses received</b>				
Sonata Information Technology Limited, India	160	152	-	-
Sonata Software North America Inc., USA	37	93	-	-
Sonata Software GmbH, Germany	4	9	-	-
Sonata Software FZ-LLC, Dubai	1	-	-	-
Rezopia Inc., USA	5	4	-	-
Sonata Europe Limited, UK	89	47	-	-
Halosys Technologies Inc.	3	3	-	-
Interactive Business Information Systems Inc.	10	-	-	-
<b>Reimbursement of expenses paid</b>				
Sonata Software North America Inc., USA	3	-	-	-
<b>Inter corporate deposits given</b>				
Sonata Information Technology Limited, India ( Refer Note (i) and (ii) below )	45,179	51,552	-	-
<b>Inter corporate deposits recovered</b>				
Sonata Information Technology Limited, India	45,179	51,747	-	-
<b>Interest on inter corporate deposits received</b>				
Sonata Information Technology Limited, India	201	238	-	-
<b>Recovery of rent</b>				
Sonata Information Technology Limited, India	52	51	-	-
<b>Dividend received</b>				
Sonata Information Technology Limited, India	338	338	-	-
<b>Received on redemption of preference shares</b>				
Sonata Europe Limited, UK	-	2,273	-	-
<b>Commission received on guarantees given on behalf of subsidiary</b>				
Sonata Information Technology Limited, India	51	50	-	-
Sonata Software North America Inc., USA	28	28	-	-





## NOTES forming part of financial statements

(₹ in Lakhs)

Particulars	WOS and Subsidiaries		KMP	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
<b>Compensation of key management personnel of the Company</b>				
Short-term employee benefits*	-	-	335	252
Share-based payment transactions	-	-	253	111
Others	-	-	94	77
<b>Total compensation paid to key management personnel</b>	-	-	682	440
<b>Balances outstanding at the end of the year</b>				
<b>Trade receivables</b>				
Sonata Software North America Inc., USA	10,410	8,152	-	-
Sonata Europe Limited, UK	1,160	378	-	-
Sonata Software FZ-LLC, Dubai	338	1,390	-	-
Rezopia Inc., USA	111	55	-	-
Interactive Business Information Systems Inc.	365	-	-	-
<b>Advances recoverable</b>				
Sonata Information Technology Limited, India	596	398	-	-
Sonata Europe Limited, UK	91	21	-	-
Sonata Software North America Inc., USA	15	12	-	-
Sonata Software GmbH, Germany	-	2	-	-
Rezopia Inc., USA	5	-	-	-
Halosys Inc., USA	3	-	-	-
Interactive Business Information Systems Inc.	10	-	-	-
<b>Trade payables</b>				
Sonata Information Technology Limited, India	1,248	314	-	-
Sonata Europe Limited, UK	34	-	-	-
Sonata Software (Qatar) LLC, Qatar	48	-	-	-
<b>Reimbursement of expenses payable</b>				
Sonata Software FZ-LLC, Dubai	2	3	-	-
Sonata Software North America Inc., USA	7	38	-	-
Sonata Europe Limited, UK	-	13	-	-
<b>Guarantees given on behalf of Subsidiary</b>				
Sonata Software North America Inc., USA	5,865	5,837	-	-
Sonata Information Technology Limited, India	10,276	10,228	-	-
<b>Payable to key management personnel of the Company</b>				
Short-term employee benefits*	-	-	170	120
Share-based payment transactions	-	-	149	1
Others	-	-	94	77

\* The above post employment benefits excludes gratuity and compensated absences which cannot be separately identified from the composite amount advised by the actuary.

### Transactions with WOS and Subsidiaries

- Maximum balance outstanding during the year is ₹ 12,105 lakhs (for the year ended March 31, 2017 ₹ 8880 lakhs)
- These inter corporate deposits were given for working capital purposes.

### Transactions with key management personnel

- Dividends paid to key management personnel during the year ended March 31, 2018 amounts to ₹ 52 lakhs (year ended March 31, 2017 - ₹ 122 lakhs);

## NOTES forming part of financial statements

- (ii) During the year ended March 31, 2018, 60,000 shares (year ended March 31, 2017 - Nil) were granted to the key management personnel under the Employees Stock options Plan;
- (iii) During the year ended March 31, 2018, 165,000 units (year ended March 31, 2017 - Nil) were granted to the key management personnel under the Stock Appreciation Rights Plan.

### 38. Transition to Ind AS

The Company's financial statements for the year ended March 31, 2018 are prepared in accordance with Ind AS notified under the Companies (Indian Accounting Standards) Rules, 2015. The adoption of Ind AS was carried out in accordance with Ind AS 101, using April 1, 2016 as the transition date. Ind AS 101 requires that all Ind AS standards and interpretations that are effective for the Ind AS financial statements for the year ended March 31, 2018, be applied consistently and retrospectively for all fiscal years presented. All applicable Ind AS have been applied consistently and retrospectively wherever required. The resulting difference between the carrying amounts of the assets and liabilities in the financial statements under both Ind AS and Indian GAAP as at the transition date have been recognized directly in equity at the transition date.

In preparing these financial statements, the Company has availed itself of certain exemptions and exceptions in accordance with Ind AS 101 as explained below:

- (i) Exceptions from full retrospective application

Estimates exception: Upon an assessment of the estimates made under Indian GAAP, the Company has concluded that there was no necessity to revise such estimates under Ind AS, except where estimates were required by Ind AS and not required by Indian GAAP.

- ii) Exemptions from retrospective application:

Share-based payment exemption: The Company has availed exemption available under Ind AS 101 on application of Ind AS 102, "Share Based Payment", to equity instruments that vested before the date of transition to Ind AS.





## NOTES forming part of financial statements

### 38. Transition to Ind AS (Contd.)

First Time Adoption-Reconciliation of Balance sheet, Equity and Total comprehensive income as previously reported under Previous GAAP to Ind AS

#### (i) Balance Sheet as at March 31, 2017 and April 1, 2016:

(₹ in Lakhs)

Particulars	Note No.	March 31, 2017			April 1, 2016		
		Amount as per Previous GAAP	Effect of transition to Ind AS	Ind AS	Amount as per Previous GAAP	Effect of transition to Ind AS	Ind AS
<b>ASSETS</b>							
<b>Non-current assets</b>							
Property, Plant and Equipment		1,615	-	1,615	1,650	-	1,650
Capital work-in-progress		41	-	41	28	-	28
Goodwill	i	135	147	282	191	91	282
Financial Assets							
Investments	ii	2,602	(41)	2,561	2,602	318	2,920
Other Financial Assets	iii	1,276	(52)	1,224	1,176	(93)	1,083
Deferred tax assets (net)	iv	1,074	(395)	679	1,067	(510)	557
Other non-current assets	iii,v	3,894	54	3,948	3,465	95	3,560
<b>Total non-current assets</b>		<b>10,637</b>	<b>(287)</b>	<b>10,350</b>	<b>10,179</b>	<b>(99)</b>	<b>10,080</b>
<b>Current assets</b>							
Financial Assets							
Investments-Mutual Funds	ii	9,981	1,012	10,993	7,000	1,066	8,066
Trade receivables		16,008	-	16,008	12,452	-	12,452
Cash and cash equivalents	vi	2,440	6	2,446	1,839	6	1,845
Bank balances other than above	vi	10,725	526	11,251	16,712	376	17,088
Loans		-	-	-	195	-	195
Other Financial Assets		3,497	(56)	3,441	2,502	(73)	2,429
Other current assets		703	-	703	607	-	607
<b>Total current assets</b>		<b>43,354</b>	<b>1,488</b>	<b>44,842</b>	<b>41,307</b>	<b>1,375</b>	<b>42,682</b>
<b>Total Assets</b>		<b>53,991</b>	<b>1,201</b>	<b>55,192</b>	<b>51,486</b>	<b>1,276</b>	<b>52,762</b>
<b>EQUITY AND LIABILITIES</b>							
<b>Equity</b>							
Equity Share capital	i,vi	1,052	(15)	1,037	1,052	(16)	1,036
Other Equity	i,vi,viii	44,565	1,214	45,779	34,983	1,290	36,273
<b>Total Equity</b>		<b>45,617</b>	<b>1,199</b>	<b>46,816</b>	<b>36,035</b>	<b>1,274</b>	<b>37,309</b>
<b>LIABILITIES</b>							
<b>Non-current liabilities</b>							
Other non-current liabilities	vi	623	-	623	402	-	402
<b>Total non-current liabilities</b>		<b>623</b>	<b>-</b>	<b>623</b>	<b>402</b>	<b>-</b>	<b>402</b>
<b>Current liabilities</b>							
Financial Liabilities							
Borrowings		-	-	-	9,651	-	9,651
Trade payables		3,856	-	3,856	3,236	-	3,236
Other Financial Liabilities	vi	196	2	198	221	2	223
Other current liabilities		1,298	-	1,298	958	-	958
Provisions		708	-	708	643	-	643
Current Tax Liabilities (Net)		1,693	-	1,693	340	-	340
<b>Total current liabilities</b>		<b>7,751</b>	<b>2</b>	<b>7,753</b>	<b>15,049</b>	<b>2</b>	<b>15,051</b>
<b>Total Equity and Liabilities</b>		<b>53,991</b>	<b>1,201</b>	<b>55,192</b>	<b>51,486</b>	<b>1,276</b>	<b>52,762</b>

## NOTES forming part of financial statements

### 38. Transition to Ind AS (Contd.)

#### (ii) Equity reconciliation as at March 31, 2017 and April 1, 2016:

(₹ in Lakhs)

	Note no.	As at March 31, 2017	As at April 1, 2016
Equity under Previous GAAP		45,617	36,035
Ind AS Adjustments:-			
Effect on consolidation of Sonata Employee Welfare Trust	v	537	384
Goodwill on acquisition of Business	i	147	91
Fair value changes with regard to investments in preference shares	ii	(41)	595
Effect of discounting of Security deposits	iii	(5)	(2)
Fair valuation of Mutual funds	ii	1,012	789
Fair valuation of forward contracts	vi	(56)	(73)
Tax impact on above adjustments	iv	(395)	(510)
Ind AS Adjustments		1,199	1,274
Equity under Ind AS		46,816	37,309

#### (iii) Total Comprehensive Income for the year ended March 31, 2017:

₹ in Lakhs

	Note no.	As at March 31, 2017
<b>(a) Net Profit under Previous GAAP</b>	<b>(A)</b>	<b>13,724</b>
Ind AS Adjustments		
Employee benefit expenses:		
Actuarial (gain)/Loss on defined benefit plans considered under		
Other Comprehensive Income	ix	25
Share based payment expense	viii	(60)
Accounting for excess of expenditure over income, upon consolidation of		
Sonata Employee Welfare Trust	vi	41
Unwinding of finance component of security deposits	iii,v	(3)
Fair valuation of current investments	ii	223
Fair valuation of forward contracts	vii	(476)
Exchange differences in translation of foreign operations	vii	272
Reversal of goodwill amortization	i	56
Loss on account of redemption of preference shares	ii	(278)
Fair value changes with regard to investment in preference shares	ii	(359)
Tax effect on adjustments	iv	164
<b>Ind AS Adjustments</b>	<b>(B)</b>	<b>(395)</b>
<b>Net Profit under Ind AS</b>	<b>(C = A+B)</b>	<b>13,329</b>
<b>(b) Other comprehensive Income includes:</b>		
1) Items that will not be reclassified to profit or loss :		
Actuarial (gain)/loss on defined benefit plans (gratuity)		(25)
Tax impact on the above		6
		(19)
2) Items that will be reclassified to profit or loss :		
Mark to market (MTM) impact on forward contracts (net)		494
Exchange differences in translation of foreign operations		(273)
Tax impact on the above		(54)
		167
<b>Total</b>	<b>(D)</b>	<b>148</b>
<b>Total Comprehensive Income as per Ind AS</b>	<b>(E = C+D)</b>	<b>13,477</b>





## NOTES forming part of financial statements

### 38. Transition to Ind AS (Contd.)

#### Notes

#### i. Business combination:

Under Ind AS, the acquiree's identifiable assets, liabilities and contingent consideration payable on business combination that meet the condition for recognition are considered at their fair value. This has resulted in the recognition of intangible assets and consequently their amortisation in the Statement of Profit and Loss. while under previous GAAP, the assets & liabilities of the acquiree are recognised at cost.

#### ii. Fair valuation of investments:

Under Ind AS, financial assets and financial liabilities are required to be measured at fair value. The resulting fair value change of these investments has been recognised in the retained earnings as at the date of transition and subsequently in the profit or loss for the year ended March 31, 2017. Mutual fund investments have been classified as FVTPL. Consequently, increase in fair value of such investments in quoted mutual funds has resulted in a gain. Under previous GAAP, investments in equity instruments and Mutual funds were classified as long-term investments or current investments based on the intended holding period and its realisability. Long term investments were carried at cost less provision for other than temporary decline in the value of such investments. Current investments were carried at lower of cost and fair value.

#### iii. Security deposits:

Under previous GAAP, Lease security deposits (that are refundable in cash on completion of the lease term) are recorded at their transaction value. Under Ind AS, the difference between the Fair value and transaction value of the security deposits has been recognised as prepaid rent. The lease rentals paid in advance are charged to the statement of profit and loss over the lease term.

#### iv. Deferred Tax:

Under Ind AS, deferred taxes has been recognised on the adjustments made on transition to Ind AS and the items considered under other comprehensive income.

#### v. Consolidation of Employee Welfare Trust:

Under Ind AS, the company is required to consolidate Sonata Employee Welfare Trust Accounts, which is under common control. Under previous GAAP, the same was not consolidated.

#### vi. Hedge Accounting/Forward contracts:

Under Ind AS the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Other Comprehensive Income. The ineffective portion of changes in the fair value of the derivative is recognised in the Statement of Profit and Loss. Under previous GAAP, the gain or loss on the hedging instrument that is determined to be an effective hedge was recognized directly in the appropriate equity account.

#### vii. Employee stock option plan:

Under the previous GAAP, the cost of equity-settled employee share-based plan were recognised using the intrinsic value method. Under Ind AS, the cost of equity-settled share based plan is recognised based on the fair value of the options as at the grant date.

#### viii. Remeasurement of Defined benefit obligations:

Under previous GAAP, actuarial gains and losses were recognised in the statement of Profit and Loss. Under Ind AS, the actuarial gains and losses form part of remeasurement of the net defined benefit liability/ asset which is recognised in Other Comprehensive Income. Consequently, the tax effect of the same has also been recognised in Other Comprehensive Income under Ind AS instead of the Statement of Profit and Loss.

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

**Pradip P Shah**  
Chairman

**P Srikar Reddy**  
Managing Director  
& Chief Executive Officer

**Prasanna Oke**  
Chief Financial Officer

**R Sathyanarayana**  
VP - Finance & Accounts

**Kundan Kumar Lal**  
Company Secretary

Place : Mumbai

Date: May 22, 2018

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF SONATA SOFTWARE LIMITED

### Report on the Consolidated Ind AS Financial Statements

We have audited the accompanying consolidated Ind AS financial statements of **Sonata Software Limited** (hereinafter referred to as "the Parent") and its subsidiaries (the Parent and its subsidiaries together referred to as "the Group"), comprising the Consolidated Balance Sheet as at March 31, 2018, the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity for the year then ended and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

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

The Parent's Board of Directors is responsible for the preparation of these consolidated Ind AS 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 including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; 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 consolidated Ind AS 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 Ind AS financial statements by the Directors of the Parent, as aforesaid.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS 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 Ind AS 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 Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Parent's preparation of the consolidated Ind AS 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 Parent's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS 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 of the subsidiaries referred to below in the Other Matters paragraph, the aforesaid consolidated Ind AS 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 Ind AS and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2018, and their consolidated profit, consolidated total comprehensive income, their consolidated cash flows and consolidated statement of changes in equity for the year ended on that date.

### Other Matters

- (a) We did not audit the financial statements of three subsidiaries, whose financial statements reflect total assets of ₹ 8,299 lakhs as at March 31, 2018, total revenues of ₹ 6,877 lakhs and net cash inflows amounting to ₹ 371 lakhs for the year ended on that date, as considered in the consolidated Ind AS 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 Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the reports of the other auditors.
- (b) The comparative financial information of the Group for the year ended March 31, 2017 and the transition date opening balance sheet as at April 1, 2016 included in this consolidated Ind AS financial information have been prepared after adjusting the previously issued





consolidated financial statement prepared in accordance with the Companies (Accounting Standards) Rules, 2006 to comply with Ind AS. Adjustments made to the previously issued consolidated financial information to comply with Ind AS have been audited by us.

Our opinion on the consolidated Ind AS financial statements above, 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 other auditors.

#### **Report on Other Legal and Regulatory Requirements**

As required by Section 143(3) of the Act, based on our audit and on the consideration of the report of other auditors on separate financial statements and the other financial information of the subsidiary companies 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 Ind AS financial statements.
- (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated Ind AS financial statements have been so far as it appears from our examination of those books and the reports of the other auditors.
- (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements and the reports of the other auditors.
- (d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act.
- (e) On the basis of the written representations received from the directors of the Parent as on March 31, 2018 taken on record by the Board of Directors of the Parent and the report of the statutory auditor of its subsidiary company in India, none of the directors of the Group companies incorporated in India is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate Report in "Annexure A", which is based on the auditors' reports of the Parent and subsidiary company, incorporated in India. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of internal financial controls over financial reporting of those companies, for the reasons stated therein.
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The consolidated Ind AS financial statements disclose the impact of pending litigations on the consolidated financial position of the Group.
  - ii. The Group did not have any material foreseeable losses on long-term contracts including derivative contracts.
  - iii. There has been no delay in transferring amounts required to be transferred, to the Investor Education and Protection Fund by the Parent and its subsidiary company, incorporated in India.

For **DELOITTE HASKINS & SELLS LLP**

Chartered Accountants

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

Place: Mumbai

Date: May 22, 2018

**Vikas Bagaria**

Partner

(Membership No.60408)

# ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT

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

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

In conjunction with our audit of the consolidated Ind AS financial statements of the Company as of and for the year ended March 31, 2018, we have audited the internal financial controls over financial reporting of **Sonata Software Limited** (hereinafter referred to as “Parent”) and its subsidiary company, which includes internal financial controls over financial reporting of the Company’s subsidiary which is a company incorporated in India as of that date.

### **Management’s Responsibility for Internal Financial Controls**

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

### **Auditor’s Responsibility**

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Parent, its subsidiary company, which is a company incorporated in India.

### **Meaning of Internal Financial Controls Over Financial Reporting**

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

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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

### **Opinion**

In our opinion to the best of our information and according to the explanations given to us, the Parent, its subsidiary company, which is a company incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the criteria for internal financial control over financial reporting established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **DELOITTE HASKINS & SELLS LLP**  
Chartered Accountants  
(Firm’s Registration No. 117366W/W-100018)

**Vikas Bagaria**  
Partner  
(Membership No.60408)

Place: Mumbai  
Date: May 22, 2018





## BALANCE SHEET as at March 31, 2018

₹ in Lakhs

	Note No.	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, Plant and equipment	3	2,315	2,368	2,500
Capital work-in-progress		28	42	29
Goodwill	4	8,067	8,029	8,202
Other intangible assets	5	1,009	1,431	1,538
Financial assets	6			
Investments	6.1	6,845	6	4
Other financial assets	6.2	2,117	1,434	1,198
Deferred tax assets (net)	19	1,244	454	519
Other non-current assets	7	6,363	6,583	5,320
<b>Total non-current assets</b>		<b>27,988</b>	<b>20,347</b>	<b>19,310</b>
<b>Current assets</b>				
Inventories	8	-	-	1,001
Financial assets	9			
Investments	9.1	12,997	12,793	6,014
Trade receivables	9.2	39,644	51,991	35,111
Cash and cash equivalents	9.3	33,407	8,100	7,226
Bank balances other than above	9.4	1,313	17,204	22,678
Other financial assets	9.5	4,405	6,014	4,466
Other current assets	10	3,602	3,320	3,532
<b>Total current assets</b>		<b>95,368</b>	<b>99,422</b>	<b>80,028</b>
<b>Total assets</b>		<b>123,356</b>	<b>119,769</b>	<b>99,338</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity share capital	11	1,038	1,037	1,036
Other equity	12	64,292	58,002	46,619
Non-controlling interest		(4)	36	(10)
<b>Total Equity</b>		<b>65,326</b>	<b>59,075</b>	<b>47,645</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Financial liabilities	13			
Borrowings	13.1	1,868	3,357	5,223
Other financial liabilities	13.2	243	483	490
Other non-current liabilities	14	1,025	922	755
<b>Total non-current liabilities</b>		<b>3,136</b>	<b>4,762</b>	<b>6,468</b>
<b>Current liabilities</b>				
Financial liabilities	15			
Borrowings	15.1	-	178	11,905
Trade payables		43,226	44,825	26,546
Other financial liabilities	15.2	2,035	2,158	679
Other current liabilities	16	4,206	5,323	3,606
Provisions	17	1,437	1,164	1,034
Current tax liabilities (net)	18	3,990	2,284	1,455
<b>Total current liabilities</b>		<b>54,894</b>	<b>55,932</b>	<b>45,225</b>
<b>Total equity and liabilities</b>		<b>123,356</b>	<b>119,769</b>	<b>99,338</b>

See accompanying notes forming part of the financial statements

**In terms of our report attached**

**For Deloitte Haskins & Sells LLP**  
Chartered Accountants

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

**Vikas Bagaria**  
Partner

**Pradip P Shah**  
Chairman

**P Srikar Reddy**  
Managing Director  
& Chief Executive Officer

**Prasanna Oke**  
Chief Financial Officer

**R Sathyanarayana**  
VP - Finance & Accounts

**Kundan Kumar Lal**  
Company Secretary

Place : Mumbai  
Date: May 22, 2018

## STATEMENT OF PROFIT & LOSS for the year ended March 31, 2018

₹ in Lakhs

	Note No.	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>REVENUE</b>			
Revenue from operations	20.1	245,394	237,078
Other income	20.2	4,545	4,711
<b>Total revenue</b>		<b>249,939</b>	<b>241,789</b>
<b>EXPENSES</b>			
Purchase of stock-in-trade (traded goods)	21	148,807	148,833
Changes in inventories of stock-in-trade	22	-	1,001
Employee benefits expense	23	51,374	45,599
Finance costs	24	480	928
Depreciation and amortization expense	3, 5	1,241	1,088
Other expenses	25	22,115	22,490
<b>Total expenses</b>		<b>224,017</b>	<b>219,939</b>
<b>Profit before exceptional item and tax</b>		<b>25,922</b>	<b>21,850</b>
Add : Exceptional item (Interest income on income tax refund)		115	772
<b>Profit before tax</b>		<b>26,037</b>	<b>22,622</b>
<b>Tax expense</b>	19		
Current tax expense		7,125	6,620
Short/(excess) provision for tax relating to prior years		-	181
Deferred tax		(301)	129
<b>Net tax expense</b>		<b>6,824</b>	<b>6,930</b>
<b>Profit after tax before non-controlling interest</b>		<b>19,213</b>	<b>15,692</b>
Non-controlling interest		40	(62)
<b>Profit after tax after Non-controlling interest</b>		<b>19,253</b>	<b>15,630</b>
<b>Other Comprehensive Income</b>			
1. (a) Items that will not be reclassified to profit/(loss)		(99)	(14)
(b) Income tax relating to items that will not be reclassified to profit/(loss)		24	3
		<b>(75)</b>	<b>(11)</b>
2. Items that will be reclassified to profit/(loss)			
(a) Exchange differences in translating the financial statements of foreign operations		247	(858)
(b) Exchange differences on forward cover		(581)	494
(c) Exchange differences on Goodwill reinstatement		38	(157)
(d) Income tax relating to Items that will be reclassified to profit/(loss)		73	127
		<b>(223)</b>	<b>(394)</b>
<b>Total</b>		<b>(298)</b>	<b>(405)</b>
<b>Total Comprehensive Income</b>		<b>18,955</b>	<b>15,225</b>
Earnings per share - (on ₹ 1 per share)	40		
Basic		18.54	15.07
Diluted		18.53	15.07

See accompanying notes forming part of the financial statements

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Chartered Accountants

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

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Partner

**Pradip P Shah**  
Chairman

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Managing Director  
& Chief Executive Officer

**Prasanna Oke**  
Chief Financial Officer

**R Sathyanarayana**  
VP - Finance & Accounts

**Kundan Kumar Lal**  
Company Secretary

Place : Mumbai  
Date: May 22, 2018





## CASH FLOW STATEMENT for the year ended March 31, 2018

₹ in Lakhs

	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Profit before tax</b>	<b>26,037</b>	<b>22,622</b>
Adjustments for :		
Depreciation and amortization expense	1,241	1,088
Finance costs	437	832
Allowances for credit losses	6	595
Bad trade receivables written off	99	39
Provision/ liabilities no longer required written back	(120)	(393)
Rent deposits discounted	(22)	(43)
Interest from fixed deposits/margin money with banks	(375)	(1,280)
Interest income on income tax refund	(115)	(772)
Dividend income from current investment	(473)	(196)
Net (gain) / loss on sale of fixed assets / scrapped	1	20
Net (gain) / loss on investments	(498)	(381)
Discounting of lease deposits debited to rent	9	46
Expenses on employee stock based compensation	72	60
Unrealized foreign exchange gain (net)	(42)	(1,398)
<b>Operating profit before working capital changes</b>	<b>26,257</b>	<b>20,839</b>
Adjustments for:		
Decrease/(Increase) in trade receivables	12,639	(17,704)
Decrease/(Increase) in inventories	-	1,001
Decrease/(increase) in other financial assets non-current	4	(120)
Decrease/(increase) in other financial assets-current	(819)	(1,052)
Decrease/(Increase) in other non current assets	23	34
Decrease/(increase) in other current assets	(282)	197
(Decrease)/Increase in trade payables	(1,444)	19,651
(Decrease)/increase in other financial liabilities non-current	(240)	(7)
(Decrease)/increase in other financial liabilities	1	-
(Decrease)/Increase in other current liabilities	(1,218)	1,778
(Decrease)/increase in other non-current liabilities	103	167
(Decrease)/increase in provisions	273	130
<b>Cash generated from operations</b>	<b>35,297</b>	<b>24,914</b>
Direct taxes/advance tax paid (net)	(5,520)	(6,463)
<b>Net cash flow from / (used in) operating activities (A)</b>	<b>29,777</b>	<b>18,451</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets, including intangible assets, capital work-in-progress and capital advances	(649)	(970)
Proceeds from sale of fixed assets	14	10
Purchase of current investments	(131,062)	(49,200)
Proceeds from sale of investments	124,990	43,009
Bank balances not considered as Cash and cash equivalents	15,256	5,407
Interest received	967	1,704
<b>Net cash flow from / (used in) investing activities (B)</b>	<b>9,516</b>	<b>(40)</b>

## CASH FLOW STATEMENT for the year ended March 31, 2018

₹ in Lakhs

	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings (net)	(2,149)	(12,081)
Dividends paid on equity shares	(9,530)	(3,557)
Dividend taxes paid on equity shares	(1,927)	(810)
Proceeds received from issue of equity shares	1	1
Finance costs	(437)	(828)
<b>Net cash flow used in financing activities (C)</b>	<b>(14,042)</b>	<b>(17,275)</b>
<b>Net increase/(decrease) in Cash and cash equivalents (A+B+C)</b>	<b>25,251</b>	<b>1,136</b>
Opening Cash and cash equivalents	8,100	7,226
Exchange difference on translation of foreign currency Cash and cash equivalents	56	(262)
<b>Closing Cash and cash equivalents</b>	<b>33,407</b>	<b>8,100</b>
Cash and cash equivalents at the end of the period comprises:		
Cash on hand	1	1
Balances with banks		
In current accounts	10,048	7,014
In EEFC accounts	6,668	1,085
In demand deposit accounts	16,690	-
	<b>33,407</b>	<b>8,100</b>

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

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

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Partner

**Pradip P Shah**  
Chairman

**P Srikar Reddy**  
Managing Director  
& Chief Executive Officer

**Prasanna Oke**  
Chief Financial Officer

**R Sathyanarayana**  
VP - Finance & Accounts

**Kundan Kumar Lal**  
Company Secretary

Place : Mumbai  
Date: May 22, 2018





# STATEMENT OF CHANGES IN EQUITY

## for the year ended March 31, 2018

(a) Equity Share Capital		₹ in Lakhs
Balance as at April 1, 2016		1,036
Add: Shares issued on exercise of employee stock option		1
<b>Balance as at March 31, 2017</b>		<b>1,037</b>
Balance as at April 1, 2017		1,037
Add: Shares issued on exercise of employee stock option		1
<b>Balance as at March 31, 2018</b>		<b>1,038</b>

(b) Other equity		₹ in Lakhs								
Particulars	Reserves and Surplus (Refer Note 12)					Items of Other Comprehensive Income (Refer Note 12)				Total Other Equity
	Securities Premium Reserve	Capital Redemption Reserve	General Reserve	ESOP Reserve	Retained Earnings	Remeasurement of the defined benefit plans	Effective portion of cash flow hedges	Foreign Currency translation Reserve	Other item of Other Comprehensive Income	
Balance as at April 1, 2016	4,493	2,787	8,742	35	29,780	-	782	-	-	46,619
Profit for the year	-	-	-	-	15,630	-	-	-	-	15,630
Amount transferred to initial amount of hedged item (net of tax)	-	-	-	-	-	-	417	-	-	417
Employee share based payments (Refer Note 33)	-	-	-	61	-	-	-	-	-	61
Payment of Cash dividends (Refer Note 41)	-	-	-	-	(3,571)	-	-	-	-	(3,571)
Dividend distribution tax (Refer Note 41)	-	-	-	-	(749)	-	-	-	-	(749)
Other comprehensive income, (net of tax)	-	-	-	-	-	(11)	373	(648)	(119)	(405)
<b>Balance as at March 31, 2017</b>	<b>4,493</b>	<b>2,787</b>	<b>8,742</b>	<b>96</b>	<b>41,090</b>	<b>(11)</b>	<b>1,572</b>	<b>(648)</b>	<b>(119)</b>	<b>58,002</b>
Balance as at April 1, 2017	4,493	2,787	8,742	96	41,090	(11)	1,572	(648)	(119)	58,002
Profit for the year	-	-	-	-	19,253	-	-	-	-	19,253
Amount transferred to initial amount of hedged item (net of tax)	-	-	-	-	-	-	(1,214)	-	-	(1,214)
Employee share based payments (Refer Note 33)	-	-	-	72	-	-	-	-	-	72
Cash dividends (Refer Note 41)	-	-	-	-	(9,596)	-	-	-	-	(9,596)
Dividend distribution tax (Refer Note 41)	-	-	-	-	(1,927)	-	-	-	-	(1,927)
Other comprehensive income, (net of tax)	-	-	-	-	-	(75)	(439)	187	29	(298)
<b>Balance as at March 31, 2018</b>	<b>4,493</b>	<b>2,787</b>	<b>8,742</b>	<b>168</b>	<b>48,820</b>	<b>(86)</b>	<b>(81)</b>	<b>(461)</b>	<b>(90)</b>	<b>64,292</b>

See accompanying notes forming part of the financial statements

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**For Deloitte Haskins & Sells LLP**  
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**Kundan Kumar Lal**  
Company Secretary

Place : Mumbai  
Date: May 22, 2018

# NOTES forming part of consolidated financial statements

## Significant Accounting Policies

### 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.

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. The Company is a public limited company incorporated 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 consolidated financial statements were authorised for issuance by the Company's Board of Directors on May 22, 2018.

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.

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated."

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 BASIS OF PREPARATION & PRESENTATION OF FINANCIAL STATEMENTS

##### a. Statement of compliance

The consolidated financial statements have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (India Accounting Standards) Amendment Rules, 2016 as applicable.

Upto the year ended March 31, 2017, the Group prepared and presented its consolidated financial statements in accordance with the accounting standards notified under section 133 of the Companies Act, 2013 (Indian GAAP), which includes Standards notified under the Companies (Accounting Standards) Rules, 2006.

These are the Group's first Ind AS financial statements. The Group has adopted all applicable standards and the adoption was carried out in accordance with Ind AS 101 – 'First Time Adoption of Indian Accounting Standards'. An explanation of how the transition to Ind AS has affected the reported financial position, financial performance and cash flows of the Group are provided in Note no 43 First Time Adoption. The date of transition to Ind AS is April 1, 2016.

##### b. Basis of measurement

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

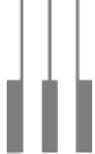
##### c. Use of judgement, estimates and assumptions

The preparation of the consolidated financial statements in conformity with Ind AS requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities and disclosure relating to contingent liabilities as at the date of financial statement and the reported amounts of income and expenditure during the reported year. 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 recognised in the periods in which the results are known / materialize.

The areas involving critical estimates or judgements are:

- i. **Depreciation and amortisation:** Depreciation and amortisation is based on management estimates of the future useful lives of certain class of property, plant and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the depreciation and amortisation charges.
- ii. **Impairment testing:** Investments in subsidiaries, goodwill and intangible assets are tested for impairment annually and when events occur or changes in circumstances indicate that the recoverable amount of the asset or cash generating units to which these pertain is less than its carrying value. The recoverable amount of cash generating units is higher of value-in-use and fair value less cost to dispose. The calculation of value in use of a cash generating unit involves use of significant estimates and assumptions which includes turnover growth rates and net margins used to calculate projected future cash flows, risk-adjusted discount rate, future economic and market conditions.





## NOTES forming part of consolidated financial statements

- iii. **Business combination:** In accounting for business combinations, judgment is required in identifying whether an identifiable intangible asset is to be recorded separately from goodwill. Additionally, estimating the acquisition date fair value of the identifiable assets acquired (including useful life estimates), liabilities acquired and contingent consideration assumed involves management judgment. These measurements are based on information available at the acquisition date and are based on expectations and assumptions that have been deemed reasonable by management. Changes in these judgments, estimates, and assumptions can materially affect the results of operations.
- iv. **Employee Benefits :** The present value of the employee benefits obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) includes the discount rate, wage escalation and employee attrition. Any changes in these assumptions will impact the carrying amount of obligations. The discount rate is based on the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated term of the obligations.
- v. **Provision and contingencies :** Provisions and contingencies are based on the Management’s best estimate of the liabilities based on the facts known at the Balance Sheet date.
- vi. **Expected credit losses on financial assets:** The impairment provisions of financial assets are based on assumptions about risk of default and expected timing of collection. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s past history, customer’s creditworthiness, existing market conditions as well as forward looking estimates at the end of each reporting period.
- vii. **Income taxes:** The Group’s two major tax jurisdictions are India and the U.S., though the Group also files tax returns in other foreign jurisdictions. Significant judgments are involved in determining the provision for income taxes, including the amount expected to be paid or recovered in connection with uncertain tax positions.
- viii. **Liability towards acquisition of businesses:** Contingent consideration representing liability towards acquisition of business is reassessed at every reporting date. Any increase or decrease in the probability of achievement of financial targets would impact the measurement of the liability. Appropriate changes in estimates are made when the Management becomes aware of the circumstances surrounding such estimates.
- xi. **Other estimates:** The preparation of consolidated financial statements involves estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amount of revenues and expenses for the reporting period.

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

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

### 2.2 Basis of Consolidation:

Sonata consolidates entities which it owns and controls. The consolidated financial statements comprise the financial statements of the company, its Employee Welfare Trust and its subsidiaries.

The financial statements of the Group companies are consolidated on a line by line basis and the intra group balances and transactions, including unrealized gain / loss from such transactions, are eliminated upon consolidation. These consolidated financial statements are prepared by applying uniform accounting policies in use at the Group. Non-controlling interests which represent part of the net profit or loss and net assets of the subsidiaries that are not, directly or indirectly, owned or controlled by the Company, are excluded.

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

Name of the Entity	Country of Incorporation	% of ownership held as at March 31, 2018	% of ownership held as at March 31, 2017
Sonata Information Technology Limited, India	India	100%	100%
Sonata Software North America Inc., USA	USA	100%	100%
Sonata Europe Limited, UK	UK	100%	100%
Sonata Software GmbH, Germany	Germany	100%	100%
Sonata Software FZ LLC, Dubai	UAE	100%	100%
Sonata Software (Qatar) LLC	Qatar	49%	49%
Rezopia Inc.	USA	60%	60%
Halosys Technologies Inc.	USA	100%	100%
Interactive Business Information Systems Inc.	USA	100%	100%

Note: 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.

## NOTES forming part of consolidated financial statements

### 2.3 Functional and presentation currency :

Items included in the consolidated financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which these entities operate (i.e. the "functional currency"). The consolidated financial statements are presented in Indian Rupee (₹) which is the functional currency of the Company. The functional currency of its Branches is as per its respective domicile currency.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Property, Plant and Equipment

**On Transition :** For transition to Ind AS, the Group has elected to continue with the carrying value of all of its property, plant and equipment recognised as of April 1, 2016 (transition date) measured as per the previous GAAP and use that carrying value as its deemed cost as of the transition date.

#### Subsequent to Transition:

**Recognition & Measurement:** Property, Plant and Equipment are carried at cost less accumulated depreciation / amortization and impairment losses, if any. The cost of property, plant and equipment 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, other incidental expenses. Subsequent expenditure, if any, on property, plant and equipment 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.

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

#### b. Capital work-in-progress

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

#### c. Depreciation/ Amortisation

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

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

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

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

#### d. Intangible assets

**On Transition:** The Group has elected to continue with the carrying value of all of its intangible assets recognised as of April 1, 2016 (transition date) measured as per the previous GAAP and use that carrying value as its deemed cost as of the transition date.

#### Subsequent to Transition:

**Recognition & Measurement:** Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and impairment losses, if any.

Amortization is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period.

**Intangible assets under development:** Expenditure on Research and development eligible for capitalisation are carried as Intangible assets under development where such assets are not yet ready for their intended use.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in Statement of Profit and Loss when the asset is derecognized.





## NOTES forming part of consolidated financial statements

The estimated useful lives of intangibles are as follows:

Category	Useful Life
Computer Software	3 years
Internally generated - Software	2 years
Intellectual property acquired through business combinations	5 years
Non competent covenant	4 years
Vendor relationships	7 years
Customer relationships	7 years

### e. Business combination, Goodwill and Intangible assets:

Business combinations are accounted for using the purchase (acquisition) method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The cost of acquisition also includes the fair value of any contingent consideration. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition.

Transaction costs incurred in connection with a business combination are expensed as incurred.

- a) Goodwill- The excess of the cost of acquisition over the Group's share in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is recognized as goodwill. If the excess is negative, a bargain purchase gain is recognized in capital reserve.
- b) Intangible assets - Ind AS 103 requires the identifiable intangible assets and contingent consideration to be fair valued in order to ascertain the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. Significant estimates are required to be made in determining the value of contingent consideration and intangible assets. These valuations are conducted by independent valuation experts.

### f. Research & development expenses

Research 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 capitalized. The amount capitalized 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.

### g. Foreign Currency transactions and translations

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

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

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

The translation of financial statements of the foreign subsidiaries to the presentation currency is performed for assets and liabilities using the exchange rate in effect at the Balance Sheet date and for revenue, expense and cash flow items using the daily exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under Other Comprehensive Income (OCI).

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate in effect at the Balance Sheet date.

### h. Financial Instruments

**Financial assets :** The Group classifies its financial assets in the following categories:

- i. **Financial assets at amortised cost** - Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost.

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

## NOTES forming part of consolidated financial statements

Financial assets at amortised cost are represented by trade receivables, security and other deposits, cash and cash equivalent, employee and other advances.

- ii. **Equity investments** - Investment in subsidiaries are stated at cost less impairment loss if any.
- iii. **Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI)** - For assets, if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and where the company has exercised the option to classify the equity investment as at FVTOCI, all fair value changes on the investment are recognised in OCI. The accumulated gains or losses on such investments are not recycled to the Statement of Profit and Loss even on sale of such investment.
- iv. **Financial assets at Fair Value through Profit and loss (FVTPL)** - Financial assets which is not classified in any of the above category is measured at FVTPL. These include surplus funds invested in mutual funds etc.

### Financial liabilities

**Initial recognition and measurement** - Financial liabilities are measured at amortised cost using effective interest method. For trade and other payable maturing within one year from the Balance Sheet date, the carrying value approximates fair value due to short maturity.

### Derivative financial instruments and hedging activities

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

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

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

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

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

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

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

### Offsetting financial instruments

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

### Fair value measurement

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

- i) Level 1 - The fair value of financial instruments quoted in active markets is based on their quoted closing price at the Balance Sheet date.
- ii) Level 2 - The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques using observable market data. Such valuation techniques include discounted cash flows, standard valuation models based on market parameters for interest rates, yield curves or foreign exchange rates, dealer quotes for similar instruments and use of comparable arm's length transactions
- iii) Level 3 - The fair value of financial instruments that are measured on the basis of entity specific valuations using inputs that are not based on observable market data (unobservable inputs). When the fair value of unquoted instruments cannot be measured with sufficient reliability, the Group carries such instruments at cost less impairment, if applicable.





## NOTES forming part of consolidated financial statements

### i. Employee Benefits

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

**Provident Fund:** Employees receive benefits from a provident fund, which is a defined benefit plan. The employer and employees each make periodic contributions to the plan. A portion of the contribution is made to the approved provident fund trust managed by the Trustees of Sonata Software Limited Provident Fund while the remainder of the contribution is made to the government administered pension fund. The contributions to the trust managed by the Company is accounted for as a defined contribution plan as the Company is liable for any shortfall in the fund assets based on the government specified minimum rates of return.

**Social security plans** - Defined Contributions payable to the social security plans for employees working abroad under multiple jurisdictions, are charged to the consolidated Statement of Profit and Loss in the period in which the employee renders services.

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

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

Actuarial gains and losses are recognised in the Other Comprehensive Income 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 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.

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

#### Short-term employee benefits

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

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

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

#### Long-term employee benefits

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

### j. Share based payments

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

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

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

The fair value of the amount payable to the employees in respect of Stock Appreciation Rights (SAR), which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become

## NOTES forming part of consolidated financial statements

unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the SAR plan. Any changes in the liability are recognized in Statement of Profit and Loss.”

### k. Provisions

A provision is recognised when the Company has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are determined by discounting the expected future cashflows at pre-tax rate that reflects the current market assessments of the time value of the money and the risks specific to the liability. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

### l. Income Taxes

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

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

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

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

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

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

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 deferred tax asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

### m. Leases:

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. When acquired, such assets are capitalized at fair value or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognised as an expense on a straight line basis in the Statement of Profit and Loss over the lease term except where the lease payments are structured to increase in line with expected general inflation.

### n. Cash flow Statement:

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

### o. Revenue Recognition

The Group derives revenue primarily from Information Technology Services and Solutions. The Group recognizes revenue when the significant terms of the arrangement are enforceable, services have been delivered and the collectability is reasonably assured. The method for recognizing revenues and costs depends on the nature of the services rendered:

#### a) Time and materials contracts

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





## NOTES forming part of consolidated financial statements

**b) Fixed-price contracts**

Revenues from fixed price contracts are recognised over the life of the contract using percentage of completion method, with contract costs determining the stage of completion at the end of the reporting period. Foreseeable losses on such contracts are recognised when probable.

**c) Hardware/software products and licenses**

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 customization required. In case of customization the same is recognised over the life of the contract using the proportionate completion method, with contract costs determining the degree of completion. Foreseeable losses on such contracts are recognised when probable.

**d) Maintenance Contracts**

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

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

**p. Borrowing Costs:**

Borrowing costs consist of interest, ancillary and other costs that the Group incurs in connection with the borrowing of funds and interest relating to other financial liabilities. Borrowing costs also include exchange differences to the extent regarded as an adjustment to the borrowing costs.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.

**q. Foreign Currency transactions and translations**

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

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

Foreign currency gains and losses are reported on a net basis.

**r. Finance Income and expense**

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

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

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

**s. Impairment**

a) Financial assets : In accordance with Ind AS 109, the Group applies expected credit loss (ECL) model for measurement and recognition of impairment loss.

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

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

## NOTES forming part of consolidated financial statements

### b) Non-financial assets

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

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

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

The goodwill acquired in a business combination is, for the purpose of impairment testing, allocated to cash-generating units that are expected to benefit from the synergies of the combination.

Goodwill is tested for impairment on an annual basis and whenever there is an indication that goodwill may be impaired, relying on a number of factors including operating results, business plans and future cash flows. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the Group's cash generating units (CGU) or groups of CGU's expected to benefit from the synergies arising from the business combination. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment occurs when the carrying amount of a CGU including the goodwill, exceeds the estimated recoverable amount of the CGU. The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value-in-use. Value-in-use is the present value of future cash flows expected to be derived from the CGU. Total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU prorata on the basis of the carrying amount of each asset in the CGU. An impairment loss on goodwill is recognised in consolidated Statement of Profit and Loss and is not reversed in the subsequent period.

### t. Earnings per share

Basic earnings per share is computed by dividing the profit / (loss) after tax 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 and the weighted average number of equity shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

### u. Contingent Liabilities

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

### v. Contingent Assets

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

### w. Events after the reporting period

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

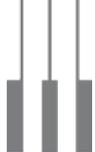
Non-adjusting events are events that are indicative of conditions that arose after the end of the reporting period. Non-adjusting events after the reporting date are not accounted, but disclosed.

### x. First-time adoption – mandatory exceptions, optional exemptions

The consolidated financial statements are prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended, read with relevant rules issued thereunder in terms of the SEBI LODR, as modified by Circular No CIR/CFD/FAC/62/2016 dated July 5, 2016.

For periods up to and including the year ended March 31, 2017, the Group prepared its consolidated financial statements in accordance with the then applicable Accounting Standards in India ('previous GAAP'). The adoption of Ind AS was carried out in accordance with Ind AS 101, considering April 01, 2016 as the transition date. Pursuant to adoption of Ind AS, the differences in the carrying amounts of assets and liabilities on the transition date under the previous GAAP and the balances on adoption of Ind AS have been recognised directly in equity. The consolidated financial statements for the year ended March 31, 2018,





## NOTES forming part of consolidated financial statements

March 31, 2017 and April 01, 2016 have been presented under Ind AS for comparative purposes. Accounting policies have been applied consistently to all periods presented in these Consolidated Financial Results.

In preparing the opening Ind AS statement of financial position, adjustments are carried out to the amounts reported in consolidated financial statements prepared in accordance with previous GAAP. An explanation of how the transition from previous GAAP to Ind AS has affected our financial performance, cash flows and financial position is set out in Note No 43.

### y. New standards and interpretations not yet adopted

**Appendix B to Ind AS 21, Foreign currency transactions and advance consideration:** On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. The amendment will come into force from April 1, 2018. The Group is evaluating the effect of this on the consolidated financial statements.

**Ind AS 115- Revenue from Contract with Customers:** On March 28, 2018, the Ministry of Corporate Affairs notified Ind AS 115 Revenue from Contracts with Customers. The standard replaces Ind AS 11 Construction Contracts and Ind AS 18 Revenue.

The new standard applies to contracts with customers. The core principle of the new standard is that an entity should recognize revenue to depict transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further, the new standard requires enhanced disclosures about the nature, timing and uncertainty of revenues and cash flows arising from the entity's contracts with customers. The new standard offers a range of transition options. An entity can choose to apply the new standard to its historical transactions and retrospectively adjust each comparative period. Alternatively, an entity can recognize the cumulative effect of applying the new standard at the date of initial application - and make no adjustments to its comparative information. The chosen transition option can have a significant effect on revenue trends in the financial statements. A change in the timing of revenue recognition may require a corresponding change in the timing of recognition of related costs. The standard is effective for annual periods beginning on or after April 1, 2018. The Group is currently evaluating the requirements of Ind AS 115, and has not yet determined the impact on the consolidated financial statements.

## NOTES forming part of consolidated financial statements

### 3. Property, Plant and Equipment

(₹ in lakhs)

Particulars	Tangible Assets							Total Tangible Assets
	Leasehold Land	Buildings	Office Equipments	Leasehold Improvements	Furniture and Fixtures	Plant and Equipments	Vehicles	
<b>Deemed cost</b>								
As at April 1, 2016	276	115	196	922	351	631	9	2,500
Additions	-	-	94	108	54	383	-	639
Disposals/Write off	-	-	(5)	5	(25)	(4)	(1)	(30)
<b>As at March 31, 2017</b>	<b>276</b>	<b>115</b>	<b>285</b>	<b>1,035</b>	<b>380</b>	<b>1,010</b>	<b>8</b>	<b>3,109</b>
As at April 1, 2017	276	115	285	1,035	380	1,010	8	3,109
Additions	-	-	109	54	60	356	196	775
Disposals/Write off	-	-	(7)	(5)	(1)	(3)	-	(16)
<b>As at March 31, 2018</b>	<b>276</b>	<b>115</b>	<b>387</b>	<b>1,084</b>	<b>439</b>	<b>1,363</b>	<b>204</b>	<b>3,868</b>
<b>Depreciation/ Amortization</b>								
As at April 1, 2016	-	-	-	-	-	-	-	-
Charge for the Year	11	2	78	286	96	265	3	741
<b>As at March 31, 2017</b>	<b>11</b>	<b>2</b>	<b>78</b>	<b>286</b>	<b>96</b>	<b>265</b>	<b>3</b>	<b>741</b>
As at April 1, 2017	11	2	78	286	96	265	3	741
Charge for the Year	10	2	118	255	89	307	31	812
Disposals/Write off	-	-	-	-	-	-	-	-
<b>As at March 31, 2018</b>	<b>21</b>	<b>4</b>	<b>196</b>	<b>541</b>	<b>185</b>	<b>572</b>	<b>34</b>	<b>1,553</b>
<b>Net Block</b>								
<b>As at March 31, 2017</b>	<b>265</b>	<b>113</b>	<b>207</b>	<b>749</b>	<b>284</b>	<b>745</b>	<b>5</b>	<b>2,368</b>
<b>As at March 31, 2018</b>	<b>255</b>	<b>111</b>	<b>191</b>	<b>543</b>	<b>254</b>	<b>791</b>	<b>170</b>	<b>2,315</b>

### 4. Goodwill

### 5. Other intangible assets

(₹ in lakhs)

Particulars	Goodwill	Other intangible assets			Total Intangible Assets
		Computer Software - Purchased	Internally Generated - Software	Amortisation of Intangibles	
<b>Deemed cost</b>					
As at April 1, 2016	8,202	2	195	1,341	1,538
Additions	-	1	255	-	256
Disposals/Write off	(173)	-	-	(16)	(16)
<b>As at March 31, 2017</b>	<b>8,029</b>	<b>3</b>	<b>450</b>	<b>1,325</b>	<b>1,778</b>
As at April 1, 2017	8,029	3	450	1,325	1,778
Additions	-	-	-	-	-
Disposals/Write off	38	4	-	3	7
<b>As at March 31, 2018</b>	<b>8,067</b>	<b>7</b>	<b>450</b>	<b>1,328</b>	<b>1,785</b>
<b>Depreciation/ Amortization</b>					
As at April 1, 2016	-	-	-	-	-
Charge for the Year	-	3	130	214	347
Disposals/Write off	-	-	-	-	-
<b>As at March 31, 2017</b>	<b>-</b>	<b>3</b>	<b>130</b>	<b>214</b>	<b>347</b>
As at April 1, 2017	-	3	130	214	347
Charge for the Year	-	4	215	210	429
Disposals/Write off	-	-	-	-	-
<b>As at March 31, 2018</b>	<b>-</b>	<b>7</b>	<b>345</b>	<b>424</b>	<b>776</b>
<b>Net Block</b>					
<b>As at March 31, 2017</b>	<b>8,029</b>	<b>-</b>	<b>320</b>	<b>1,111</b>	<b>1,431</b>
<b>As at March 31, 2018</b>	<b>8,067</b>	<b>-</b>	<b>105</b>	<b>904</b>	<b>1,009</b>





## NOTES forming part of consolidated financial statements

### 4. Goodwill

i) Reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period:

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Cost or deemed cost	8,067	8,029	8,202
Accumulated impairment losses	-	-	-
	<b>8,067</b>	<b>8,029</b>	<b>8,202</b>
<b>Cost or deemed cost</b>		<b>As at March 31, 2018</b>	<b>As at March 31, 2017</b>
Balance at beginning of year		8,029	8,202
Effect of foreign currency exchange differences		38	(168)
<b>Balance at end of year</b>		<b>8,067</b>	<b>8,029</b>

### ii) Allocation of goodwill to cash generating units:

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to cash generating units (CGU), to be benefited through the synergies of the acquisition. On each reporting date, the company reviews the goodwill for any impairment, which is represented through CGU's.

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

(₹ in lakhs)

Cash generating units	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Rezopia	1,068	1,064	1,087
Halosys	1,989	1,980	2,023
IBIS	5,010	4,985	5,092
<b>Total</b>	<b>8,067</b>	<b>8,029</b>	<b>8,202</b>

At the end of each reporting period, the recoverable amount of a CGU is higher of its fair value less cost to sell and its value-in-use. The fair value of a CGU is determined based on the market capitalization. The value in use determined based on the specific calculations. These calculations are based on net present value of cash flow projections over a period of five years discounted at the rate of 12%. Cash flow projections are based on financial budgets approved by management.

As at the end of each financial years, the estimated recoverable amount of the CGU exceeded its carrying amount, hence impairment is not required.

### 6.1. Investments

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
<b>Non-Trade, Long-term, at cost</b>			
<b>In Foreign Holdings</b>			
<b>Equity instruments carried at fair value (Quoted) through OCI</b>			
138 shares of US \$ 0.01 per share of Principal Financial Group Inc., (As at March 31, 2017. 138 Shares of US \$ 0.01 per share)	6	6	4
<b>Equity instruments carried at fair value (Unquoted) through OCI</b>			
223 Equity shares of DKK 1000 on a value of DKK 2733 per share in IZARA Aps (As at March 31, 2017 - Nil units)	62	-	-

## NOTES forming part of consolidated financial statements

(₹ in lakhs)

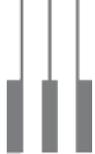
Investments in Mutual Funds (Quoted)	As at March 31, 2018		As at March 31, 2017		As at April 1, 2016	
	No. of units	₹ in Lakhs	No. of units	₹ in Lakhs	No. of units	₹ in Lakhs
Birla Sunlife Corporate Bond Fund	8,030,000	1,039	-	-	-	-
IDFC Super Saver Income Fund	2,641,424	1,090	-	-	-	-
HDFC Regular Savings Fund	4,503,382	1,551	-	-	-	-
DSPBR Income Opportunity Fund	3,614,375	1,034	-	-	-	-
ICICI Prudential Corporate Bond Fund	7,627,532	2,063	-	-	-	-
<b>Total</b>		<b>6,845</b>		<b>6</b>	<b>-</b>	<b>4</b>
Aggregate cost of quoted investments		6,606		6		4
Market value of quoted investment		6,783		6		4
Aggregate cost of unquoted investment		62		-		-
Investments carried at fair value through other comprehensive income		68		6		4
Investments carried at fair value through profit or loss		6,777		-		-

### 6.2. Other financial assets

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Unsecured, considered good			
Security deposits (*)	1,288	1,270	1,107
Balance held as margin money or security against borrowings	792	157	90
Interest accrued but not due on margin money	37	7	1
<b>Total</b>	<b>2,117</b>	<b>1,434</b>	<b>1,198</b>
(*) Security deposits carried at cost.	1,256	1,215	1,009



**NOTES** forming part of consolidated financial statements**7. Other non-current assets**

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Unsecured, considered good unless otherwise stated			
Capital advances	5	17	7
Lease pre-payments	40	49	94
Other deposits	172	159	239
Prepaid expenses	107	158	113
Advance Tax	5,775	5,951	4,619
Balances with government authorities			
Considered good	233	219	219
Considered doubtful	7	7	7
	240	226	226
Less : Provision for doubtful balances	7	7	7
	233	219	219
Other recoverables			
Considered good	31	30	29
Considered doubtful	125	125	125
	156	155	154
Less. Allowance for doubtful recoverable	125	125	125
	31	30	29
<b>Total</b>	<b>6,363</b>	<b>6,583</b>	<b>5,320</b>

**8. Inventories**

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Stock-in-trade - Hardware/Software product and licenses	-	-	1,001
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,001</b>

## NOTES forming part of consolidated financial statements

### 9.1. Investments

	As at March 31, 2018		As at March 31, 2017		As at April 1, 2016	
<b>Non-trade</b>						
<b>Investments in Mutual Funds (Quoted)</b>	No. of units	₹ in Lakhs	No. of units	₹ in Lakhs	No. of units	₹ in Lakhs
At lower of cost and fair value, unless otherwise stated						
Birla Sun Life Cash Plus	1,249,671	1,252	1,298,244	1,301	-	-
Birla Sun Life Short Term Opportunities Fund	18,684,986	1,898	17,806,888	1,827	16,661,337	1,724
HDFC Floating Rate Income Fund	-	-	2,482,127	250	-	-
HDFC Liquid Fund	-	-	53,946	550	-	-
HDFC Short Term Fund	-	-	4,125,515	1,337	4,125,515	1,221
ICICI Prudential Corporate Bond Fund	1,137,375	412	-	-	-	-
ICICI Prudential Money Market Fund	550,905	552	-	-	-	-
ICICI Prudential Flexi Income	756,603	800	-	-	-	-
ICICI Prudential Liquid Fund	-	-	799,953	801	-	-
Tata Short Term Bond Fund	-	-	2,154,494	659	2,154,494	607
Tata Money Market Fund	165,271	1,655	8,628,270	1,351	-	-
TATA Ultra Short Term Fund	159,437	1,601	-	-	-	-
IDFC Cash Fund	85,107	853	129,853	1,301	-	-
IDFC Ultra Short term Fund	15,824,193	1,601	-	-	-	-
DSP BlackRock Income Opportunities Fund	-	-	2,494,462	670	2,494,462	611
DSP BlackRock Liquidity Fund	35,058	351	79,977	800	7	-
DSP BlackRock Money Manager Fund	22,465	521	59,877	600	-	-
DSPBR Income Opportunity Fund	7,943,679	800	-	-	-	-
Reliance Regular Savings Fund	-	-	5,940,888	1,346	8,961,215	1,851
DSP BlackRock Low Duration Fund	6,950,719	701	-	-	-	-
<b>Total</b>		<b>12,997</b>		<b>12,793</b>		<b>6,014</b>
Aggregate cost of quoted investments		12,964		11,781		5,000
Aggregate cost of unquoted investments		12,997		12,793		6,014
Investments carried at fair value through profit or loss		12,997		12,793		6,014

### 9.2. Trade receivables

(₹ in lakhs)

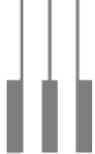
	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Unsecured			
Considered good	39,644	51,991	35,111
Considered doubtful	1,023	976	409
	40,667	52,967	35,520
Less : Allowances for credit losses	1,023	976	409
<b>Total</b>	<b>39,644</b>	<b>51,991</b>	<b>35,111</b>
Movement in expected credit loss allowance			
Movement in Expected Credit Loss allowance on Trade receivables calculated at lifetime Expected Credit Loss Provision at the end of the period	345	-	-
	345	-	-

### 9.3. Cash and cash equivalents

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Cash on hand	1	1	1
Balances with banks			
In current accounts	10,048	7,014	7,033
In EEFC accounts	6,668	1,085	192
In demand deposit accounts	16,690	-	-
<b>Total</b>	<b>33,407</b>	<b>8,100</b>	<b>7,226</b>





## NOTES forming part of consolidated financial statements

### 9.4. Bank balances other than above

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
In fixed deposit accounts	730	526	376
In earmarked accounts			
Balance held as margin money or security against borrowings	393	16,553	22,191
Unpaid dividend account	190	125	111
<b>Total</b>	<b>1,313</b>	<b>17,204</b>	<b>22,678</b>

### 9.5. Other financial assets

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Unsecured, considered good			
Security deposits	89	87	220
Interest accrued but not due on fixed deposits/margin money	34	656	1,086
Unbilled revenue	4,115	3,298	2,111
Fair value of forward contracts	167	1,973	1,049
<b>Total</b>	<b>4,405</b>	<b>6,014</b>	<b>4,466</b>

### 10. Other current assets

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Unsecured, considered good			
Other deposits	185	103	38
Loans and advances to employees	84	110	99
Prepaid expenses	562	560	657
Balances with government authorities			
Receivable from service tax authority	71	40	105
Service tax credit receivable	-	938	1,959
VAT credit receivable	225	559	339
GST credit receivable	318	-	1
Gratuity (Refer Note 32)	-	196	29
Other recoverables	2,157	814	305
<b>Total</b>	<b>3,602</b>	<b>3,320</b>	<b>3,532</b>

### 11. Equity share capital

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
<b>Authorized</b>			
150,000,000 equity shares of face value ₹ 1/- each	1,500	1,500	1,500
(As at March 31, 2017 : 150,000,000 equity shares of face value ₹ 1/- each)			
<b>Issued</b>			
105,159,306 equity shares of face value ₹ 1/- each fully paid-up	1,038	1,037	1,036
(As at March 31, 2017 : 105,159,306 equity shares of face value ₹ 1/- each)			
<b>Subscribed and paid-up</b>			
103,779,431 equity shares of face value ₹ 1/- each fully paid-up	1,038	1,037	1,036
(As at March 31, 2017 : 103,674,431 equity shares of face value ₹ 1/- each)			
(As at March 31, 2016 : 103,599,431 equity shares of face value ₹ 1/- each)			
Out of issued capital, 1,379,875 (As at March 31, 2017 - 1,484,875) and (As at March 31, 2016 - 1,559,875) shares are held by Sonata Software Limited Employee Welfare Trust			
<b>Total</b>	<b>1,038</b>	<b>1,037</b>	<b>1,036</b>
Refer notes (i) to (iv) below			

## NOTES forming part of consolidated financial statements

Notes :	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
<b>i) Reconciliation of number of shares and amount outstanding at the beginning and at the end of the reporting year</b>			
<b>Equity shares with voting rights</b>			
Number of shares outstanding at the beginning of the year	103,674,431	103,599,431	103,599,431
Add: Share issued on exercise of employee stock option	105,000	75,000	-
Number of shares Issued to Sonata Welfare Trust in consideration other than cash	1,379,875	1,484,875	1,559,875
Number of shares outstanding at the end of the year	105,159,306	105,159,306	105,159,306

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

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

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

The shareholders have all other rights as available to equity shareholders as per the provisions of the Companies Act 2013, read together with the Memorandum of Association and Articles of Association of the Company, as applicable.

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

	As at March 31, 2018		As at March 31, 2017		As at April 1, 2016	
	No. of shares	% of holding	No. of shares	% of holding	No. of shares	% of holding
Hemendra M Kothari	10,660,026	10	10,660,026	10	10,660,026	10
Akshay Raheja	8,250,000	8	8,250,000	8	8,250,000	8
Viren Raheja	8,250,000	8	8,250,000	8	8,250,000	8
Suman Raheja	6,900,000	7	6,900,000	7	6,900,000	7

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
(iv) 1,379,875 equity shares held by trust of face value ₹ 1/- each	14	15	16
(As at March 31, 2017 : 1,484,875 equity shares of face value ₹ 1/- each)			
(As at March 31, 2016 : 1,559,875 equity shares of face value ₹ 1/- each)			

## 12. Other equity

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
<b>Securities premium reserve</b>	4,493	4,493	4,493
<b>Capital redemption reserve</b>	2,787	2,787	2,787
<b>General reserve</b>	8,742	8,742	8,742
<b>Employee Stock option reserve</b>	168	96	35
<b>Retained earnings</b>			
Opening balance	41,090	29,780	25,176
Ind AS transition reserve	-	-	136
Profit for the year	19,253	15,630	15,859
Less :			
Dividend paid	9,596	3,571	9,464
Tax on dividend	1,996	818	2,064
Set-off of tax on dividend paid by subsidiary	(69)	(69)	(137)
<b>Closing balance</b>	<b>48,820</b>	<b>41,090</b>	<b>29,780</b>





## NOTES forming part of consolidated financial statements

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
<b>Other Comprehensive Income:</b>			
<b>Remeasurement of the defined benefit plans</b>			
Opening balance	(11)	-	-
For the year (net of tax)	(75)	(11)	-
<b>Closing balance</b>	<b>(86)</b>	<b>(11)</b>	<b>-</b>
<b>Effective portion of cash flow hedges</b>			
Opening balance	1,572	782	994
Add: Effect of foreign exchange rate variations on hedging instruments outstanding at the end of the year	(15)	1,199	782
Exchange difference on cash flow hedges, (net of tax)	(439)	373	-
Less: Transferred to Consolidated Statement of Profit and Loss	1,199	782	994
<b>Closing balance</b>	<b>(81)</b>	<b>1,572</b>	<b>782</b>
<b>Exchange difference on foreign currency translation</b>			
Opening balance	(648)	-	-
For the year (net of tax)	187	(648)	-
<b>Closing balance</b>	<b>(461)</b>	<b>(648)</b>	<b>-</b>
<b>Exchange differences on Goodwill reinstatement</b>			
Opening balance	(119)	-	-
For the year (net of tax)	29	(119)	-
<b>Closing balance</b>	<b>(90)</b>	<b>(119)</b>	<b>-</b>
<b>Total</b>	<b>64,292</b>	<b>58,002</b>	<b>46,619</b>

### 13.1. Borrowings

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Term loan			
From bank - Secured	1,868	3,253	5,223
From others - Unsecured	-	104	-
<b>Total</b>	<b>1,868</b>	<b>3,357</b>	<b>5,223</b>

### 13.2. Other financial liabilities

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Payable for acquisition of subsidiary	243	483	490
<b>Total</b>	<b>243</b>	<b>483</b>	<b>490</b>

### 14. Other non-current liabilities

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Lease rent equalization	1,025	922	755
<b>Total</b>	<b>1,025</b>	<b>922</b>	<b>755</b>

## NOTES forming part of consolidated financial statements

### 15.1. Borrowings

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Loans repayable on demand			
From banks - Secured	-	-	6,108
From banks - Unsecured	-	178	5,797
<b>Total</b>	<b>-</b>	<b>178</b>	<b>11,905</b>

### 15.2. Other financial liabilities

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Current maturities of long-term debt	1,505	1,987	475
Term loan			
(Amount payable towards Vendor financing arrangement)			
Interest accrued but not due on borrowings	13	13	9
Unpaid dividends	191	125	111
Payable on purchase of fixed assets	135	31	82
Other liabilities	3	2	2
Fair value of forward contracts	188	-	-
<b>Total</b>	<b>2,035</b>	<b>2,158</b>	<b>679</b>

### 16. Other current liabilities

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Income received in advance (Unearned revenue)	301	468	326
Lease rent equalization	53	55	53
Gratuity (Refer Note 32)	98	-	63
Tax on dividend	-	-	61
Other payables			
Statutory remittances	3,206	4,310	2,678
Advances from customers	492	393	286
Other liabilities	56	97	139
<b>Total</b>	<b>4,206</b>	<b>5,323</b>	<b>3,606</b>

### 17. Provisions

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Provision for employee benefits			
Compensated absences	1,416	1,137	1,016
Gratuity	21	27	18
<b>Total</b>	<b>1,437</b>	<b>1,164</b>	<b>1,034</b>

### 18. Current tax liabilities (net)

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Provision for tax	3,990	2,284	1,455
<b>Total</b>	<b>3,990</b>	<b>2,284</b>	<b>1,455</b>





## NOTES forming part of consolidated financial statements

### 19. Income Tax

(₹ in lakhs)

	For the year ended March 31, 2018	For the year ended March 31, 2017
(a) Income tax expense in the statement of profit and loss consists of:		
<b>Current Tax:</b>		
In respect of current period	7,125	6,620
In respect of prior years	-	181
<b>Deferred Tax:</b>		
In respect of current period	(301)	100
In respect of prior years		29
<b>Total Income tax expense recognised in the statement of profit and loss</b>	<b>6,824</b>	<b>6,930</b>
(b) Income tax recognised in other Comprehensive income:		
Deferred tax related to items recognised in other comprehensive income during the year:		
Net loss / (gain) on measurement of defined benefit plan	24	3
Net loss / (gain) on measurement of exchange difference	73	127
<b>Total</b>	<b>97</b>	<b>130</b>
The reconciliation between the provision of income tax of the Company and amounts computed by applying the Indian statutory income tax rate to profit before taxes is as follows:		
Profit before tax	26,037	22,622
Enacted income tax rate in India	34.61%	34.61%
Computed expected tax expense	9,011	7,829
Effect of:		
Unbilled Revenue	(84)	(78)
Income exempt from tax	(2,034)	(1,537)
Expenses that are not deductible in determining taxable profit	356	288
Expenses that are deductible in determining taxable profit	(334)	(210)
Changes in recognised deductible temporary differences	(39)	(115)
Adjustment of income tax expense in respect of prior years	-	210
Different tax rates of Subsidiaries operating in other jurisdictions	(292)	280
Others	240	264
<b>Income tax expense recognised in the statement of profit and loss</b>	<b>6,824</b>	<b>6,930</b>

The tax rates under Indian Income Tax Act, for the year ended March 31, 2018 and March 31, 2017 is 34.61%.

The Group has units in Bengaluru registered as Special Economic Zone (SEZ) units, which are entitled to a tax holiday under Section 10AA of the Income Tax Act, 1961. The Group also has Software Technology Parks of India (STPI) units in Bengaluru and Hyderabad which were earlier entitled to a tax holiday under Section 10A of the Income Tax Act, 1961.

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

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

## NOTES forming part of consolidated financial statements

### 19 Deferred Tax

Deferred Tax assets / (liabilities) as at March 31, 2018 in relation to:

(₹ in lakhs)

Particulars	As at April 1, 2017	Recognised in Profit & Loss	Recognised in Other Comprehensive Income	Others	As at March 31, 2018
Property, plant and equipment	200	166	-	75	442
Other Intangible Assets	(43)	(25)	-	96	29
Allowances for credit losses	67	64	-	-	131
Disallowance u/s 40(a)	187	2	-	107	296
Disallowance u/s 43B	406	(11)	-	-	395
Net gain or loss on fair value of Mutual Funds	(350)	(34)	-	-	(384)
FVTOCI	38	-	97	23	158
Others	(52)	139	-	91	178
<b>Total</b>	<b>454</b>	<b>301</b>	<b>97</b>	<b>393</b>	<b>1,244</b>

Deferred Tax assets / (liabilities) as at March 31, 2017 in relation to:

Particulars	As at April 1, 2016	Recognised in Profit & Loss	Recognised in Other Comprehensive Income	Others	As at March 31, 2017
Property, plant and equipment	399	199	-	-	200
Other Intangible Assets	37	80	-	-	(43)
Allowances for credit losses	3	(64)	-	-	67
Disallowance u/s 40(a)	148	(39)	-	-	187
Disallowance u/s 43B	343	(63)	-	-	406
Net gain or loss on fair value of Mutual Funds	(273)	77	-	-	(350)
FVTOCI	-	(130)	130	38	38
MAT Credit entitlement	69	-	-	69	-
Others	(207)	(188)	-	(33)	(52)
<b>Total</b>	<b>519</b>	<b>(129)</b>	<b>130</b>	<b>74</b>	<b>454</b>

The Company has not created deferred tax assets on the following:

(₹ in lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Unused tax losses (long term capital loss) which expire in:			
-AY 2015-16	-	-	40
-AY 2018-19	-	595	595
-AY 2020-21	1,277	1,277	1,277
-AY 2021-22	438	438	438
-AY 2022-23	2,154	2,154	2,154
-AY 2024-25	461	461	461

### 20.1 Revenue from operations

(₹ in lakhs)

	For the year ended March 31, 2018	For the year ended March 31, 2017
Revenue from hardware/software product and licenses	156,637	156,923
Revenue from software services	88,540	79,793
Other operating revenues	217	362
<b>Total</b>	<b>245,394</b>	<b>237,078</b>





## NOTES forming part of consolidated financial statements

### 20.2 Other income

(₹ in lakhs)

	For the year ended March 31, 2018	For the year ended March 31, 2017
Interest income		
from fixed deposits/margin money with banks	375	1,280
from unwinding of rent deposits discounted	22	43
Dividend income from current investments	473	196
Provisions/liabilities no longer required written back	120	393
Net gain on investments	498	397
Net gain on foreign exchange gain	2,939	2,275
Commission	79	-
Miscellaneous income	39	127
<b>Total</b>	<b>4,545</b>	<b>4,711</b>

### 21. Purchase of stock-in-trade (traded goods)

(₹ in lakhs)

	For the year ended March 31, 2018	For the year ended March 31, 2017
Purchase of traded items	148,807	148,833
<b>Total</b>	<b>148,807</b>	<b>148,833</b>

### 22. Changes in inventories of stock-in-trade

(₹ in lakhs)

	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>Opening Stock</b>		
Stock-in-trade - Hardware/Software product and licenses	-	1,001
<b>Closing Stock</b>		
Stock-in-trade - Hardware/Software product and licenses	-	1,001
	-	-
	-	-
(Increase) / decrease in inventories	-	<b>1,001</b>

### 23. Employee benefits expense

(₹ in lakhs)

	For the year ended March 31, 2018	For the year ended March 31, 2017
Salaries, wages, bonus and allowances	47,315	42,115
Contributions to provident and other funds	2,660	2,222
Gratuity (Unfunded)	13	18
Staff welfare expenses	1,386	1,244
<b>Total</b>	<b>51,374</b>	<b>45,599</b>

### 24. Finance costs

(₹ in lakhs)

	For the year ended March 31, 2018	For the year ended March 31, 2017
Interest expense on:		
Borrowings	234	570
Others	43	96
Other borrowing costs	203	113
Foreign exchange loss	-	149
<b>Total</b>	<b>480</b>	<b>928</b>

## NOTES forming part of consolidated financial statements

### 25. Other expenses

(₹ in lakhs)

	For the year ended March 31, 2018	For the year ended March 31, 2017
Power and Fuel	615	627
Rent	3,136	3,178
Repairs and maintenance - Buildings	44	24
Repairs and maintenance - Machinery	133	127
Insurance	625	628
Rates and taxes	580	417
Communication cost	687	775
Facility maintenance	609	639
Travelling and conveyance expenses	3,631	4,084
Professional and technical fees	2,336	2,258
Legal fees	78	87
Insourcing professional fees	5,819	5,325
Expenditure on corporate social responsibility	305	256
Bad trade receivables written off	99	39
Allowances for credit losses	6	595
Software licence fees	464	556
Payments to auditors	127	118
Miscellaneous expenses	2,821	2,757
<b>Total</b>	<b>22,115</b>	<b>22,490</b>
Note - Payments to auditors comprises (net of service tax input credit):		
Statutory audit	106	96
Other services	19	20
Reimbursement of expenses	2	2
	<b>127</b>	<b>118</b>

### 26. Contingent Liabilities

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017
<b>a) Guarantees</b>		
The Company has given corporate guarantees to certain suppliers of Sonata Information Technology Limited (SITL) and Sonata Software North America (SSNA), its wholly owned subsidiaries. The amount drawn down as at year end against this facility is ₹ 3,297 (as at March 31, 2017 is ₹ 5,112)	16,141	16,065
<b>b) Disputed demand of Service tax</b>		
(i) The Company renders Information Technology related services to some of its clients in India. The Service Tax department had classified these services as 'Manpower Recruitment or Supply Agency Services'. The Company had contested this re-classification and had preferred an appeal before the Central Excise and Service Tax Appellate Tribunal (CESTAT). One of the clients of the Company had indemnified the Company for any demands that may arise on account of service tax liability up to an amount of ₹ 237. The amount included as disputed demand is excluding the amount indemnified by the client.	677	677
(ii) The demand for payment of service tax for the period from FY 2006-07 to FY 2012-13 on services received and consumed by UK branch of the company and a subsidiary company at USA, treating it as import of service, wrong availment of cenvat credit and usage of software services provided to subsidiary. The company had filed appeal before the Commissioner of Appeals and is confident of getting favorable outcome based on legal precedents which support its stand.	1,028	-



**NOTES forming part of consolidated financial statements**

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017
(iii) 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. During the year, the Company has received a favourable order from CESTAT.	-	214
<b>c) Disputed demand of Karnataka Sales Tax</b>	3	3
<b>d) Other claims against the Company not acknowledged as debt</b>	1,002	1,002
<b>e) Disputed demands of Income-tax</b>	47,231	46,182

Details of disputed demands of Income-tax primarily relates to:

(₹ in lakhs)

**(i) Disallowance of claims made under Section 10A of the Income-tax Act, 1961**

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

The Income-tax department in its assessments has been denying or limiting the benefits of Section 10A of the Act to the multiple undertakings of the Company on the ground that they were in fact one single unit and thus the benefits claimed were in excess of permissible limits, and had raised a demand of ₹ 5,001 (As at March 31, 2017 - ₹ 5,001) for financial years from 2007-08 to 2009-10. The company received favourable order from CIT(A) and the Department has preferred an appeal before Income-tax Appellate Tribunal (ITAT).

For the financial year 2006-07 ₹ 2,368 (As at March 31, 2017- ₹ Nil), the Company has received favorable order from Income-tax Appellate Tribunal (ITAT) and the Department has preferred an appeal before the Honorable High Court of Mumbai.

For the financial year 2001-02, ITAT had given a favorable order on the ground of income accrued under Section 10A of the Act against which the department had filed an appeal before the Honorable High Court of Mumbai ₹ 149 (As at March 31, 2017 - ₹ 149).

For the financial year 2013-14 ₹ 44 (As at March 31, 2017 - Nil), the Company has preferred an appeal before CIT(A).

**(ii) Disallowance of Inter-Company Service Charges**

a) The Company charges Sonata Information Technology Limited, its wholly owned subsidiary, for certain support services rendered. During assessments, the Income-tax department denied benefits under Section 10A of the Income Tax Act on such support services and assessed the same as normal business income and raised demand of ₹ 2,337 (As at March 31, 2017 - ₹ 2,337) for financial years from 2001-02 to 2004-05. The Company had received favorable orders from ITAT. However, the department preferred an appeal on the said orders before the Honorable High Court of Mumbai.

₹ 116 (As at March 31, 2017- ₹ 116) for the financial year 2010-11. The Company had filed an appeal before the CIT(A). 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. ₹ 5,014 (As at March 31, 2017 - ₹ 4,030) for the financial years 2001-02, 2003-04 to 2008-09. The Company has received favorable orders from the ITAT. The Income-tax department has preferred an appeal to the Honorable High Court of Mumbai.
- ii. ₹ 447 (As at March 31, 2017 - ₹ 447) for the financial year 2002-03. The Income-tax department's appeal to the Honorable High Court of Mumbai was time barred and hence dismissed. The Income-tax department had preferred a Special Leave Petition on the said dismissal to the Honorable Supreme Court of India which had referred the petition back to the Honorable High Court of Mumbai to reconsider its decision. The Honorable High Court of Mumbai admitted the appeal.
- iii. Nil (As at March 31, 2017 - ₹ 1,119) for the financial year 2010-11. The Company has received favorable order from ITAT. The Income-tax department has preferred an appeal to the Honorable High Court of Mumbai.
- iv. Nil (As at March 31, 2017 - ₹ 2,944) for the financial years 2012-13 and 2013-14. The Company has received favorable order from CIT(A).
- v. ₹ 1,919 (As at March 31, 2017 Nil) for financial year 2011-12, the Company has filed appeal before ITAT and for financial year 2014-15, the Company has filed appeal before CIT (A).

## NOTES forming part of consolidated financial statements

### (iii) Withholding tax demand

The Income-tax department has been contending that amounts paid by the Company for buying the software products is in the nature of 'Royalty' and hence had to withhold Income-tax on the same as per the Income Tax Act and had raised demand of ₹ 2,842 (As at March 31, 2017 - ₹ 2,842) for the financial years from 1999-00 to 2001-02. The Company's contention has been that the payments were made for purchase of 'Goods' and hence was under no obligation to withhold Income-tax on the same. The Company had received favorable orders from the ITAT which were reversed by the Honorable High Court of Karnataka. The Company had preferred a Special Leave Petition Appeal on the said order to the Honorable Supreme Court of India, which had been admitted. However, for these years one of the principal suppliers of software to the Company had paid taxes of ₹ 879 out of the above demand. The amount included as disputed demand is excluding the amount paid by the supplier.

SITL is engaged in the business of buying and selling packaged software in India. The Income Tax department has been contending that amounts paid by the Company for buying the software products is in the nature of 'Royalty' and hence had to withhold Income-tax on the same as per the Income-tax Act, 1961, and had raised demands of ₹ 2,182 (As at March 31, 2017 - ₹ 2,182) for the financial years 2000-01 and 2001-02. The Company's contention has been that the payments were made for purchase of 'Goods' and hence was under no obligation to withhold Income-tax on the same. The Company had received favorable orders from the Income-tax Appellate Tribunal which were reversed by the Honorable High Court of Karnataka. The Company had preferred a Special Leave Petition on the said order to the Honorable Supreme Court of India, which had been admitted. However, for these years one of the principal suppliers of software to the Company had paid taxes of ₹ 1,286 out of the above demand. The amount included as disputed demand is excluding the amount paid by the supplier.

### (iv) Deductions claimed under Section 80 O

Prior to the enactment of Section 10A of the Act, the Company claimed deduction for exports made, under Section 80 O of the Act. The department had re-opened the assessments and disallowed certain aspects of the claims made on the contention that cost allocation principles followed for the claim are erroneous and raised a demand of ₹ 83 (As at March 31, 2017 - ₹ 83) for the financial year 1994-95. The Company had received favorable orders from ITAT. The department had preferred an appeal on the said order before the Honorable High Court of Mumbai.

### (v) Disallowance of payments made for purchase of software on which Income-tax was not withheld.

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

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

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

- i. ₹ 23,643 (As at March 31, 2017 - ₹ 23,643) of tax demand for the financial years 2001-02, 2002-03, 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. ₹ 14 (As at March 31, 2017 - ₹ 127) for the financial years 2012-13 to 2014-15 the Company has filed an appeal before the CIT (A).

### (vi) Transfer Pricing Adjustment

₹ 1,072 (As at March 31, 2017 - ₹ 1,162) for the financial years 2011-12 and 2013-14. The Income-tax department has recommended the upward adjustment in the value of Investment in subsidiary and sale of services to associated enterprises as Transfer Pricing Adjustment in the International transactions in order to consider them to be at arm's length price. The Company had preferred an appeal before CIT(A) heard and partly allowed. For the financial year 2011-12, the Company has preferred an appeal before ITAT. For the financial year 2013-14, the company has preferred an appeal before CIT (A).

- f) 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.

## 27. Commitments

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017
Estimated amount of contracts remaining to be executed on capital account and not provided for	1	118





## NOTES forming part of consolidated financial statements

### 28. Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

(₹ in lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	35	34
(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.

### 29. Financial instruments

The carrying value and fair value of financial instruments by categories as at March 31, 2018, March 31, 2017 and April 1, 2016 is as follows:

(₹ in lakhs)

Particulars	Carrying Value			Fair Value		
	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
<b>Financial assets</b>						
<b>Amortised Cost</b>						
Trade receivable	39,644	51,991	35,111	39,644	51,991	35,111
Cash and cash equivalents	33,407	8,100	7,226	33,407	8,100	7,226
Bank balances other than Cash & cash equivalents	1,313	17,204	22,678	1,313	17,204	22,678
Other financial assets	6,178	4,880	4,063	6,178	4,880	4,063
<b>FVTPL</b>						
Investment in Mutual Fund	19,774	12,793	6,014	19,774	12,793	6,014
Investment in Equity instruments	68	6	4	68	6	4
Security Deposits	177	595	552	177	595	552
Forward Contracts	167	1,973	1,049	167	1,973	1,049
<b>Total Assets</b>	<b>100,728</b>	<b>97,542</b>	<b>76,697</b>	<b>100,728</b>	<b>97,542</b>	<b>76,697</b>
<b>Financial liabilities</b>						
<b>Amortised Cost</b>						
Borrowings	1,868	3,535	17,128	1,868	3,535	17,128
Trade payables	43,226	44,825	26,546	43,226	44,825	26,546
Other financial liabilities	1,847	2,158	679	1,847	2,158	679
<b>FVTPL</b>						
Payable for acquisition of subsidiary	243	483	490	243	483	490
Forward Contracts	188	-	-	188	-	-
<b>Total Liabilities</b>	<b>47,372</b>	<b>51,001</b>	<b>44,843</b>	<b>47,372</b>	<b>51,001</b>	<b>44,843</b>

The management assessed that fair value of cash and short-term deposits, trade receivables, trade payables, inter corporate deposits and other current financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

1. Long-term fixed-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project.

## NOTES forming part of consolidated financial statements

2. The fair value of the quoted mutual funds are based on price quotations at reporting date. The fair value of loans from banks and other financial liabilities, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. In addition to being sensitive to a reasonably possible change in the forecast cash flows or discount rate, the fair value of the equity instruments is also sensitive to a reasonably possible change in the growth rates. The valuation requires management to use unobservable inputs in the model, of which the significant unobservable inputs are disclosed in the tables below. Management regularly assesses a range of reasonably possible alternatives for those significant unobservable inputs and determines their impact on the total fair value.
3. The Group enters into derivative financial instruments with Banks. Foreign exchange forward contracts are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing model, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves etc. As at March 31, 2018, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

### Fair value hierarchy

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table presents the fair value measurement hierarchy of financial assets and liabilities measured at fair value on recurring basis as at March 31, 2018, March 31, 2017 and April 1, 2016.

Quantitative disclosures of fair value measurement hierarchy for financial assets is as under:

(₹ in lakhs)

Particulars	Fair value			Fair value hierarchy	Valuation technique and Key inputs
	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016		
Investment in Equity instruments - IZARA Aps (unquoted)	62	-	-	Level 3	Investment in associate is a financial asset.
Investment in Equity instruments - Principal Share Group (quoted)	6	6	4	Level 1	Fair value is determined based on the share price quoted in exchange.
Investment in Mutual funds (Quoted)	19,774	12,793	6,014	Level 1	Fair value is determined based on the Net asset value published by respective funds.
Payable for acquisition of subsidiary	243	483	490	Level 3	Payable for acquisition of subsidiary is a financial liability.
Foreign currency forward contracts	(21)	1,973	1,049	Level 2	The fair value of forward foreign contracts are determined using forward exchange rates at the reporting date.

There have been no transfers among Level 1, Level 2 and Level 3 during the year.

- i) Reconciliation of fair value measurement of investment in unquoted equity instrument classified as FVTPL (Level 3):

(₹ in Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Opening balance	-	-	-
Purchases	62	-	-
Sales	-	-	-
<b>Closing balance</b>	<b>62</b>	<b>-</b>	<b>-</b>

- ii) Reconciliation of fair value measurement of payables for acquisition of subsidiary classified as FVTPL (Level 3):

(₹ in Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Opening balance	483	490	-
Additions during the year	-	-	864
Remeasurement recognised in Statement of Profit and Loss	18	(7)	(374)
Payout / reversals during the year	(258)	-	-
<b>Closing balance</b>	<b>243</b>	<b>483</b>	<b>490</b>





## NOTES forming part of consolidated financial statements

### Derivative financial instruments

The Group is exposed to foreign currency fluctuations on foreign currency assets/ liabilities and forecasted cash flows denominated in foreign currency. The Group follows established risk management policies, including the use of derivatives to hedge foreign currency assets/ liabilities and foreign currency forecasted cash flows. The counter party in these derivative instruments is a bank and the Group considers the risks of non-performance by the counterparty as non-material.

For movement in cash flow hedge reserve gain or loss - refer note 12

The following table presents the aggregate contracted principal amounts of the Group's derivative contracts outstanding:

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Designated derivative instruments (Sell):			
In USD	503	359	426
in GBP	67	59	58
in EUR	28	26	54

The foreign exchange forward and option contracts mature anywhere between 0-1 year. The table below analyzes the derivative financial instruments into relevant maturity groupings based on the remaining period as at the reporting date:

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Designated derivative instruments (Sell):			
Less than 3 months			
In USD	222	85	149
in GBP	18	16	16
in EUR	8	7	7
3 months to 1 year			
In USD	281	274	277
in GBP	49	43	42
in EUR	20	19	47

Average rate of coverage	As at March 31, 2018		As at March 31, 2017		As at April 1, 2016	
Currency	Amount (₹ in Lakhs)	Weighted Average Rate (₹)	Amount (₹ in Lakhs)	Weighted Average Rate (₹)	Amount (₹ in Lakhs)	Weighted Average Rate (₹)
USD	503	66.84	359	69.97	426	69.09
GBP	67	90.88	59	91.99	58	104.38
EUR	28	81.26	26	77.61	54	80.98

### 30. Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The primary market risk to the Group is foreign exchange risk. The Group uses derivative financial instruments to mitigate foreign exchange related risk exposures. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivative for speculative purposes may be undertaken.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below:

#### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. Credit risk arises from cash held with banks and financial institutions, as well as credit exposure to clients, including outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Group assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

#### Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment.

## NOTES forming part of consolidated financial statements

The following table gives details in respect of revenues generated from top customer and top 5 customers (excluding Inter-company):

(₹ in lakhs)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Revenue from top customer	45,125	45,309
Revenue from top 5 customers	98,661	92,885

One customer accounted for more than 10% of the revenue for the year ended March 31, 2018, however none of the customers accounted for more than 10% of the receivables for the year ended March 31, 2018. One customer accounted for more than 10% of the revenue for the year ended March 31, 2017, however none of the customers accounted for more than 10% of the receivables for the year ended March 31, 2017.

### Investments

The Group limits its exposure to credit risk by generally investing in liquid securities and only with counterparties that have a good credit rating. The Group does not expect any losses from non-performance by these counterparties, and does not have any significant concentration of exposures to specific industry sectors.

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Also, the Group has unutilized credit limits with banks.

The Group's corporate treasury department is responsible for liquidity, funding as well as settlement management. In addition, processes and policies related to such risks are overseen by senior management.

The working capital position of the Group is given below:

(₹ in Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Cash and cash equivalents	33,407	8,100	7,226
Bank balances other than Cash & cash equivalents	1,313	17,204	22,678
Investments in mutual funds (quoted)	19,774	12,793	6,014

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2018, March 31, 2017 and April 1, 2016:

(₹ in Lakhs)

Particulars	As at March 31, 2018		
	Less than 1 year	1-2 years	2 years & above
Borrowings	-	1,868	-
Trade payables	43,226	-	-
Other financial liabilities	1,847	-	-

Particulars	As at March 31, 2017		
	Less than 1 year	1-2 years	2 years & above
Borrowings	178	1,963	1,394
Trade payables	44,825	-	-
Other financial liabilities	2,158	-	-

Particulars	As at April 1, 2016		
	Less than 1 year	1-2 years	2 years & above
Borrowings	11,905	1,899	3,324
Trade payables	26,546	-	-
Other financial liabilities	679	-	-

### Foreign Currency risk

The Group's exchange risk arises from its foreign operations, foreign currency revenues and expenses, (primarily in U.S. dollars, British pound sterling and euros). A significant portion of the Group's revenues are in these foreign currencies, while a significant portion of its costs are in Indian rupees. As a result, if the value of the Indian rupee appreciates relative to these foreign currencies, the Group's revenues measured in rupees may decrease. The exchange rate between the Indian rupee and these foreign currencies has changed substantially in recent periods and may continue to fluctuate substantially in the future. The Group reviews on a periodic basis to formulate the strategy for foreign currency risk management.





## NOTES forming part of consolidated financial statements

Consequently, the Group uses derivative financial instruments, such as foreign exchange forward contracts, to mitigate the risk of changes in foreign currency exchange rates in respect of its forecasted cash flows and trade receivables.

The details in respect of the outstanding foreign exchange forward contracts are given under the derivative financial instruments section.

In respect of the Group's forward contracts, a 1% decrease/ increase in the respective exchange rates of each of the currencies underlying such contracts would have resulted in:

- an approximately ₹ 167 lakhs increase and decrease in the Group's net profit as at March 31, 2018;
- an approximately ₹ 70 lakhs increase and decrease in the Group's net profit as at March 31, 2017.

The following table presents foreign currency risk from non-derivative financial instruments as at March 31, 2018, March 31, 2017 and April 1, 2016.

(₹ in lakhs)

Exposure currency	US \$	GBP	EUR	Other Currencies*
<b>As at March 31, 2018</b>				
<b>Assets</b>				
Trade receivables	-	1,276	442	441
Cash and Cash equivalents	9,449	2,997	1,813	655
Other assets	102	37	1	293
<b>Liabilities</b>				
Trade Payable	(4,074)	(649)	(37)	(30)
Other liabilities	(3,522)	-	-	(19)
<b>Net assets/liabilities</b>	<b>1,955</b>	<b>3,661</b>	<b>2,219</b>	<b>1,340</b>
<b>As at March 31, 2017</b>				
<b>Assets</b>				
Trade receivables	38	2,028	101	288
Cash and Cash equivalents	3,576	1,692	722	299
Other assets	100	32	1	-
<b>Liabilities</b>				
Trade Payable	(1,146)	(432)	(2)	(88)
Other liabilities	(5,606)	-	-	-
<b>Net assets/liabilities</b>	<b>(3,038)</b>	<b>3,320</b>	<b>822</b>	<b>499</b>
<b>As at April 1, 2016</b>				
<b>Assets</b>				
Trade receivables	-	1,976	26	198
Cash and Cash equivalents	1,731	1,009	3,157	489
Other assets	39	42	1	-
<b>Liabilities</b>				
Trade Payable	(307)	(453)	(27)	(10)
Other liabilities	(6,196)	-	-	-
<b>Net assets/liabilities</b>	<b>(4,733)</b>	<b>2,574</b>	<b>3,157</b>	<b>677</b>

\*Others include currencies such as Canadian Dollar, Singapore \$, Australian \$, Swiss Franc, Danish Krone, United Arab Emirates Dirham, Saudi Riyal, etc.

For the year ended March 31, 2018, every 1% increase/(decrease) of the respective foreign currencies compared to functional currency of the Company would impact operating margins by 0.04%/ (0.04)%. For the year ended March 31, 2017, the impact on operating margins would be 0.01%/ (0.01)%.

### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates and investments. The Group's borrowings and investments are primarily short-term, which do not expose it to significant interest rate risk.

### 31. Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors the return on capital as well as the level of dividends on its equity shares. The Group's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value.

## NOTES forming part of consolidated financial statements

The capital structure of the Group consists of net debt (borrowings offset by cash and bank balances) and total equity.

The capital structure is as follows:

(₹ in Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Total equity attributable to the equity share holders of the Group	65,326	59,075	47,645
As percentage of total capital	97%	94%	74%
Current borrowings	-	178	11,905
Non-Current borrowings	1,868	3,357	5,223
Total Borrowings	1,868	3,535	17,128
As a percentage of total capital	3%	6%	26%
<b>Total capital (borrowings and equity)</b>	<b>67,194</b>	<b>62,610</b>	<b>64,773</b>

The Group is predominantly equity financed which is evident from the capital structure table. Further, the Group has always been a net cash Company with cash and bank balances along with investment which is predominantly investment in liquid and short term mutual funds being far in excess of debt.

### 32. Employee benefit plans

#### i) Defined contribution plans

##### a) Provident fund

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

The Rules of the Company's Provident Fund administered by the Trust require that if the Board of Trustees are unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Company. 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 ₹ 1,196 lakhs (for the year ended March 31, 2017 ₹ 1,027 lakhs) has been charged to the Statement of Profit and Loss (as part of Contribution to Provident Fund and other Funds in Note 23 Employee benefits expense).

##### b) During the year the Group has recognised the following amounts in the Statement of Profit and Loss towards Employers contribution to:

(₹ in lakhs)

	For the year ended March 31, 2018	For the year ended March 31, 2017
Employee's State Insurance (as part of Staff welfare expenses in Note 23 Employee benefits expense)	22	11
Superannuation (as part of Contribution to Provident Fund and other Funds in Note 23 Employee benefits expense)	571	498
National Pension Scheme (as part of Contribution to Provident Fund and other Funds in Note 23 Employee benefits expense)	32	32
National Insurance Contribution (as part of Contribution to Provident Fund and other Funds in Note 23 Employee benefits expense)	299	237

#### ii) Defined benefit plans - Gratuity

As per valuation

The principal assumptions used for the purposes of the actuarial valuations were as follows.

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Discount rate(s)	7.87%	7.57%	8.36%
Expected rate(s) of salary increase	5.00%	5.00%	5.00%
Mortality Rate	Indian Assured Lives Mortality 2006-08	Indian Assured Lives Mortality 2006-08	Indian Assured Lives Mortality 2006-08
Retirement age	60 years	60 years	60 years





## NOTES forming part of consolidated financial statements

Amounts recognised in statement of profit and loss in respect of these defined benefit plans are as follows:

(₹ in lakhs)

	For the year ended March 31, 2018	For the year ended March 31, 2017
Service Cost:		
Current Service Cost	368	286
Net Interest Expense	(15)	3
<b>Components of defined benefit costs recognised in profit or loss</b>	<b>353</b>	<b>289</b>
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	17	(104)
Actuarial (gains) / losses arising from changes in financial assumptions	(96)	203
Actuarial (gains) / losses arising from experience adjustments	178	(84)
<b>Components of defined benefit costs recognised in other comprehensive income</b>	<b>99</b>	<b>15</b>

The current service cost and the net interest expense for the year are included in the 'Employee benefits expense' line item in the statement of profit and loss.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the balance sheet arising from the entity's obligation in respect of its defined benefit plans is as follows:

(₹ in Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Present value of funded defined benefit obligation	(2,941)	(2,496)	(2,034)
Fair value of plan assets	2,843	2,692	2,000
<b>Net (liability) / Assets arising from defined benefit obligation</b>	<b>(98)</b>	<b>196</b>	<b>(34)</b>
Movements in the present value of the defined benefit obligation are as follows:			
Opening defined benefit obligation	2,498	2,034	1,844
Current service cost	368	286	263
Interest cost	189	170	146
Remeasurement (gains)/losses:	(6)	12	(6)
Actuarial gains and losses arising from changes in financial assumptions	(57)	180	(72)
Actuarial gains and losses arising from experience adjustments	142	(80)	(14)
Benefits paid	(193)	(106)	(127)
<b>Closing defined benefit obligation</b>	<b>2,941</b>	<b>2,496</b>	<b>2,034</b>
Movements in the fair value of the plan assets are as follows:			
Opening fair value of plan assets	2,692	2,000	1,819
Interest income	205	167	145
Return on plan assets (excluding amounts included in net interest expense)	(17)	104	(106)
Contributions from the employer	159	533	274
Benefits paid	(196)	(112)	(132)
<b>Closing fair value of plan assets</b>	<b>2,843</b>	<b>2,692</b>	<b>2,000</b>
The major categories of plan assets as a percentage of total plan:			
Insurer Managed Funds	100%	100%	100%
Category of funds :			
Secure Fund	9.39%	12.88%	9.49%
Defensive Fund	43.90%	42.32%	44.50%
Balanced Fund	46.58%	44.66%	45.83%
Stable Fund	0.13%	0.14%	0.18%

Sensitivity for significant actuarial assumptions is computed to show the movement in defined benefit obligation by 1%:

Particulars	As at March 31, 2018		As at March 31, 2017	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	344	289	302	254
Future salary growth (1% movement)	350	299	306	261

The Group expects to contribute ₹ 502 lakhs to its defined benefit plans during the next fiscal year.

## NOTES forming part of consolidated financial statements

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

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

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

### Experience adjustments

(₹ in Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at March 31, 2016	As at March 31, 2015	As at March 31, 2014
Present value of defined benefit obligation	2,941	2,496	2,034	1,844	1,289
Fair value of plan assets	2,843	2,692	2,000	1,819	1,302
Surplus / (deficit)	(98)	196	(34)	(25)	13
Experience adjustments on plan liabilities - (gain)/losses	178	(84)	(5)	459	221
Experience adjustments on plan assets - (losses)/gain	(17)	104	(106)	173	(12)

The Company has established an income tax approved irrevocable trust fund to which it regularly contributes to finance liabilities of the plan. The fund's investments are managed by insurance company as per the mandate provided to them by the trustees and the asset allocation is within the permissible limits prescribed in the insurance regulations.

### 33 Share-based payments

#### (a) Employee share option plan of the Group

##### (i) Details of the employee share option plan of the Group

The Company has a stock option plan for employees of the Company and its subsidiaries, authorized by the nomination and remuneration committee. In accordance with the terms of the plan, as approved by shareholders at its annual general meeting dated August 19, 2014. Eligible employees are granted to get stock option with graded vesting period of four years. The quantum of stock option is decided by the nomination and remuneration committee. The shares are transferred to employees from the Sonata Software Ltd Employee Welfare Trust based on the approval.

Each vested stock option shall convert into one equity share of the Company upon exercise. The exercise price of the stock option shall be the closing market price of the share on National Stock Exchange of India Ltd on the trading day immediately preceding the date of the grant. The stock options carry neither rights to dividends nor voting rights unless the transfer of shares from the Sonata Software Ltd Employee Welfare Trust to the employee is duly registered by the company. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following share-based payment arrangements were in existence during the current and prior years:

Number of Shares	Grant date	Exercise price (₹)	Fair Value at grant date
375,000	Apr 1, 2012	18.10	4.45 - 6.55
120,000	May 20, 2015	165.75	53.35 - 68.45
160,000	Aug 8, 2016	154.45	55.21 - 68.60
60,000	May 29, 2017	149.65	43.49 - 55.86
75,000	Nov 13, 2017	191.95	54.78 - 79.62

##### (ii) Fair value of share options granted in the year

Options are priced using Black - Scholes pricing model.

Inputs into the model

Particulars	Apr 1, 2012	May 20, 2015	Aug 8, 2016	May 29, 2017	Nov 13, 2017
Grant date share price	4.45 - 6.55	53.35 - 68.45	55.21 - 68.60	43.49 - 55.86	54.78 - 79.62
Exercise price	18.10	165.75	154.45	149.65	191.95
Expected volatility	49.84 - 51.82	46.52 - 47.05	43.18 - 44.24	36.47 - 40.61	31.78 - 40.86
Option life	5.00	5.00	5.00	5.00	5.00
Dividend yield	-	-	-	-	-
Risk-free interest rate	8.18 - 8.60	7.79 - 7.86	6.91 - 7.08	6.66 - 6.79	6.52 - 6.81





## NOTES forming part of consolidated financial statements

### (iii) Movements in share options during the year

The following reconciles the share options outstanding at the beginning and end of the year:

	2017-18		2016-17	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Balance at beginning of year	355,000	49.80	270,000	30.61
Granted during the year	135,000	61.51	160,000	61.72
Forfeited during the year	-	-	-	-
Exercised during the year	105,000	19.92	75,000	6.12
Expired during the year	-	-	-	-
Balance at end of year	385,000	62.06	355,000	49.80

All outstanding options are exercisable at the end of the respective reporting period.

### (iv) Stock options exercised during the year

The following share options were exercised during the year:

Granted on	Number Exercised	Exercised Date	Share price at exercise Date
01.04.2012	75,000	Jun 2, 2017	159.35
20.05.2015	15,000	Feb 26, 2018	316.75
20.05.2015	15,000	Mar 07, 2018	308.80
<b>Total</b>	<b>105,000</b>		

### (v) Share options outstanding at the end of the year

The share options outstanding at the end of the year had a weighted average exercise price of ₹ 62.06 (as at March 31, 2017 ₹ 49.80)

### (b) Other Stock Based Compensation Arrangements

Stock Appreciation Rights Plan provides the certain employee with the right to receive cash that is equal to the increase in the value of the company's shares from the date the right was granted and the right was exercised. They are not entitled to any shares or dividend. This plan has been approved by the Board vide Board Meeting dated May 29, 2017.

The Company has also granted stock appreciation rights plan to certain employees during the year which is subject to certain vesting conditions. Details of the grant/issue as at March 31, 2018 are given below:

Particulars	As per plan	
Total no. of units	390,000	105,000
Vested units	-	-
Lapsed units	-	-
Forfeited units	-	-
Cancelled units	-	-
Outstanding units as at the end of the year	390,000	105,000
Contractual life	3yrs	3yrs
Date of grant	May 29, 2017	Nov 13, 2017
Price per unit Grant price (₹)	149.65	191.95

The weighted average fair value of each unit under the above mentioned stock appreciation rights plan granted during the year ended was ₹ 231.64 using the Monte Carlo simulation model with the following assumptions:

Particulars	As at March 31, 2018	
Grant date	May 29, 2017	Nov 13, 2017
Exercise price	167.61 - 210.25	214.98 - 269.68
Dividend yield	-	-
Expected life	2.5	2.5
Risk free interest rate	7.00%	7.00%
Volatility	11.10%	11.10%

### 34 Consolidation of Employee Welfare Trust

Ind AS 110 – Consolidated financial statements defines control and establishes control as the main basis for consolidating the entities. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, in view of which the company has consolidated Sonata employee welfare trust accounts.

## NOTES forming part of consolidated financial statements

### 35. Related party disclosure

i) Details of related parties :	
Description of relationship	Names of related parties
a) Post-employment benefit plan (Refer Note 32)	Sonata Software Limited Gratuity Fund
	Sonata Software Officers' Superannuation Fund
	Sonata Software Provident Fund Trust
(b) Key Management Personnel (KMP)	Mr. P Srikar Reddy, Managing Director & Chief Executive Officer

### ii) Transactions with related parties :

(₹ in Lakhs)

Particulars	KMP	
	As at March 31, 2018	As at March 31, 2017
<b>Compensation of key management personnel of the Company</b>		
Short-term employee benefits*	335	252
Share-based payment transactions	253	111
Others	94	77
<b>Total compensation paid to key management personnel</b>	<b>682</b>	<b>440</b>
<b>Balances outstanding at the end of the year</b>		
<b>Payable to key management personnel of the Company</b>		
Short-term employee benefits*	170	120
Share-based payment transactions	149	1
Others	94	77

\* The above post employment benefits excludes gratuity and compensated absences which cannot be separately identified from the composite amount advised by the actuary.

Transactions with key management personnel:

- Dividends paid to key management personnel during the year ended March 31, 2018 amounts to ₹ 52 lakhs (year ended March 31, 2017 - ₹ 122 lakhs);
- During the year ended March 31, 2018, 60,000 shares (year ended March 31, 2017 - Nil) were granted to the key management personnel under the Employees Stock options Plan;
- During the year ended March 31, 2018, 165,000 units (year ended March 31, 2017 - Nil) were granted to the key management personnel under the Stock Appreciation Rights Plan.

### 36. Segment Reporting

The CEO & MD of the Company has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS 108, Operating Segments. Information reported to the CODM for the purposes of resource allocation and assessment of segment performance focuses on geographical territory; Accordingly, the reportable segments are "India" and "Other than India".

The Group's operation comprises of software development, technical services and product marketing. Primary segmental reporting is based on geographical areas based on location of customer, viz., Domestic (India) and International (Rest of the world). Secondary segment comprises business segment viz., products & services.

In primary segment, revenue and all expenses, which relate to a particular geographical segment based on location of customer, are reported. Secondary segment is reported based on the Group's business viz., products and services. Revenue is identified based on the business operations.

Revenues and expenses directly attributable to segments are reported under each reportable segment. Expenses which are not directly identifiable to each reportable segment have been allocated on the basis of associated revenues of the segment and manpower efforts. All other expenses which are not attributable or allocable to segments have been disclosed as unallocable expenses. Assets and liabilities that are directly attributable or allocable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed as unallocable. Fixed assets that are used interchangeably amongst segments are not allocated to primary and secondary segments.





# NOTES forming part of consolidated financial statements

## Primary disclosure

### Geographical Segment based on location of customers

(₹ in Lakhs)

	India		Other than India		Unallocable		Consolidated	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
<b>Revenue</b>								
Revenue from operations	146,786	158,383	98,608	78,695	-	-	245,394	237,078
<b>Segment result</b>								
Earnings before finance cost, other income and taxes	3,644	3,612	18,213	14,455	-	-	21,857	18,067
Other Income	334	563	2,606	1,712	1,605	2,436	4,545	4,711
Profit before exceptional item, finance cost and taxes	3,978	4,175	20,819	16,167	1,605	2,436	26,402	22,778
Finance costs							480	928
Profit before tax and exceptional item							25,922	21,850
Exceptional item - Interest income on Income Tax refund							115	772
Profit before tax							26,037	22,622
Tax expense							6,824	6,930
Minority interest							40	(62)
Profit after tax after minority interest							19,253	15,630
Segment assets	46,887	51,285	61,311	53,669	15,158	14,815	123,356	119,769
Segment liabilities	38,674	43,345	11,980	9,531	7,376	7,818	58,030	60,694
Other Information								
Capital expenditure	66	159	695	750	-	-	761	909
Depreciation and amortisation	-	-	-	-	-	-	1,241	1,088
Other significant non-cash expenses	(8)	179	114	455	-	16	106	650

## Secondary disclosure

### Business Segment

	Products		Services		Unallocable		Consolidated	
	March 31, 2018	March 31, 2017						
Revenue	156,637	156,923	88,757	80,155	-	-	245,394	237,078
Assets	49,933	52,727	58,547	52,228	14,876	14,815	123,356	119,769
Capital expenditure	66	159	695	750	-	-	761	909

Geographical Segment	India		Other than India		Unallocable		Consolidated	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Segment assets	67,893	74,878	40,587	30,076	14,876	14,815	123,356	119,769
Capital expenditure	66	159	695	750	-	-	761	909

## NOTES forming part of consolidated financial statements

### 37. Statement of Net assets and Profit or loss attributable to owners and non-controlling interest

(a) As at and for the year ended March 31, 2018

(₹ in Lakhs)

Name of the entity	Net assets, i.e., total assets minus total liabilities		Share in profit or loss for the year ended March 31, 2018		Share in Other Comprehensive income for the year ended March 31, 2018		Share in Total Comprehensive income for the year ended March 31, 2018	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated Other Comprehensive Income	Amount	As % of total comprehensive income	Amount
<b>Parent :</b>								
Sonata Software Limited*	53.80	35,144	74.49	14,341	121.81	(363)	73.74	13,978
<b>Subsidiaries :</b>								
<b>Indian</b>								
Sonata Information Technology Limited	23.18	15,140	19.28	3,712	(5.70)	17	19.67	3,729
<b>Foreign</b>								
Sonata Software North America Inc.	3.90	2,547	2.30	443	14.43	(43)	2.11	400
Sonata Europe Limited	3.93	2,565	1.79	345	(3.69)	11	1.88	356
Rezopia Inc.	1.54	1,010	(0.53)	(103)	(0.67)	2	(0.53)	(101)
Sonata Software FZ LLC (Dubai)	1.47	959	0.54	104	(2.01)	6	0.58	110
Sonata Software (Qatar) LLC, Qatar	(0.39)	(253)	(0.38)	(74)	0.67	(2)	(0.40)	(76)
Sonata Software GmbH	0.43	278	0.32	63	(12.42)	37	0.53	100
Halosys Technologies Inc.	2.84	1,862	(0.93)	(180)	(1.01)	3	(0.93)	(177)
Interactive Business Information Systems Inc.	9.30	6,074	3.12	602	(11.41)	34	3.35	636
<b>Total</b>	<b>100.00</b>	<b>65,326</b>	<b>100.00</b>	<b>19,253</b>	<b>100.00</b>	<b>(298)</b>	<b>100.00</b>	<b>18,955</b>

\* After adjusting inter company transactions and balances and includes goodwill and other intangible assets arising on account of acquisition.





## NOTES forming part of consolidated financial statements

(b) As at and for the year ended March 31, 2017

(₹ in Lakhs)

Name of the entity	Net assets, i.e., total assets minus total liabilities		Share in profit or loss for the year ended March 31, 2017		Share in Other Comprehensive income for the year ended March 31, 2017		Share in Total Comprehensive income for the year ended March 31, 2017	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated Other Comprehensive Income	Amount	As % of total comprehensive income	Amount
Parent :								
Sonata Software Limited*	43.27	25,560	85.35	13,340	(38.27)	155	88.64	13,495
Subsidiaries :								
Indian								
Sonata Information Technology Limited	22.69	13,403	24.68	3,858	(0.25)	1	25.35	3,859
Foreign								
Sonata Software North America Inc.	14.64	8,651	3.33	521	(17.78)	72	3.89	593
Sonata Europe Limited	2.32	1,372	(1.22)	(190)	137.53	(557)	(4.91)	(747)
Rezopia Inc.	1.37	809	0.24	37	1.98	(8)	0.19	29
Sonata Software FZ LLC (Dubai)	1.85	1,091	(4.57)	(715)	(3.70)	15	(4.60)	(700)
Sonata Software (Qatar) LLC, Qatar	(0.38)	(225)	(0.32)	(50)	(1.23)	5	(0.30)	(45)
Sonata Software GmbH	0.33	197	0.23	36	2.96	(12)	0.16	24
Halosys Technologies Inc.	3.44	2,030	(1.07)	(167)	4.94	(20)	(1.22)	(187)
Interactive Business Information Systems Inc.	10.47	6,187	(6.65)	(1,040)	13.82	(56)	(7.20)	(1,096)
<b>Total</b>	<b>100.00</b>	<b>59,075</b>	<b>100.00</b>	<b>15,630</b>	<b>100.00</b>	<b>(405)</b>	<b>100.00</b>	<b>15,225</b>

\* After adjusting inter company transactions and balances and includes goodwill and other intangible assets arising on account of acquisition.

### 38 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.

(₹ in Lakhs)

	As at March 31, 2018	As at March 31, 2017
ii. The total of future minimum lease payments are non-cancellable operating leases are as below :		
Not later than one year	909	1,223
Later than one year and not later than 5 years	806	1,564
Later than 5 years	-	-
iii. The lease payments recognised in the Statement of Profit and Loss are as under :		
Included in rent (Refer Note 25)	3,136	3,178
iv. There are no rents which are contingent in nature.		

## NOTES forming part of consolidated financial statements

### 39. 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 Group 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 Group during the year is ₹ 351 lakhs (Previous year is ₹ 270 lakhs)
- (ii) Amount spent during the year is ₹ 305 lakhs (Previous year is ₹ 256 lakhs)
- (iii) Amount unspent is ₹ 48 lakhs (Previous year is ₹ 14 lakhs)

### 40. Earnings Per Share

Reconciliation of number of equity shares used in the computation of basic and diluted earnings per share is set out below:

Particulars	For the year ended March 31, 2018		For the year ended March 31, 2017	
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
Total number of equity shares outstanding	105,159,306	105,159,306	105,159,306	105,159,306
Weighted average number of Potential equity shares exercised by Sonata Employee Welfare Trust	(1,379,875)	(1,379,875)	(1,484,875)	(1,484,875)
Weighted average number of equity shares resulting from exercise of employee stock option	64,685	107,925	30,616	30,616
Weighted average number of equity shares for calculation of earning per share	103,844,116	103,887,356	103,705,047	103,705,047

### 41. Distributions made and proposed :

The amount of per share dividend recognized as distributions to equity shareholders for the year ended March 31, 2018 and year ended March 31, 2017 was ₹ 10.50 and ₹ 9 respectively.

The Board of Directors at their meeting held on November 13, 2017 had declared an interim dividend of 375% (₹ 3.75 per equity share of par value of ₹ 1 each). Further, the Board of Directors at its meeting held on May 22, 2018 have recommended a final dividend of 675% (₹ 6.75 per equity share of par value ₹ 1 each) which is subject to approval of shareholders. If approved, this would result in a cash outflow of approximately ₹ 8,557 lakhs inclusive of dividend distribution tax.

The Board of Directors at their meeting held on November 2, 2016 had declared an interim dividend of 350% (₹ 3.5 per equity share of par value of ₹ 1 each). The Board of Directors at its meeting held on May 29, 2017 had recommended a final dividend of 550% (₹ 5.5 per equity share of par value ₹ 1 each). The proposal was approved by shareholders at the Annual General Meeting held on August 16, 2017, this has resulted in a cash outflow of ₹ 6,961 lakhs, inclusive of dividend distribution tax .

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

### 43. Transition to Ind AS

The Company's financial statements for the year ended March 31, 2018 are prepared in accordance with Ind AS notified under the Companies (Indian Accounting Standards) Rules, 2015. The adoption of Ind AS was carried out in accordance with Ind AS 101, using April 1, 2016 as the transition date. Ind AS 101 requires that all Ind AS standards and interpretations that are effective for the Ind AS financial statements for the year ended March 31, 2018, be applied consistently and retrospectively for all fiscal years presented. All applicable Ind AS have been applied consistently and retrospectively wherever required. The resulting difference between the carrying amounts of the assets and liabilities in the financial statements under both Ind AS and Indian GAAP as at the transition date have been recognized directly in equity at the transition date.

In preparing these financial statements, the Company has availed itself of certain exemptions and exceptions in accordance with Ind AS 101 as explained below:

#### (i) Exceptions from full retrospective application

Estimates exception: Upon an assessment of the estimates made under Indian GAAP, the Company has concluded that there was no necessity to revise such estimates under Ind AS, except where estimates were required by Ind AS and not required by Indian GAAP.

#### ii) Exemptions from retrospective application:

Share-based payment exemption: The Company has availed exemption available under Ind AS 101 on application of Ind AS 102, "Share Based Payment", to equity instruments that vested before the date of transition to Ind AS.





## NOTES forming part of consolidated financial statements

### 43. Transition to Ind AS (Contd.)

First Time Adoption-Reconciliation of Balance sheet, Equity and Total comprehensive income as previously reported under Previous GAAP to Ind AS

#### (i) Balance Sheet as at March 31, 2017 and April 1, 2016

(₹ in Lakhs)

Particulars	Note No.	As at March 31, 2017			As at April 1, 2016		
		Amount as per Previous GAAP	Effect of transition to Ind AS	Ind AS	Amount as per Previous GAAP	Effect of transition to Ind AS	Ind AS
<b>ASSETS</b>							
<b>Non-current assets</b>							
Property, Plant and Equipment		2,368	-	2,368	2,500	-	2,500
Capital work-in-progress		42	-	42	29	-	29
Goodwill	i	9,227	(1,198)	8,029	9,287	(1,085)	8,202
Other Intangible assets	i	320	1,111	1,431	197	1,341	1,538
<b>Financial Assets</b>							
Investments	ii	-	6	6	-	4	4
Other Financial Assets	iii	1,488	(54)	1,434	1,295	(97)	1,198
Deferred tax assets (net)	iv	1,273	(819)	454	1,361	(842)	519
Other non-current assets	iii	6,526	57	6,583	5,221	99	5,320
<b>Total non-current assets</b>		<b>21,244</b>	<b>(897)</b>	<b>20,347</b>	<b>19,890</b>	<b>(580)</b>	<b>19,310</b>
<b>Current assets</b>							
Inventories		-	-	-	1,001	-	1,001
<b>Financial Assets</b>							
Investments	ii	11,781	1,012	12,793	5,225	789	6,014
Trade receivables	i	52,323	(332)	51,991	35,443	(332)	35,111
Cash and cash equivalents	v	8,094	6	8,100	7,220	6	7,226
Bank balances other than above	v	16,679	525	17,204	22,302	376	22,678
Other Financial Assets	vi	6,070	(56)	6,014	4,548	(82)	4,466
Other current assets		3,320	-	3,320	3,532	-	3,532
<b>Total current assets</b>		<b>98,267</b>	<b>1,155</b>	<b>99,422</b>	<b>79,271</b>	<b>757</b>	<b>80,028</b>
<b>Total Assets</b>		<b>119,511</b>	<b>258</b>	<b>119,769</b>	<b>99,161</b>	<b>177</b>	<b>99,338</b>
<b>EQUITY AND LIABILITIES</b>							
<b>Equity</b>							
Equity Share capital	v	1,052	(15)	1,037	1,052	(16)	1,036
Other Equity	v,vii	57,407	595	58,002	46,047	572	46,619
Non-controlling interests	i	-	36	36	-	(10)	(10)
<b>Total Equity</b>		<b>58,459</b>	<b>616</b>	<b>59,075</b>	<b>47,099</b>	<b>546</b>	<b>47,645</b>
<b>LIABILITIES</b>							
<b>Non-current liabilities</b>							
<b>Financial Liabilities</b>							
Borrowings		3,357	-	3,357	5,223	-	5,223
Other Financial Liabilities	i	843	(360)	483	861	(371)	490
Other non-current liabilities		922	-	922	755	-	755
<b>Total non-current liabilities</b>		<b>5,122</b>	<b>(360)</b>	<b>4,762</b>	<b>6,839</b>	<b>(371)</b>	<b>6,468</b>
<b>Current liabilities</b>							
<b>Financial Liabilities</b>							
Borrowings		178	-	178	11,905	-	11,905
Trade payables		44,825	-	44,825	26,546	-	26,546
Other Financial Liabilities	v	2,156	2	2,158	677	2	679
Other current liabilities		5,323	-	5,323	3,606	-	3,606
Provisions		1,164	-	1,164	1,034	-	1,034
Current Tax Liabilities (Net)		2,284	-	2,284	1,455	-	1,455
<b>Total current liabilities</b>		<b>55,930</b>	<b>2</b>	<b>55,932</b>	<b>45,223</b>	<b>2</b>	<b>45,225</b>
<b>Total Equity and Liabilities</b>		<b>119,511</b>	<b>258</b>	<b>119,769</b>	<b>99,161</b>	<b>177</b>	<b>99,338</b>

## NOTES forming part of consolidated financial statements

### 43. Transition to Ind AS (Contd.)

#### (ii) Equity reconciliation as at March 31, 2017 and April 1, 2016

(₹ in Lakhs)

	Note no.	As at March 31, 2017	As at April 1, 2016
<b>Equity under Previous GAAP</b>		58,459	47,099
<b>Ind AS Adjustments:</b>			
Effect on consolidation of Sonata Employee Welfare Trust	v	536	385
Fair valuation of contingent consideration of subsidiary (net)	i	28	39
Effect on account of business combination	i	(86)	256
Fair valuation of investments in equity instruments	ii	6	3
Effect of discounting of security deposits	iii	(5)	(2)
Fair valuation of Mutual funds	ii	1,012	789
Fair valuation of forward contracts		(56)	(82)
Tax impact on above adjustments	iv	(819)	(842)
<b>Ind AS Adjustments</b>		<b>616</b>	<b>546</b>
<b>Equity under Ind AS</b>		<b>59,075</b>	<b>47,645</b>

#### (iii) Total Comprehensive Income for the year ended March 31, 2017

₹ in Lakhs

	Note no.	As at March 31, 2017
<b>(a) Net Profit under Previous GAAP (A)</b>		<b>15,373</b>
Ind AS Adjustments		
Employee benefit expenses:		
Actuarial (gain)/Loss on defined benefit plans considered under		
Other Comprehensive Income	vii	14
Share based payment expense	vii	(60)
Accounting for excess of expenditure over income, upon consolidation of		
Sonata Employee Welfare Trust	v	41
Unwinding of finance component of security deposits	iii	(3)
Fair Valuation of current investments	ii	226
Fair valuation of forward contracts		(468)
Exchange differences in translation of foreign operations		858
Interest unwinding of contingent consideration payable to shareholders	i	(23)
Amortization of intangibles recognized	i	(158)
Tax impact on the above adjustments	iv	(108)
Adjustments of Non-controlling interest		(62)
<b>Ind AS Adjustments (B)</b>		<b>257</b>
<b>Net Profit under Ind AS (C = A+B)</b>		<b>15,630</b>
<b>(b) Other comprehensive Income includes:</b>		
1) Items that will not be reclassified to profit or loss :		
- Actuarial (gain)/loss on defined benefit plans (gratuity)		(14)
Tax impact on the above		3
		<b>(11)</b>
2) Items that will be reclassified to profit or loss :		
- Mark to market (MTM) impact on forward contracts (net)		494
- Exchange differences in translation of foreign operations		(1,015)
Tax impact on the above		127
		<b>(394)</b>
<b>Total (D)</b>		<b>(405)</b>
<b>Total Comprehensive Income as per Ind AS (E = C+D)</b>		<b>15,225</b>





# NOTES forming part of consolidated financial statements

## Notes

### i. Business combination:

Under Ind AS, the acquiree's identifiable assets, liabilities and contingent consideration payable on business combination that meet the condition for recognition are considered at their fair value. This has resulted in the recognition of intangible assets and consequently their amortisation in the statement of profit and loss. while under previous GAAP, the assets & liabilities of the acquiree are recognised at cost.

Further under Ind AS, Earnout consideration payable on business combination is measured at fair value while under previous GAAP it is recognised at cost.

### ii. Fair valuation of investments:

(a) Under Ind AS, financial assets and financial liabilities are required to be measured at fair value. The resulting fair value change of these investments has been recognised in the retained earnings as at the date of transition and subsequently in the profit or loss for the year ended 31 March 2017. Mutual fund investments have been classified as FVTPL. Consequently, increase in fair value of such investments in quoted mutual funds has resulted in a gain. Under previous GAAP, investments in equity instruments and Mutual funds were classified as long-term investments or current investments based on the intended holding period and its realisability. Long term investments were carried at cost less provision for other than temporary decline in the value of such investments. Current investments were carried at lower of cost and fair value.

### iii. Security deposits:

Under previous GAAP, Lease security deposits (that are refundable in cash on completion of the lease term) are recorded at their transaction value. Under Ind AS, the difference between the Fair value and transaction value of the security deposits has been recognised as prepaid rent. The lease rentals paid in advance are charged to the statement of profit and loss over the lease term.

### iv. Deferred Tax:

Under previous GAAP, Tax expenses in the consolidated financial statements was computed by performing line by line addition of tax expense of the parent and its subsidiaries. No adjustments to tax expenses was made on consolidation. Under Ind AS, Deferred taxes have been recognised on the adjustments made on transition to Ind AS.

### v. Consolidation of Employee Welfare Trust:

Under Ind AS, the company is required to consolidate Sonata Employee Welfare Trust Accounts, which is under common control. Under previous GAAP, the same was not consolidated.

### vi. Hedge Accounting/Forward contracts:

Under Ind AS the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Other Comprehensive Income. The ineffective portion of changes in the fair value of the derivative is recognised in the Statement of Profit and Loss. Under previous GAAP, the gain or loss on the hedging instrument that is determined to be an effective hedge was recognized directly in the appropriate equity account.

### vii. Employee stock option plan:

Under the previous GAAP, the cost of equity-settled employee share-based plan were recognised using the intrinsic value method. Under Ind AS, the cost of equity-settled share based plan is recognised based on the fair value of the options as at the grant date.

### viii. Remeasurement of Defined benefit obligations:

Under previous GAAP, actuarial gains and losses were recognised in the statement of Profit and Loss. Under Ind AS, the actuarial gains and losses form part of remeasurement of the net defined benefit liability/ asset which is recognised in Other Comprehensive Income. Consequently, the tax effect of the same has also been recognised in Other Comprehensive Income under Ind AS instead of the statement of Profit and Loss.

## For and on behalf of the Board of Directors

**Pradip P Shah**  
Chairman

**P Srikar Reddy**  
Managing Director  
& Chief Executive Officer

**Prasanna Oke**  
Chief Financial Officer

**R Sathyanarayana**  
VP - Finance & Accounts

**Kundan Kumar Lal**  
Company Secretary

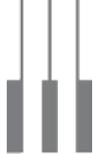
Place : Mumbai

Date: May 22, 2018

# **SONATA INFORMATION TECHNOLOGY LIMITED FINANCIAL STATEMENTS**

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# BOARD'S REPORT

## To the Members,

The Directors have pleasure in presenting before you the Eighteenth Annual Report of your Company together with the Audited Financial Statements for the Financial Year ended 31<sup>st</sup> March, 2018.

## FINANCIAL RESULTS

Description	(₹ in Lakhs)	
	Financial Year ended 31.03.2018	Financial Year ended 31.03.2017
1. Total Income	155,677	158,441
2. Total Expenditure	149,705	152,816
3. EBITDA	5,972	5,625
5. Depreciation & Amortization Expense	97	58
4. Finance Cost	500	684
5. Profit before Tax and Exceptional Items	5,375	4,883
6. Exceptional item [Interest income on Income Tax refund]	66	207
7. Provision for Tax (Net)	1,862	1,725
8. Profit after Tax	3,579	3,365
9. Earnings in ₹ per share	106.03	99.69

## BUSINESS PERFORMANCE

Your Company has posted encouraging results for the Financial Year ended 31<sup>st</sup> March, 2018. Your Company has reported a revenue of ₹ 154,679 Lakhs in the Financial Year under review with a growth of 6 % in EBITDA before Exceptional Items and 6% in PAT due to higher margins and reduction in finance costs. Although the turnover is flattish due to competitive market place, efficiency in working capital management helped us in achieving this growth.

Your Company's business has two broad lines:

### A. PRODUCTS

Digital transformation of technology infrastructure of customers continued to be the focus area of your Company during the year under review along with Cloud services offerings. This year too, your Company has got the "Best Partner of the Year" award from its major Principal OEMs like Microsoft, Oracle, SAP, etc. As part of its continuing efforts to increase its focus in the area of Cloud service offerings, during the year, your Company has been appointed as a Managed Service Provider (MSP) for Oracle cloud services. Your Company has also partnered with Amazon Web Services (AWS) as a standard partner to deliver their cloud offerings to customers across India. AWS' offerings are in IT Infrastructure services to businesses in the form of web services, commonly known as cloud computing and IaaS & PaaS offerings. Your company's focus on Security SI business continues to give encouraging results in the form of 3 new contracts from major banks during the year.

### B. SERVICES

During the year under review, your Company has made significant strides with its Services business and has deepened its engagement with all its clients in the focused verticals.

## OUTLOOK IN BUSINESS

Your Company continued its focus in high value products and did enter into tie ups with leading OEMs like Amazon during the year to help its digital transformation focus in the market place.

## 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 ₹ 10 /- per equity share of face value ₹ 10 /- each).

Your Company has not transferred any amounts to reserve for the Financial Year ended 31<sup>st</sup> March, 2018.

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 29<sup>th</sup> May, 2017, 14<sup>th</sup> August, 2017, 13<sup>th</sup> November, 2017 and 7<sup>th</sup> February, 2018.

## BOARD OF DIRECTORS AND OTHER MANAGERIAL PERSONNEL

Mr. P Srikar Reddy (DIN 00001401) Director, retires by rotation and being eligible, offers himself for re-appointment at the ensuing Annual General Meeting (AGM). Brief profile of Mr. P Srikar Reddy, is given in the notes to the Notice of the ensuing AGM.

During the year under review Mr. Kundan K Lal, Company Secretary of Sonata Software Limited (Holding Company) was appointed as Company Secretary of the Company with effect from 29<sup>th</sup> May, 2017. Mr. Kundan K. 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, Your 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.

#### **DIRECTOR'S RESPONSIBILITY STATEMENT:**

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

- in the preparation of the Annual Accounts, the applicable Accounting Standards 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. 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 Financial Year under review.

#### **STATUTORY AUDITORS**

M/s Deloitte Haskins & Sells, LLP, Chartered Accountants, Bengaluru, (Firm Registration No. 117366W) were appointed as Statutory Auditors of the Company from the conclusion of Seventeenth (17<sup>th</sup>) Annual General Meeting (AGM) till conclusion of Twenty Second (22<sup>nd</sup>) AGM, subject to ratification of appointment by the shareholders at every AGM. Pursuant to The Companies (Amendment) Act, 2017 the requirement to ratify the appointment of the Statutory Auditors by the shareholders at every AGM has been omitted.

#### **SECRETARIAL AUDIT**

The Board had appointed Mr. Vijayakrishna K T, Practising Company Secretary as the Secretarial Auditor for the Financial Year 2017-18. The Secretarial Audit Report for the financial year ended 31<sup>st</sup> March, 2018 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 was felicitated with following recognitions:

- i. Awarded Microsoft Country Partner of the Year 2017;
- ii. Finalist in the global Microsoft Messaging Partner category;
- iii. SAP APJ Partner Excellence Award 2018 – Top Sell Partner of the year for APJ;
- iv. Awarded the Oracle India FY16 Excellence Award for 'Best Cloud Transformation Partner of the Year';
- v. Winner of the 2017 Specialized Partner of the Year Award: PaaS/IaaS Cloud – APAC at Oracle Open World, SFO

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO:**

##### **(A) CONSERVATION OF ENERGY**

Though your Company does not have energy intensive operations, every endeavour has been made to ensure the optimal usage of energy, avoid wastage and conserve energy. As an ongoing process, your Company continued to undertake the following measures to conserve energy:

- Using energy-efficient computers and equipment with the latest technologies, which would help in conservation of energy.
- Installation of sensors at work space area resulting in lights automatically getting switched off in areas not in use.

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

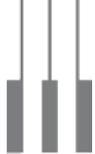
##### **(B) TECHNOLOGY ABSORPTION:**

During this Financial Year also, your Company continued its focus on new technology areas like Mobility, Cloud and Analytics and focused on Cloud SI, security SI & Own IP businesses in the Indian market.

##### **(C) FOREIGN EXCHANGE EARNINGS AND OUTGO:**

During the Financial Year under review, Foreign Exchange outgo on account of Travelling, Royalty, Import of traded products, etc. was ₹ 43 Lakhs and Foreign Exchange inflow on account of software services rendered and sales of traded products exports was ₹ 13,639 Lakhs.





**PARTICULARS OF EMPLOYEEES**

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**

During the year under review, your Company successfully completed the first surveillance audit of its Quality Management System demonstrating continued alignment with the standard ISO 9001:2015.

Your Company continues its efforts to sustain and enhance Customer Satisfaction. The Company has enhanced some of its customer-facing processes, resulting in more effective delivery of services. In terms of customer satisfaction, your Company has been consistently able to achieve an index of 4 out of 5 or higher and the Company is aiming to improve this further through enhancement of processes and competency of its people.

**HUMAN RESOURCES MANAGEMENT**

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

- Senior Leadership Development through customized programs on Business Leadership, Design Thinking & sponsoring leaders to Strategic Leadership Programs with B-schools.
- Renewed focus on culture change with imbibing Design Thinking principles and mindset in all customer facing and managerial roles. This has been used successfully in projects.
- With a belief that charity begins at home, your Company has digitized its campus hiring through a Platform.
- Organized several employee engagement and CSR events across our facilities enabling employees to engage, participate, contribute and do their bit to our society: Partnership with IIIT Bangalore for evangelization of Technology for Digital Transformation and Research, creating the e-commerce platform for Industree Crafts Foundation, promoted education to the vision and hearing impaired – contributed to Sense International India, a Centre for Deaf and Blind in Bengaluru; partnered with Wildlife Conservation Trust to provide advanced level of education for children studying in the buffer zones of Bandipur Tiger Reserve by creating a digital learning platform to hold the lesson repository and provide collaboration tools between all stakeholders of the project; created Digital enabled Learning Platform for River Foundation; Supported traditional Handloom through IT expertise – Developed an ecommerce online portal for Handloom students to popularise traditional weaving techniques and sell their products; Supported CEDI NIT, Trichy and Chitrika in creating a new website with better UI/UX functionalities for their existing websites and lastly supported CUPA to help sustain and extend animal welfare activities with increasing degrees of excellence.

**DETAILS OF ADEQUACY OF INTERNAL FINANCIAL CONTROLS**

Your Company has in place well defined and adequate internal controls commensurate with the size of the Company and the same were operating effectively throughout the year. The internal control systems operate through well documented Standard Operating Procedures, policies and process guidelines. These Procedures, policies, processes and the systems are periodically

reviewed and improved upon to meet the changing business environment.

The Internal Financial Controls helps in ensuring the orderly and efficient conduct of its business, including adherence to Company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the Accounting records and timely preparation of reliable financial information.

During the year under review, both the internal and statutory auditors reviewed the internal financial controls. Based on their assessment no material weaknesses were found in the design and operation of the internal financial controls of the Company.

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

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

**PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS**

During the Financial Year under review, your Company has taken Inter Corporate Deposits at prevailing bank lending rate from its Holding Company, Sonata Software Ltd. for meeting its working capital requirements. There is no outstanding balance as on 31<sup>st</sup> March, 2018. The maximum amount outstanding at any point of time during the Financial Year has been ₹ 12,105 Lakhs.

Also, your Company has taken Corporate Guarantees from its Holding Company, Sonata Software Ltd. for facilitating its business needs. The outstanding amount as on 31<sup>st</sup> March, 2018 is as below:

<b>Name of the Party</b>	<b>Amount in ₹ Lakhs</b>
IBM India Ltd.	500
Microsoft Corporation (India) Pvt. Ltd.	9,775

**RISK MANAGEMENT:**

The Risk Management practices of Sonata seek to sustain our long term vision and mission. The Risk Management Policy, inter alia, includes identification therein of elements of risk, including those which in the opinion of the Board may threaten the existence of the Company. Risk management process has been established across the Company and is designed to identify, assess and frame a response to threats that affect the achievement of its objectives. Further, it is embedded across all the major functions and revolves around the goals and objectives of the organisation.

**CORPORATE SOCIAL RESPONSIBILITY “CSR”:**

During the Financial Year, your Company has spent ₹ 95 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:

- A Green Future – Partnered with “Pangea Econet” as part of save the environment program to plant Trees in Chintamani District of Karnataka. Totally 3700 Sapling was planted I Go Green for Sonata – Another program was rolled out by the employees of planting trees at Companies 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 by creating a digital learning platform to upload the lessons as repository and

provide collaboration tools between all stakeholders of the project

- Scholarships for economically challenged engineering students – Partnered with SKSVMA Trust to support technical education for economically challenged students in the backward districts of Karnataka. Your Company is also supporting them to create Project labs
- 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 an **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 2017-18.

The Company affirms that no employee has been denied access to the Audit Committee during the Financial Year 2017-18.

#### **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**

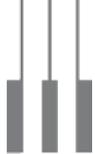
Place: Mumbai

Date: 22<sup>nd</sup> May, 2018

**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;
- 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 30 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 3<sup>rd</sup> 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 1<sup>st</sup> 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.

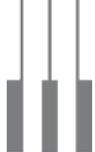
## 9] TERMS OF REMUNERATION FOR THE DIRECTOR, KMP AND SMP

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

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

FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH, 2018

To  
The Members,  
Sonata Information Technology Limited  
CIN: U72300MH2000PLC127476

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Sonata Information Technology Limited (CIN: U72300MH2000PLC127476) (hereinafter called 'the Company'). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 2018 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by Sonata Information Technology Limited for the financial year ended on 31<sup>st</sup> March, 2018 according to the provisions of:

- i. The Companies Act, 2013 (the Act) and the rules made thereunder;
- ii. The other general laws as may be applicable to the Company like Payment of Gratuity Act etc
- iii. The Industry specific laws applicable to the Company are as follows:
  - The Information Technology Act, 2000
  - The Special Economic Zone Act, 2005
  - Policy relating to Software Technology Parks of India and its regulations
  - The Indian Copyright Act, 1957
  - The Patents Act, 1970
  - The Trade Marks Act, 1999

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

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

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

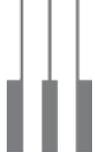
During the period under review, the Company has complied with the provisions of the Acts, Rules, Regulations, Guidelines, Standards, etc. mentioned above. Certain non material findings made during the course of the audit relating to Companies Act and Labour Laws were addressed suitably by the Management.

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

#### I further report that

The Board of Directors of the Company is duly constituted with proper balance of Non-Executive Directors and Independent Directors. There were no changes in the composition of the Board of Directors during the period under review.





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

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

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

**Place:** Bengaluru

**Date:** 22<sup>nd</sup> May, 2018

**Vijayakrishna K T**

FCS No.: 1788

C P No.: 980

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

**'Annexure'**

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

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

**Place:** Bengaluru

**Date:** 22<sup>nd</sup> May, 2018

**Vijayakrishna K T**

FCS No.: 1788

C P No.: 980

## ANNEXURE III

### EXTRACT OF ANNUAL RETURN FORM- MGT-9 FOR THE FINANCIAL YEAR ENDED 31.03.2018

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 TV 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

SI 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

SI 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		
<b>A. Promoters</b>										
<b>(1) Indian</b>										
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/Fl	0	0	0	0	0		0	0	0	0
e) Any other	0	0	0	0	0		0	0	0	0
<b>SUB TOTAL:(A) (1)</b>	<b>0</b>	<b>3375394</b>	<b>0</b>	<b>100</b>	<b>0</b>	<b>3375394</b>	<b>0</b>	<b>100</b>	<b>0</b>	<b>0</b>
<b>(2) Foreign</b>	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/Fl	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		
e) Any other...	0	0	0	0	0	0	0	0	0	0
<b>SUB TOTAL (A) (2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Shareholding of Promoter (A)= (A) (1)+(A)(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>B. PUBLIC SHAREHOLDING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>(1) Institutions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
a) Mutual Funds	0	0	0	0	0	0	0	0	0	0
b) Banks/FI	0	0	0	0	0	0	0	0	0	0
c) Central govt	0	0	0	0	0	0	0	0	0	0
d) State Govt.	0	0	0	0	0	0	0	0	0	0
e) Venture Capital Fund	0	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0	0
g) FIIS	0	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0	0
Beneficial holdings under MGT- 4	0	0	0	0	0	0	0	0	0	0
<b>SUB TOTAL (B)(1):</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>(2) Non Institutions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
a) Bodies corporates	0	0	0	0	0	0	0	0	0	0
i) Indian	0	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0	0
b) Individuals	0	0	0	0	0	0	0	0	0	0
i) Individual shareholders holding nominal share capital upto ₹ 1 lakhs	0	0	0	0	0	0	0	0	0	0
ii) Individuals shareholders holding nominal share capital in excess of ₹ 1 lakhs	0	0	0	0	0	0	0	0	0	0
c) Others (specify)	0	0	0	0	0	0	0	0	0	0
<b>SUB TOTAL (B)(2):</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Public Shareholding (B)= (B)(1)+(B)(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total (A+B+C)</b>	<b>0</b>	<b>3375394</b>	<b>0</b>	<b>100</b>	<b>0</b>	<b>3375394</b>	<b>0</b>	<b>100</b>	<b>0</b>	<b>0</b>

\*Note: The beneficial ownership in the shares held by individual shareholders is held by Sonata Software Limited

**(ii) SHAREHOLDING OF PROMOTERS**

SI No.	Shareholders Name	Shareholding at the beginning of the year (1 <sup>st</sup> April, 2017)			Shareholding at the end of the year (31 <sup>st</sup> March, 2018)			% 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
	<b>Total</b>	<b>33,74,694</b>	<b>99.98</b>	<b>NIL</b>	<b>33,74,694</b>	<b>99.98</b>	<b>NIL</b>	<b>NIL</b>

**(iii) CHANGE IN PROMOTERS' SHAREHOLDING (SPECIFY IF THERE IS NO CHANGE)**

SI No.		Shareholding at the beginning of the Year		Cumulative Shareholding during the year	
		No of shares	% of total shares of the Company	No of shares	% of total shares of the Company
1	At the beginning of the year	NIL	NIL	NIL	NIL
2	Date wise increase/decrease in Promoters 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	NIL	NIL	NIL	NIL

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

SI No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the Year		Cumulative Shareholding during the year	
		No of shares	% of total shares of the Company	No of shares	% of total shares of the Company
1	At the beginning of the year	NIL	NIL	NIL	NIL
2	Date wise increase/decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)	NIL	NIL	NIL	NIL
3	At the end of the year (or on the date of separation, if separated during the year)	NIL	NIL	NIL	NIL

**(v) Shareholding of Directors and Key Managerial Personnel:**

SI 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	At the beginning of the year	NIL	NIL	NIL	NIL
2	Date wise increase/decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)	NIL	NIL	NIL	NIL
3	At the end of the year	NIL	NIL	NIL	NIL

\*Note: Directors are not holding any shares since the beneficial interest is held by Sonata Software Limited (Holding company).





(VI) INDEBTEDNESS

(₹ in Lakhs)

Indebtedness of the Company including interest outstanding/accrued but not due for payment				
	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year 01.04.2017</b>				
i) Principal Amount	-	409	-	409
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	-	<b>409</b>	-	<b>409</b>
<b>Change in Indebtedness during the financial year</b>				
Additions	27,713	45,253	Nil	72,966
Reduction	27,713	45,558	Nil	73,271
Net Change	-	(305)	Nil	(305)
<b>Indebtedness at the end of the financial year 31.03.2018</b>				
i) Principal Amount	-	104	Nil	104
ii) Interest due but not paid	Nil	Nil	Nil	-
iii) Interest accrued but not due	Nil	Nil	Nil	-
<b>Total (i+ii+iii)</b>	-	<b>104</b>	-	<b>104</b>

VI REMUNERATION OF DIRECTORS

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

(Amount in ₹)

Sl. No	Particulars of Remuneration	Sujit Mohanty (whole-time Director)	Total Amount in ₹
	<b>Gross salary</b>		
1	(a) Salary as per provisions contained in section 17(1) of the Income Tax, 1961.	7,606,897	7,606,897
2	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	0	0
3	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	0	0
4	Stock option	0	0
5	Sweat Equity	0	0
6	Commission as % of profit	0	0
7	Others, please specify	0	0
8	<b>Total (A)</b>	<b>7,606,897</b>	<b>7,606,897</b>
9	<b>Ceiling as per the Act</b>		<b>27,197,589</b>

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:

(Amount in ₹)

Sl. No	Particulars of Remuneration	Name of the Independent Directors		Total Amount ₹
		Mr. B K Syngal	Ms. Radhika Rajan	
<b>1</b>	<b>Independent Directors</b>			
2	(a) Fee for attending board/ committee meetings	220,000	180,000	400,000
3	(b) Commission	0	0	0
4	(c) Others, please specify	0	0	0
5	<b>Total (1)</b>	<b>220,000</b>	<b>180,000</b>	<b>400,000</b>
	<b>Other Non Executive Directors</b>			
6	(a) Fee for attending board /committee meetings for	0	0	0
7	(b)Commission	0	0	0
8	(c)Others, please specify	0	0	0
9	Total (2)	-	-	-
10	Total (B)=(1+2)	<b>220,000</b>	<b>180,000</b>	<b>400,000</b>
11	Total Managerial Remuneration			<b>8,006,897</b>
12	Overall Ceiling as per the Act			<b>59,834,697</b>

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

(Amount in ₹)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel	Total Amount
	<b>Gross Salary</b>	--	--
1	(a) Salary as per provisions contained in section 17(1) of the Income Tax, 1961.	--	--
2	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	--	--
3	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	--	--
4	Stock option	--	--
5	Sweat Equity	--	--
6	Commission as % of profit	--	--
7	Others, please specify	--	--

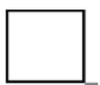
**(VII) PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES**

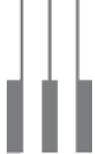
There were no penalties or punishments levied on the Company during the year. Also, there was no necessity for the Company to compound any offence.

**For and on behalf of the Board**  
**SONATA INFORMATION TECHNOLOGY LIMITED**

**Place:** Mumbai  
**Date:** 22<sup>nd</sup> May, 2018

**P SRIKAR REDDY**  
**CHAIRMAN**





## ANNEXURE IV

### ANNUAL REPORT ON CSR ACTIVITIES

- 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.

- The CSR Committee comprises of the following Members-
  - Mr. B K Syngal (Chairman)
  - Mr. P Srikar Reddy
  - Ms. Radhika Rajan
- Average net profits of the Company for the last three financial years is Rs. 467,317,724.
- Prescribed CSR Expenditure (two per cent of the amount as in item 3 above) is Rs. 9,346,354.
- Details of CSR spent during the Financial Year 2017-18.
  - Total amount spent for the Financial Year 2017-18 was Rs. 9,524,151
  - Amount unspent – Nil.
  - Manner in which the amount spent during the Financial Year 2017-18 is detailed below-

(Amount in ₹)

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	Technology enabled platform for primary schools around Buffer zones	Education	Bandipur, Tamil Nadu	6,604,994	(1) 6,517,799 (2) 220,372	6,738,171	Direct
2	Creation of ecommerce and digital archive for traditional Handloom students	Art and Crafts	Maheshwar, Madhya Pradesh	1,300,000	(1) 1,258,400 (2) 62,920	1,321,320	Direct
3	Enabling advanced learning system for specially challenged students	Education	Yelahanka, Karnataka	620,360	(1) 570,360 (2) 50,000	620,360	Sense International
4	Scholarship for technical education for economically challenged students and Project lab	Education	Gadag, Karnataka	500,000	(1) 500,000 (2) 20,000	520,000	SKSVMA Charitable Trust
5	Provide golf training for economically challenged talented students	Sports	Delhi	66,000	(1) 66,000 (2) 3,300	69,300	The Golf Foundation

(Amount in ₹)

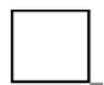
Sl. No	CSR Project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the state and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub Heads: (1) Direct expenditure on projects or programs. (2) Overheads	Cumulative expenditure upto the reporting period.	Amount spent: Direct or through implementing agency
6	Fostering sustainable environment within society and among employees	Environment	Bengaluru, Karnataka Chintamani, Karnataka	255,000	(1) 255,000	255,000	Pangea
<b>TOTAL</b>				<b>9,346,354</b>		<b>9,524,151</b>	

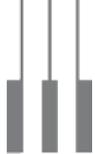
6. In alignment with its vision, the Company has strived consistently to create value to the society and community in which it operates and is committed to promote sustainable growth. The spend has increased as compared to last year and the Company will continue its efforts towards channelizing the funds 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: 22<sup>nd</sup> May, 2018





## 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 2018, 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 North America Inc.
Nature of Relationship	Holding Company	Fellow subsidiary
<b>Nature Of Contracts/ Arrangements/ Transactions :</b>		-
Revenue from software product and licenses	488,590,574	938,345
Deputation cost/ service charges/ software project fees	202,479,584	-
Reimbursement of expenses	15,957,740	-
Inter- corporate deposit taken	4,517,889,476	-
Inter- corporate deposit repaid	4,517,889,476	-
Interest on inter- corporate deposit paid	20,145,519	-
Rent paid	5,208,307	-
Dividend paid	33,753,940	-
Commission paid on corporate guarantees	5,104,223	-

Notes:

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

For and on behalf of the Board  
**SONATA INFORMATION TECHNOLOGY LIMITED**

Place: Mumbai

Date: 22<sup>nd</sup> May 2018

**P SRIKAR REDDY**

CHAIRMAN

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF SONATA INFORMATION TECHNOLOGY LIMITED

### Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of **Sonata Information Technology Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2018, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Ind AS 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 Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS 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 and the Order issued under section 143(11) of the Act.

We conducted our audit of the Ind AS 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 Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Ind AS 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 Ind AS 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 Ind AS 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 Ind AS financial statements.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us the aforesaid Ind AS 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 Ind AS and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

### Other Matters

The comparative financial information of the Company for the year ended March 31, 2017 and the transition date opening balance sheet as at April 1, 2016 included in these standalone Ind AS financial statements, are based on the statutory financial statements prepared in accordance with the Companies (Accounting Standards) Rules, 2006 audited by the predecessor auditor whose report for the year ended March 31, 2017 and March 31, 2016 dated May 29, 2017 and May 23, 2016 respectively expressed an unmodified opinion on those standalone financial statements, and have been restated to comply with Ind AS. Adjustments made to the previously issued said financial information prepared in accordance with the Companies (Accounting Standards) Rules, 2006 to comply with Ind AS have been audited by us.

Our opinion on the Ind AS financial statements is not modified in respect of this matter.





### **Report on Other Legal and Regulatory Requirements**

1. As required by Section 143(3) of the Act, based on our audit referred to 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.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act.
  - e) On the basis of the written representations received from the directors of the Company as on March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164(2) of the Act.
  - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
  - g) With respect to the other matters to be included in the Auditor's Report in accordance with 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 Ind AS financial statements;
    - ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
    - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **DELOITTE HASKINS & SELLS LLP**  
Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)

**Vikas Bagaria**  
Partner  
(Membership No.60408)

Place: Mumbai  
Date: May 22, 2018

# ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT

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

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

We have audited the internal financial controls over financial reporting of **Sonata Information Technology Limited** (“the Company”) as of March 31, 2018 in conjunction with our audit of the Ind AS (retain as applicable) financial statements of the Company for the year ended on that date.

### **Management’s Responsibility for Internal Financial Controls**

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

### **Auditor’s Responsibility**

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

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

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

### **Meaning of Internal Financial Controls Over Financial Reporting**

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

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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

### **Opinion**

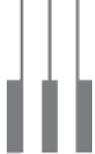
In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the criteria for internal financial control over financial reporting established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **DELOITTE HASKINS & SELLS LLP**  
Chartered Accountants  
(Firm’s Registration No. 117366W/W-100018)

Place: Mumbai  
Date: May 22, 2018

**Vikas Bagaria**  
Partner  
(Membership No.60408)





## ANNEXURE “B” TO THE INDEPENDENT AUDITOR’S REPORT

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

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and the records examined by us, the Company does not have any immovable properties of freehold or leasehold land and building and hence reporting under the clause 3(i)(c) of the Order is not applicable to the Company.
- (ii) The Company does not have any inventory and hence reporting under clause 3(ii) of the Order is not applicable to the Company.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.
- (iv) In our opinion and according to the information and explanations given to us, the Company has not granted any loans, made investments or provided guarantees and hence reporting under clause 3(iv) of the Order is not applicable to the Company.
- (v) According to the information and explanations given to us, the Company has not accepted any deposit during the year and does not have any unclaimed deposits and hence reporting under clause 3(v) of the Order is not applicable to the Company.
- (vi) The maintenance of cost records has not been specified by the Central Government under section 148(1) of the Companies Act, 2013 and hence reporting under clause 3(vi) of the Order is not applicable to the Company.
- (vii) According to the information and explanations given to us, in respect of statutory dues:
  - (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees’ State Insurance, Income-tax, Sales Tax, Service Tax, Goods and 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, Goods and Service Tax, cess and other material statutory dues in arrears as at March 31, 2018 for a period of more than six months from the date they became payable.
  - (c) Details of dues of Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, and Value Added Tax which have not been deposited as on March 31, 2018 on account of disputes are given below:

Name of Statute	Nature of Dues	Forum where Dispute is Pending	Period to which the Amount Relates	Amount Involved (₹ in lakhs)	Amount Unpaid (₹ in lakhs)
Income Tax Act, 1961	Withholding Tax and Interest thereon	Supreme Court	AY 2001-02 & 2002-03	2,182.39	2,182.39 <sup>^</sup>
Income Tax Act, 1961	Income Tax and Interest thereon	Commissioner of Income Tax (Appeals)	AY 2015-16	2116.90	939.13
Finance Act, 1994	Service Tax, Penalty and Interest there on	The Joint Commissioner of Commercial Taxes (Appeals), Bangalore	FY 2001-02	2.94	1.47 <sup>**</sup>

<sup>^</sup>Net of ₹ 125 Lakhs paid under protest

<sup>\*\*</sup>Net of ₹ 1.47 Lakhs 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 financial institutions and government or has not issued any debentures.
- (ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause 3(ix) of the Order is not applicable to the Company.
- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company by its officers or employees has been noticed or reported during the year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- (xii) The Company is not a Nidhi Company and hence reporting under clause 3(xii) of the Order is not applicable to the Company.

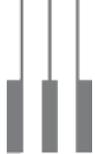
- (xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 188 and 177 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of Order is not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with him and hence provisions of section 192 of the Companies Act, 2013 are not applicable to the Company.
- (xvi) The Company is not required to be registered under section 45-I of the Reserve Bank of India Act, 1934.

For **DELOITTE HASKINS & SELLS LLP**  
Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)

Place: Mumbai  
Date: May 22, 2018

**Vikas Bagaria**  
Partner  
(Membership No.60408)





## BALANCE SHEET as at March 31, 2018

₹ in Lakhs

	Note No.	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, Plant and Equipment	3	132	164	65
Capital work-in-progress		2	2	-
Financial assets				
Other financial assets	4	881	210	115
Deferred tax assets (net)	16	328	191	81
Other non-current assets	5	3,320	2,507	1,732
<b>Total non-current assets</b>		<b>4,663</b>	<b>3,074</b>	<b>1,993</b>
<b>Current assets</b>				
Inventories	6	-	-	1,001
Financial assets				
Investments	7.1	2,702	1,800	-
Trade receivables	7.2	28,930	40,758	24,016
Cash and cash equivalents	7.3	16,874	2,211	700
Bank balances other than above	7.4	309	5,889	5,591
Other financial assets	7.5	264	1,810	688
Other current assets	8	2,311	1,831	2,436
<b>Total current assets</b>		<b>51,390</b>	<b>54,299</b>	<b>34,432</b>
<b>Total assets</b>		<b>56,053</b>	<b>57,373</b>	<b>36,425</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity share capital	9	338	338	338
Other equity	10	16,116	13,074	9,910
<b>Total Equity</b>		<b>16,454</b>	<b>13,412</b>	<b>10,248</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Other non-current liabilities	11	33	27	20
<b>Total non-current liabilities</b>		<b>33</b>	<b>27</b>	<b>20</b>
<b>Current liabilities</b>				
Financial liabilities				
Borrowings	12.1	-	178	2,449
Trade payables		35,454	39,043	20,967
Other financial liabilities	12.2	711	644	112
Other current liabilities	13	2,541	3,732	2,343
Provisions	14	41	29	26
Current tax liabilities (net)	15	819	308	260
<b>Total current liabilities</b>		<b>39,566</b>	<b>43,934</b>	<b>26,157</b>
<b>Total equity and liabilities</b>		<b>56,053</b>	<b>57,373</b>	<b>36,425</b>

See accompanying notes forming part of the financial statements

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

For and on behalf of the Board of Directors

Vikas Bagaria  
Partner

P SRIKAR REDDY  
Director

SUJIT MOHANTY  
Senior Vice President & Director

Place : Mumbai  
Date : May 22, 2018

## STATEMENT OF PROFIT & LOSS for the year ended March 31, 2018

₹ in Lakhs

	Note No.	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>REVENUE</b>			
Revenue from operations	17.1	154,679	157,737
Other income	17.2	998	704
<b>Total revenue</b>		<b>155,677</b>	<b>158,441</b>
<b>EXPENSES</b>			
Purchases of stock-in-trade (traded goods)		144,376	146,568
Changes in inventories of stock-in-trade	18	-	1,001
Employee benefits expense	19	2,027	1,842
Finance costs	20	500	684
Depreciation and amortization expense	3	97	58
Other expenses	21	3,302	3,405
<b>Total expenses</b>		<b>150,302</b>	<b>153,558</b>
<b>Profit before exceptional item and tax</b>		<b>5,375</b>	<b>4,883</b>
Add : Exceptional item (Interest income on Income tax refund)		66	207
<b>Profit before tax</b>		<b>5,441</b>	<b>5,090</b>
<b>Tax expense</b>	16		
Current tax expense		1,901	1,896
Short/(excess) provision for tax relating to prior years		-	(57)
Deferred tax		(39)	(114)
<b>Net tax expense</b>		<b>1,862</b>	<b>1,725</b>
<b>Profit for the year</b>		<b>3,579</b>	<b>3,365</b>
<b>Other comprehensive income</b>			
1 (a) Items that will not be reclassified to profit/(loss)		(29)	10
(b) Income tax relating to items that will not be reclassified to profit/(loss)		10	(3)
		<b>(19)</b>	<b>7</b>
2 (a) Items that will be reclassified to profit/(loss)		54	-
(b) Income tax relating to items that will be reclassified to profit/(loss)		(19)	-
		<b>35</b>	<b>-</b>
<b>Total</b>		<b>16</b>	<b>7</b>
<b>Total comprehensive income</b>		<b>3,595</b>	<b>3,372</b>
Earnings per share - (on ₹ 10 per share)	32		
Basic and Diluted		106.03	99.69

See accompanying notes forming part of the financial statements

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

Chartered Accountants

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

Partner

**P SRIKAR REDDY**

Director

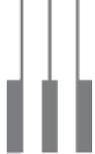
**SUJIT MOHANTY**

Senior Vice President &amp; Director

Place : Mumbai

Date : May 22, 2018





## CASH FLOW STATEMENT for the year ended March 31, 2018

₹ in Lakhs

	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
<b>Profit before tax</b>	5,441	5,090
Adjustments for :		
Depreciation and amortization expense	97	58
Finance costs	500	684
Allowances for credit losses	(8)	140
Bad trade receivables written off	-	39
Provisions/ liabilities no longer required written back	(22)	(37)
Rent deposits discounted	(1)	(1)
Interest income on Income tax refund	(66)	(207)
Interest income from fixed deposits/margin money with banks	(167)	(486)
Dividend income from current investments	(142)	(39)
Excess of carrying costs over fair value of current investments	(2)	-
Discounting of lease deposits debited to rent	1	1
Net (gain) / loss on sale of fixed assets / scrapped	1	-
Net (gain) / loss on current investments	-	1
Unrealized foreign exchange (gain) / loss (net)	(127)	168
<b>Operating profit before working capital changes</b>	<b>5,505</b>	<b>5,411</b>
Adjustments for :		
Decrease/(increase) in trade receivables	13,120	(18,017)
Decrease/(increase) in inventories	-	1,001
Decrease/(increase) in other financial assets	7	16
Decrease/(increase) in other financial assets non-current	(7)	(22)
Decrease/(increase) in other non-current assets	(14)	56
Decrease/(increase) in other current assets	(481)	605
(Decrease)/increase in trade payables	(3,564)	18,167
(Decrease)/increase in other financial liabilities	198	293
(Decrease)/increase in other current liabilities	(1,220)	1,399
(Decrease)/increase in other non-current liabilities	6	7
(Decrease)/increase in provisions	12	3
<b>Cash generated from operations:</b>	<b>13,562</b>	<b>8,919</b>
Direct taxes/advance tax (paid)/refund (net)	(2,231)	(2,416)
<b>Net cash flow from / (used in) operating activities (A)</b>	<b>11,331</b>	<b>6,503</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(70)	(154)
Purchase of investments	(64,450)	(28,100)
Proceeds from sale of investments	63,693	26,338
Bank balances not considered as Cash and cash equivalents	4,945	(365)
Interest received	502	531
<b>Net cash flow from / (used in) investing activities (B)</b>	<b>4,620</b>	<b>(1,750)</b>

## CASH FLOW STATEMENT for the year ended March 31, 2018

₹ in Lakhs

	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings from banks (net)	(305)	(1,845)
Inter corporate borrowings from Holding Company	-	(195)
Dividends paid on equity shares	(337)	(337)
Dividend taxes paid on equity shares	(69)	(69)
Finance costs	(500)	(681)
<b>Net cash flow from / (used in) financing activities (C)</b>	<b>(1,211)</b>	<b>(3,127)</b>
<b>Net increase/(decrease) in Cash and cash equivalents (A+B+C)</b>	<b>14,740</b>	<b>1,626</b>
Opening Cash and cash equivalents	2,211	700
Exchange difference on translation of foreign currency Cash and cash equivalents	(77)	(115)
<b>Closing Cash and cash equivalents</b>	<b>16,874</b>	<b>2,211</b>
Cash and cash equivalents at the end of the year comprises:		
Balances with banks		
In Current accounts	1,461	1,473
In EEFC accounts	5,553	738
In Demand deposit accounts	9,860	-
	<b>16,874</b>	<b>2,211</b>

See accompanying notes forming part of the financial statements

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

Chartered Accountants

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

Partner

**P SRIKAR REDDY**

Director

**SUJIT MOHANTY**

Senior Vice President &amp; Director

Place : Mumbai

Date : May 22, 2018





## STATEMENT OF CHANGES IN EQUITY for the year ended March 31, 2018

(a) Equity share capital		₹ in Lakhs
Balance as at April 1, 2016		338
Add: Shares issued on exercise of employee stock option		-
<b>Balance as at March 31, 2017</b>		<b>338</b>
Balance as at April 1, 2017		338
Add: Shares issued on exercise of employee stock option		-
<b>Balance as at March 31, 2018</b>		<b>338</b>

(b) Other equity						₹ in Lakhs
Particulars	Reserves and Surplus (Refer Note 10)			Items of Other Comprehensive Income (Refer Note 10)		Total Other Equity
	Capital Redemption Reserve	General Reserve	Retained Earnings	Remeasurement of the defined benefit plans	Effective portion of cash flow hedges	
Balance as at April 1, 2016	263	450	9,133	-	64	9,910
Profit for the year	-	-	3,365	-	-	3,365
Amount transferred to initial amount of hedged item (net of tax)	-	-	-	-	198	198
Payment of Cash dividends (Refer Note 33)	-	-	(337)	-	-	(337)
Dividend distribution tax (Refer Note 33)	-	-	(69)	-	-	(69)
Other comprehensive income, (net of tax)	-	-	-	7	-	7
<b>Balance as at March 31, 2017</b>	<b>263</b>	<b>450</b>	<b>12,092</b>	<b>7</b>	<b>262</b>	<b>13,074</b>
Balance as at April 1, 2017	263	450	12,092	7	262	13,074
Profit for the year	-	-	3,579	-	-	3,579
Amount transferred to initial amount of hedged item (net of tax)	-	-	-	-	(147)	(147)
Payment of Cash dividends (Refer Note 33)	-	-	(337)	-	-	(337)
Dividend distribution tax (Refer Note 33)	-	-	(69)	-	-	(69)
Other comprehensive income, (net of tax)	-	-	-	(19)	35	16
<b>Balance as at March 31, 2018</b>	<b>263</b>	<b>450</b>	<b>15,265</b>	<b>(12)</b>	<b>150</b>	<b>16,116</b>

See accompanying notes forming part of the financial statements

### In terms of our report attached

**For Deloitte Haskins & Sells LLP**

Chartered Accountants

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

**Vikas Bagaria**

Partner

**P SRIKAR REDDY**

Director

**SUJIT MOHANTY**

Senior Vice President & Director

Place : Mumbai

Date : May 22, 2018

# NOTES forming part of financial statements

## Significant Accounting Policies

### 1. CORPORATE INFORMATION

Sonata Information Technology Limited ("SITL" or the "Company") is a Company primarily engaged in the business of providing Information Technology Solutions, software development services and re-selling products of companies such as Microsoft, IBM and Oracle etc. to its customers in India and the Asia Pacific region.

The Company registered in India with its registered office at Mumbai and operationally headquartered at Bengaluru. SITL is a wholly owned subsidiary of Sonata Software Limited. The financial statements were authorised for issuance by the Company's Board of Directors on May 22, 2018.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 BASIS OF PREPARATION & PRESENTATION OF FINANCIAL STATEMENTS

##### a. Statement of compliance

The financial statements have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (India Accounting Standards) Amendment Rules, 2016 as applicable.

Upto the year ended March 31, 2017, the Company prepared and presented its financial statements in accordance with the accounting standards notified under section 133 of the Companies Act, 2013 (Indian GAAP), which includes Standards notified under the Companies (Accounting Standards) Rules, 2006.

These are the Company's first Ind AS financial statements. The Company has adopted all applicable standards and the adoption was carried out in accordance with Ind AS 101 – 'First Time Adoption of Indian Accounting Standards'. An explanation of how the transition to Ind AS has affected the reported financial position, financial performance and cash flows of the Company are provided in Note no 35 - First Time Adoption. The date of transition to Ind AS is April 1, 2016.

##### b. Basis of measurement

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

##### c. Use of judgement, estimates and assumptions

The preparation of the financial statements in conformity with Ind AS requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities and disclosure relating to contingent liabilities as at the date of financial statement and the reported amounts of income and expenditure during the reported year. 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 / materialize.

The areas involving critical estimates or judgements are:

- i. **Depreciation and amortisation:** Depreciation and amortisation is based on management estimates of the future useful lives of certain class of property, plant and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the depreciation and amortisation charges.
- ii. **Impairment testing:** Intangible assets are tested for impairment annually and when events occur or changes in circumstances indicate that the recoverable amount of the asset or cash generating units to which these pertain is less than its carrying value. The recoverable amount of cash generating units is higher of value-in-use and fair value less cost to dispose. The calculation of value in use of a cash generating unit involves use of significant estimates and assumptions which includes turnover, growth rates and net margins used to calculate projected future cash flows, risk-adjusted discount rate, future economic and market conditions.
- iii. **Employee Benefits :** The present value of the employee benefits obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) includes the discount rate, wage escalation and employee attrition. Any changes in these assumptions will impact the carrying amount of obligations. The discount rate is based on the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated term of the obligations.
- iv. **Provision and contingencies :** Provisions and contingencies are based on the Management's best estimate of the liabilities based on the facts known at the Balance Sheet date.
- v. **Expected credit losses on financial assets:** The impairment provisions of financial assets are based on assumptions about risk of default and expected timing of collection. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, customer's creditworthiness, existing market conditions as well as forward looking estimates at the end of each reporting period.





## NOTES forming part of financial statements

- vi. **Other estimates:** The preparation of financial statements involves estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amount of revenues and expenses for the reporting period.

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

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

- 2.2 **Functional and presentation currency:** The functional and presentation currency of the Company is Indian Rupee (₹). The functional currency of its Branches is as per its respective domicile currency.

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Property, Plant and Equipment

**On Transition :** For transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment recognised as of April 1, 2016 (transition date) measured as per the previous GAAP and use that carrying value as its deemed cost as of the transition date.

#### Subsequent to Transition:

**Recognition & Measurement:** Property, Plant and Equipment are carried at cost less accumulated depreciation / amortization and impairment losses, if any. The cost of property, plant and equipment 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, other incidental expenses. Subsequent expenditure, if any, on property, plant and equipment 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.

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

#### b. Capital work-in-progress

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

#### c. Depreciation/ Amortisation

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

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

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

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

#### d. Intangible assets

**On Transition -** The Company has elected to continue with the carrying value of all of its intangible assets recognised as of April 1, 2016 (transition date) measured as per the previous GAAP and use that carrying value as its deemed cost as of the transition date.

#### Subsequent to Transition:

**Recognition & Measurement:** Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and impairment losses, if any.

Amortization is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period.

Computer software is amortized over a period of three years.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in Statement of Profit and Loss when the asset is derecognized.

#### e. Financial Instruments

**Financial assets :** The Company classifies its financial assets in the following categories:

## NOTES forming part of financial statements

- i. **Financial assets at amortised cost** - Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost.  
They are presented as current assets, except for those maturing later than 12 months after the reporting date which are presented as non-current assets. Financial assets are measured initially at fair value which usually represents cost plus transaction costs and subsequently carried at amortised cost using the effective interest method, less any impairment loss if any.  
Financial assets at amortised cost are represented by trade receivables, security and other deposits, cash and cash equivalent, employee and other advances.
- ii. **Equity investments** - Investment in subsidiaries are stated at cost less impairment loss if any.
- iii. **Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI)** - For assets, if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and where the company has exercised the option to classify the equity investment as at FVTOCI, all fair value changes on the investment are recognised in OCI. The accumulated gains or losses on such investments are not recycled to the Statement of Profit and Loss even on sale of such investment.
- iv. **Financial assets at Fair Value through Profit and loss (FVTPL)** - Financial assets which is not classified in any of the above category is measured at FVTPL. These include surplus funds invested in mutual funds etc.

### Financial liabilities

**Initial recognition and measurement** - Financial liabilities are measured at amortised cost using effective interest method. For trade and other payable maturing within one year from the Balance Sheet date, the carrying value approximates fair value due to short maturity.

### Derivative financial instruments and hedging activities

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

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

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

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

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

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

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

### Offsetting financial instruments

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

### Fair value measurement

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

- i) Level 1 - The fair value of financial instruments quoted in active markets is based on their quoted closing price at the Balance Sheet date.
- ii) Level 2 - The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques using observable market data. Such valuation techniques include discounted cash flows, standard valuation models based on market parameters for interest rates, yield curves or foreign exchange rates, dealer quotes for similar instruments and use of comparable arm's length transactions
- iii) Level 3 - The fair value of financial instruments that are measured on the basis of entity specific valuations using inputs that are not based on observable market data (unobservable inputs). When the fair value of unquoted instruments cannot be measured with sufficient reliability, the Company carries such instruments at cost less impairment, if applicable.





## NOTES forming part of financial statements

### f. Employee Benefits

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

**Provident Fund:** Employees receive benefits from a provident fund, which is a defined benefit plan. The employer and employees each make periodic contributions to the plan. A portion of the contribution is made to the approved provident fund trust managed by the Trustees of Sonata Software Limited Provident Fund while the remainder of the contribution is made to the government administered pension fund. The contributions to the trust managed by the Company is accounted for as a defined contribution plan as the Company is liable for any shortfall in the fund assets based on the government specified minimum rates of return.

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

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

Actuarial gains and losses are recognised in the Other comprehensive income 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 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.

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

#### Short-term employee benefits

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

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

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

#### Long-term employee benefits

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

### g. Provisions

A provision is recognised when the Company has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are determined by discounting the expected future cashflows at pre-tax rate that reflects the current market assessments of the time value of the money and the risks specific to the liability. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

### h. Income Taxes

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

- a) **Current income tax** - Current income tax for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the taxable income for the period. The tax rates and tax laws used to compute the current tax amount are those that are enacted or substantively enacted by the reporting date and applicable for the period. The Company off sets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis or to realize the asset and liability simultaneously.
- b) **Deferred tax** - Deferred income tax is recognized using the Balance Sheet approach. Deferred income tax assets and liabilities are recognized for deductible and taxable temporary differences arising between the tax base of assets and

## NOTES forming part of financial statements

liabilities and their carrying amount in financial statements, except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profits or loss at the time of the transaction.

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

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

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

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 a deferred tax asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

### i. Leases

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

### j. Cash flow Statement:

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

### k. Revenue Recognition

The Company derives revenue primarily from Information Technology Services and Solutions. The Company recognizes revenue when the significant terms of the arrangement are enforceable, services have been delivered and the collectability is reasonably assured. The method for recognizing revenues and costs depends on the nature of the services rendered:

#### a) Time and materials contracts

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

#### b) Fixed-price contracts

Revenues from fixed price contracts are recognised over the life of the contract using percentage of completion method, with contract costs determining the stage of completion at the end of the reporting period. Foreseeable losses on such contracts are recognised when probable.

#### c) Hardware/software products and licenses

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.

#### d) Maintenance Contracts

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

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

### l. Borrowing Costs:

Borrowing costs consist of interest, ancillary and other costs that the Company incurs in connection with the borrowing of funds and interest relating to other financial liabilities. Borrowing costs also include exchange differences to the extent regarded as an adjustment to the borrowing costs.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.





## NOTES forming part of financial statements

### m. Foreign Currency transactions and translations

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

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

Foreign currency gains and losses are reported on a net basis.

### n. Finance Income and expense

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

Dividend income is recognized in the Statement of Profit and Loss on the date that the Company's right to receive payment is established.

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

### o. Share based payments

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

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

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

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

### p. Impairment

**a) Financial assets :** In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss.

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

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

**b) Non-financial assets**

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

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

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

### q. Earnings per share

Basic earnings per share is computed by dividing the profit / (loss) after tax 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 and the weighted average number of equity shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

## NOTES forming part of financial statements

### r. Contingent Liabilities

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

### s. Contingent Assets

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

### t. Research & development expenses

Research 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 capitalized. The amount capitalized 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.

### u. Events after the reporting period

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

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

### v. First-time adoption – mandatory exceptions, optional exemptions

The Standalone financial statements are prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended, read with relevant rules issued thereunder in terms of the SEBI LODR, as modified by Circular No CIR/CFD/FAC/62/2016 dated July 5, 2016.

For periods up to and including the year ended March 31, 2017, the Company prepared its financial statements in accordance with the then applicable Accounting Standards in India ('previous GAAP'). The adoption of Ind AS was carried out in accordance with Ind AS 101, considering April 01, 2016 as the transition date. Pursuant to adoption of Ind AS, the differences in the carrying amounts of assets and liabilities on the transition date under the previous GAAP and the balances on adoption of Ind AS have been recognised directly in equity. The financial statements for the year ended March 31, 2018, March 31, 2017 and as at 1 April 2016 have been presented under Ind AS for comparative purposes. Accounting policies have been applied consistently to all periods presented in these Standalone Financial Results.

In preparing the opening Ind AS statement of financial position, adjustments are carried out to the amounts reported in financial statements prepared in accordance with previous GAAP. An explanation of how the transition from previous GAAP to Ind AS has affected our financial performance, cash flows and financial position is set out in Note No 35.

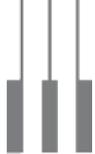
### w. New standards and interpretations not yet adopted

**Appendix B to Ind AS 21, Foreign currency transactions and advance consideration:** On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. The amendment will come into force from April 1, 2018. The Company is evaluating the effect of this on the financial statements.

**Ind AS 115- Revenue from Contract with Customers:** On March 28, 2018, the Ministry of Corporate Affairs notified Ind AS 115 Revenue from Contracts with Customers. The standard replaces AS 11 Construction Contracts and AS 18 Revenue.

The new standard applies to contracts with customers. The core principle of the new standard is that an entity should recognize revenue to depict transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further, the new standard requires enhanced disclosures about the nature, timing and uncertainty of revenues and cash flows arising from the entity's contracts with customers. The new standard offers a range of transition options. An entity can choose to apply the new standard to its historical transactions and retrospectively adjust each comparative period. Alternatively, an entity can recognize the cumulative effect of applying the new standard at the date of initial application - and make no adjustments to its comparative information. The chosen transition option can have a significant effect on revenue trends in the financial statements. A change in the timing of revenue recognition may require a corresponding change in the timing of recognition of related costs. The standard is effective for annual periods beginning on or after April 1, 2018. The Company is currently evaluating the requirements of Ind AS 115, and has not yet determined the impact on the financial statements.





## NOTES forming part of financial statements

### 3. Property, Plant and Equipment

(₹ in lakhs)

Particulars	Leasehold Improvements	Plant and Equipments	Office Equipment	Furniture and Fixtures	Vehicles	Total Tangible Assets
<b>Deemed cost</b>						
As at April 1, 2016	2	55	4	4	-	65
Additions	97	24	22	14	-	157
Disposals/Write off	-	-	-	-	-	-
<b>As at March 31, 2017</b>	<b>99</b>	<b>79</b>	<b>26</b>	<b>18</b>	-	<b>222</b>
As at April 1, 2017	99	79	26	18	-	222
Additions	-	34	2	1	29	66
Disposals/Write off	-	(1)	-	-	-	(1)
<b>As at March 31, 2018</b>	<b>99</b>	<b>112</b>	<b>28</b>	<b>19</b>	<b>29</b>	<b>287</b>
<b>Depreciation/ Amortization</b>						
As at April 1, 2016	-	-	-	-	-	-
Charge for the Year	18	30	7	3	-	58
<b>As at March 31, 2017</b>	<b>18</b>	<b>30</b>	<b>7</b>	<b>3</b>	-	<b>58</b>
As at April 1, 2017	18	30	7	3	-	58
Charge for the Year	44	30	11	5	7	97
<b>As at March 31, 2018</b>	<b>62</b>	<b>60</b>	<b>18</b>	<b>8</b>	<b>7</b>	<b>155</b>
<b>Net Block</b>						
<b>As at March 31, 2017</b>	<b>81</b>	<b>49</b>	<b>19</b>	<b>15</b>	-	<b>164</b>
<b>As at March 31, 2018</b>	<b>37</b>	<b>52</b>	<b>10</b>	<b>11</b>	<b>22</b>	<b>132</b>

### 4. Other financial assets

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Unsecured, considered good unless otherwise stated			
Security deposits*	67	60	37
Balance held as margin money or security against borrowings	780	145	78
Interest accrued but not due on margin money	34	5	-
<b>Total</b>	<b>881</b>	<b>210</b>	<b>115</b>
(*) Security deposits carried at cost.	66	58	33

### 5. Other non-current assets

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Lease pre-payments	1	2	3
Other deposits	13	13	69
Advance Tax	3,073	2,273	1,441
Balances with Government authorities			
Receivable from customs authority	219	219	219
Receivable from GST authority	14	-	-
Other recoverables	125	125	125
Less : Allowance for doubtful recoverable	125	125	125
	-	-	-
<b>Total</b>	<b>3,320</b>	<b>2,507</b>	<b>1,732</b>

## NOTES forming part of financial statements

### 6. Inventories

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Stock-in-trade - Hardware/Software product and licenses	-	-	1,001
<b>Total</b>	-	-	<b>1,001</b>

### 7.1. Investments

	As at March 31, 2018		As at March 31, 2017		As at April 1, 2016	
	No. of units	₹ in Lakhs	No. of units	₹ in Lakhs	No. of units	₹ in Lakhs
<b>Non-trade</b>						
<b>Investments in Mutual Funds (Unquoted) - At lower of cost and fair value, unless otherwise stated</b>						
Birla Sun Life Cash Plus	699,097	701	499,121	500	-	-
IDFC Cash Fund	-	-	49,925	500	-	-
IDFC Ultra Short Term Fund	6,923,084	701	-	-	-	-
Tata Money Market Fund	59,789	600	134,867	500	-	-
DSP BlackRock Money Manager Fund	-	-	29,981	300	-	-
DSP BlackRock Low Duration Fund	6,950,719	700	-	-	-	-
<b>Total</b>		<b>2,702</b>		<b>1,800</b>		
Aggregate cost of unquoted investments		2,702		1,800		-
Investments carried at fair value though profit or loss		2,702		1,800		-

### 7.2. Trade receivables

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Unsecured			
Considered good	28,930	40,758	24,016
Considered doubtful	210	219	78
	29,140	40,977	24,094
Less : Allowances for credit losses	210	219	78
<b>Total</b>	<b>28,930</b>	<b>40,758</b>	<b>24,016</b>

### 7.3. Cash and cash equivalents

(₹ in lakhs)

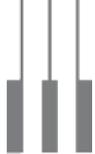
	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Balances with banks			
In current accounts	1,461	1,473	648
In EEFC accounts	5,553	738	52
In demand deposit accounts	9,860	-	-
<b>Total</b>	<b>16,874</b>	<b>2,211</b>	<b>700</b>

### 7.4. Bank balances other than above

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
In earmarked accounts			
Balance held as margin money or security against borrowings	309	5,889	5,591
<b>Total</b>	<b>309</b>	<b>5,889</b>	<b>5,591</b>





## NOTES forming part of financial statements

### 7.5. Other financial assets

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Security deposits	3	4	26
Interest accrued but not due on fixed deposits/margin money	17	381	431
Loans and advances to related parties - Advances recoverable	-	6	-
Unbilled revenue	77	1,139	99
Fair value of forward contracts	167	280	132
<b>Total</b>	<b>264</b>	<b>1,810</b>	<b>688</b>

### 8. Other current assets

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Other deposits	185	103	38
Loans and advances to employees	20	5	4
Prepaid expenses	89	34	18
Balances with government authorities			
Receivable from service tax authority	71	40	105
Service tax credit receivable	-	945	1,947
VAT credit receivable	203	526	261
GST credit receivable	304	-	-
	578	1,511	2,313
Gratuity (Refer Note 28)	-	28	29
Other recoverables	1,439	150	34
<b>Total</b>	<b>2,311</b>	<b>1,831</b>	<b>2,436</b>

### 9. Equity share capital

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
<b>Authorized</b>			
10,000,000 equity shares of ₹ 10/- each	1,000	1,000	1,000
(As at March 31, 2017 : 10,000,000 equity shares of ₹ 10/- each)			
<b>Issued</b>			
6,000,700 equity shares of ₹ 10/- each	600	600	600
(As at March 31, 2017 : 6,000,700 equity shares of ₹ 10/- each)			
<b>Subscribed and paid-up</b>			
3,375,394 equity shares of ₹ 10/- each	338	338	338
(As at March 31, 2017 : 3,375,394 equity shares of ₹ 10/- each)			
<b>Total</b>	<b>338</b>	<b>338</b>	<b>338</b>
Refer notes (i) to (iv) below			
<b>Notes :</b>			
<b>i) Reconciliation of number of shares and amount outstanding at the beginning and at the end of the reporting year</b>			
Equity shares with voting rights			
Number of shares	3,375,394	3,375,394	3,375,394
Amount ₹ in Lakhs	338	338	338

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

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

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

The shareholders have all other rights as available to equity shareholders as per the provisions of the 2013 Act, read together with the

## NOTES forming part of financial statements

Memorandum of Association and Articles of Association of the Company, as applicable.

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

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Equity shares with voting rights			
Sonata Software Limited (Holding Company) and its nominees	3,375,394	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	3,375,394
% of holding	100%	100%	100%

### 10. Other equity

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
<b>Capital redemption reserve</b>	<b>263</b>	<b>263</b>	<b>263</b>
<b>General reserve</b>	<b>450</b>	<b>450</b>	<b>450</b>
<b>Retained earnings</b>			
Opening balance	12,092	9,133	6,564
Ind AS transition reserve	-	-	(9)
Profit for the year	3,579	3,365	3,391
Less :			
Interim dividend	337	337	676
Tax on dividend	69	69	137
<b>Closing balance</b>	<b>15,265</b>	<b>12,092</b>	<b>9,133</b>
<b>Other Comprehensive Income</b>			
<b>Remeasurement of the defined benefit plans</b>			
Opening balance	7	-	-
For the year, (net of tax)	(19)	7	-
<b>Closing balance</b>	<b>(12)</b>	<b>7</b>	<b>-</b>
<b>Effective portion of cash flow hedges</b>			
Opening balance	262	64	90
Add : Effect of foreign exchange rate variations on hedging instruments outstanding at the end of the year	115	262	64
Exchange differences on cash flow hedges, (net of tax)	35	-	-
Less : Transferred to Statement of Profit and Loss	262	64	90
<b>Closing balance</b>	<b>150</b>	<b>262</b>	<b>64</b>
<b>Total</b>	<b>16,116</b>	<b>13,074</b>	<b>9,910</b>

### 11. Other non-current liabilities

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Lease rent equalization	33	27	20
<b>Total</b>	<b>33</b>	<b>27</b>	<b>20</b>





## NOTES forming part of financial statements

### 12.1. Borrowings

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Loans repayable on demand			
From banks - Secured	-	-	2,254
Term loan			
From others - Unsecured	-	178	-
(Amount payable towards Vendor financing arrangement)			
Loans and advances from related parties			
Inter-corporate borrowings from Holding Company - Unsecured	-	-	195
<b>Total</b>	<b>-</b>	<b>178</b>	<b>2,449</b>
Maximum amount outstanding	12,105	6,880	7,880

### 12.2. Other financial liabilities

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Current maturities of long-term debt	104	127	-
Term loan			
From others - Unsecured	-	104	-
(Amount payable towards Vendor financing arrangement)			
Interest accrued but not due on borrowings	3	3	-
Payable on purchase of fixed assets	8	12	7
Reimbursable expenses payable to related party	596	398	105
<b>Total</b>	<b>711</b>	<b>644</b>	<b>112</b>

### 13. Other current liabilities

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Income received in advance (Unearned revenue)	-	107	127
Gratuity (Refer Note 28)	17	-	-
Other payables			
Statutory remittances	2,202	3,186	1,906
Advances from customers	299	386	263
Others	23	53	47
<b>Total</b>	<b>2,541</b>	<b>3,732</b>	<b>2,343</b>

### 14. Provisions

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Provision for employee benefits - Compensated absences	41	29	26
<b>Total</b>	<b>41</b>	<b>29</b>	<b>26</b>

### 15. Current tax liabilities (net)

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Provision for tax	819	308	260
<b>Total</b>	<b>819</b>	<b>308</b>	<b>260</b>

## NOTES forming part of financial statements

### 16. Income Tax

(₹ in lakhs)

	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>(a)</b> Income tax expense in the statement of profit and loss consists of:		
<b>Current Tax:</b>		
In respect of current period	1,901	1,896
In respect of prior years	-	(57)
<b>Deferred Tax:</b>		
In respect of current period	(39)	(114)
<b>Total income tax expense recognised in the statement of profit and loss</b>	<b>1,862</b>	<b>1,725</b>
<b>(b)</b> Income tax recognised in other Comprehensive income		
Deferred tax related to items recognised in other comprehensive income during the year:		
Net loss / (gain) on measurement of defined benefit plan	10	(3)
Net loss / (gain) on measurement of exchange difference	(19)	-
<b>Total</b>	<b>(9)</b>	<b>(3)</b>
The reconciliation between the provision of income tax of the Company and amounts computed by applying the Indian statutory income tax rate to profit before taxes is as follows:		
Profit before tax	5,441	5,090
Enacted income tax rate in India	34.61%	34.61%
Computed expected tax expense	1,883	1,762
Effect of:		
Income that is exempt from tax	(49)	(14)
Expenses that are not deductible in determining taxable profit	290	188
Expenses that are deductible in determining taxable profit	(223)	(39)
Changes in recognised deductible temporary differences	(39)	(114)
Adjustment of income tax expense in respect of prior years	-	(57)
<b>Income tax expense recognised in the statement of profit and loss</b>	<b>1,862</b>	<b>1,725</b>

The tax rates under Indian Income Tax Act, for the year ended March 31, 2018 and March 31, 2017 is 34.61%.

### 16. Deferred Tax

Deferred Tax as at March 31, 2018 in relation to:

(₹ in lakhs)

Particulars	As at April 1, 2017	Recognised in Profit & Loss	Recognised in Other Comprehensive Income	Others	As at March 31, 2018
Property, Plant and Equipment	8	17	-	-	25
Other Intangible Assets	76	(3)	-	-	73
Disallowance u/s 40(a)	72	4	-	107	183
Disallowance u/s 43B	26	13	-	-	39
FVTOCI	-	-	(9)	-	(9)
Others	9	8	-	-	17
<b>Total</b>	<b>191</b>	<b>39</b>	<b>(9)</b>	<b>107</b>	<b>328</b>





## NOTES forming part of financial statements

Deferred Tax as at March 31, 2017 in relation to:

(₹ in lakhs)

Particulars	As at April 1, 2016	Recognised in Profit & Loss	Recognised in Other Comprehensive Income	Others	As at March 31, 2017
Property, Plant and Equipment	7	1	-	-	8
Other Intangible Assets	27	49	-	-	76
Disallowance u/s 40(a)	24	52	-	(4)	72
Disallowance u/s 43B	16	10	-	-	26
FVTOCI	-	-	(3)	3	-
Others	7	2	-	-	9
<b>Total</b>	<b>81</b>	<b>114</b>	<b>(3)</b>	<b>(1)</b>	<b>191</b>

### 17.1. Revenue from operations

(₹ in lakhs)

	For the year ended March 31, 2018	For the year ended March 31, 2017
Revenue from hardware/software products and licenses	152,653	154,559
Revenue from software services	2,025	3,178
Other operating revenues	1	-
<b>Total</b>	<b>154,679</b>	<b>157,737</b>

### 17.2. Other income

(₹ in lakhs)

	For the year ended March 31, 2018	For the year ended March 31, 2017
Interest income		
from fixed deposits/margin money with banks	167	486
from unwinding of rent deposits discounted	1	1
Dividend income from current investments	142	39
Net gain on current investments	2	-
Foreign exchange gains	664	141
Other non-operating income	22	37
<b>Total</b>	<b>998</b>	<b>704</b>

### 18. Changes in inventories of stock-in-trade

(₹ in lakhs)

	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>Opening Stock</b>		
Stock-in-trade - hardware/software product and licenses	-	1,001
<b>Closing Stock</b>		
Stock-in-trade - hardware/software product and licenses	-	-
<b>(Increase) / decrease in inventories</b>	<b>-</b>	<b>1,001</b>

## NOTES forming part of financial statements

### 19. Employee benefits expense

(₹ in lakhs)

	For the year ended March 31, 2018	For the year ended March 31, 2017
Salaries, wages, bonus and allowances	1,547	1,419
Contributions to provident and other funds	121	93
Staff welfare expenses	15	37
	<b>1,683</b>	<b>1,549</b>
Deputation cost/Service charges from holding company	344	293
<b>Total</b>	<b>2,027</b>	<b>1,842</b>

### 20. Finance costs

(₹ in lakhs)

	For the year ended March 31, 2018	For the year ended March 31, 2017
Interest expenses on:		
Borrowings	81	243
Inter corporate borrowings	202	238
Others	26	17
Other borrowing costs	191	186
<b>Total</b>	<b>500</b>	<b>684</b>

### 21. Other expenses

(₹ in lakhs)

	For the year ended March 31, 2018	For the year ended March 31, 2017
Power and fuel	13	13
Rent	175	176
Repairs and maintenance - machinery	2	1
Insurance	95	89
Rates and taxes	151	69
Communication cost	37	37
Facility maintenance	64	62
Travelling and conveyance expenses	204	208
Sales commission	405	348
Professional and technical fees	151	152
Software project fees from Holding company	1,570	1,689
Legal fees	19	11
Expenditure on corporate social responsibility	95	80
Payments to auditors	32	25
Bad trade receivables written off	-	39
Allowances for credit loses	(8)	140
Miscellaneous expenses	186	135
	<b>3,191</b>	<b>3,274</b>
Service charges from holding company	111	131
<b>Total</b>	<b>3,302</b>	<b>3,405</b>
Note - Payments to auditors comprises (net of service tax input credit):		
Statutory audit	25	23
Other services	7	2
	<b>32</b>	<b>25</b>





# NOTES forming part of financial statements

## 22 Contingent Liabilities

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017
<b>a) Disputed demand of Karnataka Sales Tax</b>	3	3
<b>b) Disputed demand of Service tax</b>		
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. During the year, the Company has received a favourable order from CESTAT.	-	214
<b>c) Other claims against the Company not acknowledged as debt</b>	65	65
<b>d) Disputed demands of Income-tax</b>	33,220	34,492

Details of disputed demands of Income-tax primarily relates to:

(₹ in lakhs)

### (i) Disallowance of Inter-Company service charges and costs for deputation of personnel.

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

Details of demands and forums where they are pending are:

- i. ₹ 5,014 (As at March 31, 2017 - ₹ 4,030) for the financial years 2001-02, 2003-04 to 2008-09. The Company has received favorable orders from the Income-tax Appellate Tribunal (ITAT). The Income-tax department has preferred an appeal to the Honorable High Court of Mumbai.
- ii. ₹ 447 (As at March 31, 2017 - ₹ 447) for the financial year 2002-03. The Income-tax department's appeal to the Honorable High Court of Mumbai was time barred and hence dismissed. The Income-tax department had preferred a Special Leave Petition on the said dismissal to the Honorable Supreme Court of India which had referred the petition back to the Honorable High Court of Mumbai to reconsider its decision. The Honorable High Court of Mumbai admitted the appeal.
- iii. Nil (As at March 31, 2017 - ₹ 1,119) for the financial year 2010-11. The Company has received favorable order from ITAT. The Income-tax department has preferred an appeal to the Honorable High Court of Mumbai.
- iv. Nil (As at March 31, 2017 - ₹ 2,943) for the financial years 2012-13 and 2013-14. The Company has received favorable order from Commissioner of Income-tax (Appeals) (CIT(A)).
- v. ₹ 1,919 (As at March 31, 2017 - Nil) for financial year 2011-12, the Company has filed appeal before ITAT and for financial year 2014-15, the Company has filed appeal before 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 ₹ 2,182 (As at March 31, 2017 - ₹ 2,182) for the financial years 2000-01 and 2001-02. The Company's contention has been that the payments were made for purchase of 'Goods' and hence was under no obligation to withhold Income-tax on the same. The Company had received favorable orders from the Income-tax Appellate Tribunal which were reversed by the Honorable High Court of Karnataka. The Company had preferred a Special Leave Petition on the said order to the Honorable Supreme Court of India, which had been admitted. However, for these years one of the principal suppliers of software to the Company had paid taxes of ₹ 1,286 out of the above demand. The amount included as disputed demand is excluding the amount paid by the supplier.

### (iii) Disallowance of payments made for purchase of software on which Income-tax was not withheld

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

## NOTES forming part of financial statements

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

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

- i. ₹ 23,644 (As at March 31, 2017 - ₹ 23,644) of tax demand for the financial years 2001-02, 2002-03, 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. ₹ 14 (As at March 31, 2017 - ₹ 127) for the financial years 2012-13 to 2014-15 the Company has filed an appeal before the CIT (A).
- 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.

### 23. Commitments

(₹ in lakhs)

	As at March 31, 2018	As at March 31, 2017
Estimated amount of contracts remaining to be executed on purchase contracts and not provided for	6,870	1,041

### 24. Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

(₹ in lakhs)

Particular	As at March 31, 2018	As at March 31, 2017
(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.





## NOTES forming part of financial statements

### 25 Financial instruments

The carrying value and fair value of financial instruments by categories as at March 31, 2018, March 31, 2017 and April 1, 2016 is as follows:

(₹ in lakhs)

Particulars	Carrying Value			Fair Value		
	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016	As at March 31, 2018	As at March 31, 2017	As at April 01, 2016
<b>Financial assets</b>						
<b>Amortised Cost</b>						
Trade receivable	28,930	40,758	24,016	28,930	40,758	24,016
Cash and cash equivalents	16,874	2,211	700	16,874	2,211	700
Bank balances other than Cash & cash equivalents	309	5,889	5,591	309	5,889	5,591
Other financial assets	958	1,721	653	958	1,721	653
<b>FVTPL</b>						
Investments in Mutual Funds (quoted)	2,702	1,800	-	2,702	1,800	-
Security Deposits	20	19	18	20	19	18
Forward Contracts	167	280	132	167	280	132
<b>Total Assets</b>	<b>49,960</b>	<b>52,678</b>	<b>31,110</b>	<b>49,960</b>	<b>52,678</b>	<b>31,110</b>
<b>Financial liabilities</b>						
<b>Amortised Cost</b>						
Borrowings	-	178	2,449	-	178	2,449
Trade payables	35,454	39,043	20,967	35,454	39,043	20,967
Other financial liabilities	711	644	112	711	644	112
<b>Total Liabilities</b>	<b>36,165</b>	<b>39,865</b>	<b>23,528</b>	<b>36,165</b>	<b>39,865</b>	<b>23,528</b>

The management assessed that fair value of cash and short-term deposits, trade receivables, trade payables, inter corporate deposits and other current financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

1. Long-term fixed-rate receivables/borrowings are evaluated by the Company based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables.
2. The fair value of the quoted mutual funds are based on price quotations at reporting date. The fair value of loans from banks and other financial liabilities, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
3. The Company enters into derivative financial instruments with Banks. Foreign exchange forward contracts are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing model, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves etc. As at March 31, 2018, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

#### Fair value hierarchy

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

## NOTES forming part of financial statements

The following table presents the fair value measurement hierarchy of financial assets and liabilities measured at fair value on recurring basis as at March 31, 2018, March 31, 2017 and April 1, 2016.

Quantitative disclosures of fair value measurement hierarchy for financial assets is as under:

(₹ in lakhs)

Particulars	Fair value			Fair value hierarchy	Valuation technique and Key inputs
	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016		
Investments in Mutual Funds (quoted)	2,702	1,800	-	Level 1	Fair value is determined based on the Net asset value published by respective funds.
Foreign currency forward contracts	167	280	132	Level 2	The fair value of forward foreign contracts are determined using forward exchange rates at the reporting date.

There have been no transfers among Level 1, Level 2 and Level 3 during the year.

### Derivative financial instruments

The Company is exposed to foreign currency fluctuations on foreign currency assets/ liabilities and forecasted cash flows denominated in foreign currency. The Company uses derivatives to hedge foreign currency assets/ liabilities and foreign currency forecasted cash flows. The counter party in these derivative instruments is a bank and the Company considers the risks of non-performance by the counterparty as non-material.

For movement in cash flow hedge reserve gain or loss - refer note 10

The following table presents the aggregate contracted principal amounts of the Company's derivative contracts outstanding:

(Amount in Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
<b>Designated derivative instruments (Sell):</b>			
In USD	258	77	132

The foreign exchange forward and option contracts mature anywhere between 0-1 year. The table below analyzes the derivative financial instruments into relevant maturity groupings based on the remaining period as at the reporting date:

(Amount in Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
<b>Designated derivative instruments (Sell):</b>			
Less than 3 months			
In USD	139	5	66
3 months to 1 year			
In USD	119	72	66

Average rate of coverage	As at March 31, 2018		As at March 31, 2017		As at April 1, 2016	
	Amount (₹ in Lakhs)	Weighted Average Rate (₹)	Amount (₹ in Lakhs)	Weighted Average Rate (₹)	Amount (₹ in Lakhs)	Weighted Average Rate (₹)
Currency						
USD	258	66.81	77	69.39	132	67.93





## NOTES forming part of financial statements

### 26. Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, foreign currency risk and interest rate risk. The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The primary market risk to the Company is foreign exchange risk. The Company uses derivative financial instruments to mitigate foreign exchange related risk exposures. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivative for speculative purposes may be undertaken.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below:

#### Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. Credit risk arises from cash held with banks and financial institutions, as well as credit exposure to clients, including outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

#### Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment. The Company has taken an Insurance cover on trade receivables.

The following table gives details in respect of revenues generated from top customer and top 5 customers:

(₹ in lakhs)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Revenue from top customer	45,125	45,309
Revenue from top 5 customers	69,436	70,424

One customer accounted for more than 10% of the revenue for the year ended March 31, 2018, however none of the customers accounted for more than 10% of the receivables for the year ended March 31, 2018. One customer accounted for more than 10% of the revenue for the year ended March 31, 2017, however none of the customers accounted for more than 10% of the receivables for the year ended March 31, 2017.

#### Investments

The Company limits its exposure to credit risk by generally investing in liquid securities and only with counterparties that have a good credit rating. The Company does not expect any losses from non-performance by these counterparties, and does not have any significant concentration of exposures to specific industry sectors.

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Also, the Company has unutilized credit limits with banks.

The Company's corporate treasury department is responsible for liquidity, funding as well as settlement management. In addition, processes and policies related to such risks are overseen by senior management.

## NOTES forming part of financial statements

The working capital position of the Company is given below:

(₹ in Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Cash and cash equivalents and Bank balances	17,183	8,100	6,291
Investments in Mutual Funds (quoted)	2,702	1,800	-

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2018, March 31, 2017 and April 1, 2016:

(₹ in Lakhs)

Particulars	As at March 31, 2018		
	Less than 1 year	1-2 years	2 years & above
Trade payables	35,454	-	-
Other financial liabilities	711	-	-

Particulars	As at March 31, 2017		
	Less than 1 year	1-2 years	2 years & above
Borrowings	178	104	-
Trade payables	39,043	-	-
Other financial liabilities	644	-	-

Particulars	As at April 1, 2016		
	Less than 1 year	1-2 years	2 years & above
Borrowings	2,449	-	-
Trade payables	20,967	-	-
Other financial liabilities	112	-	-

### Foreign Currency risk

The Company's exchange risk arises from its foreign operations, foreign currency revenues and expenses, (primarily in U.S. dollars). As a result, if the value of the Indian rupee appreciates relative to this foreign currency, the Company's revenues measured in rupees may decrease. The exchange rate between the Indian rupee and this foreign currency has changed substantially in recent periods and may continue to fluctuate substantially in the future. The Company reviews on a periodic basis to formulate the strategy for foreign currency risk management.

Consequently, the Company uses derivative financial instruments, such as foreign exchange forward contracts, to mitigate the risk of changes in foreign currency exchange rates in respect of its forecasted cash flows and trade receivables.

The details in respect of the outstanding foreign exchange forward contracts are given under the derivative financial instruments section.

In respect of the Company's forward contracts, a 1% decrease/ increase in the respective exchange rates of each of the currencies underlying such contracts would have resulted in:

- an approximately ₹ 90 lakhs increase and decrease in the Company's net profit as at March 31, 2018;
- an approximately ₹ 3 lakhs increase and decrease in the Company's net profit as at March 31, 2017.





## NOTES forming part of financial statements

The following table presents foreign currency risk from non-derivative financial instruments as at March 31, 2018, March 31, 2017 and April 1, 2016.

(₹ in lakhs)

Exposure currency	US \$	GBP	EUR	Other Currencies*
<b>As at March 31, 2018</b>				
<b>Assets</b>				
Trade receivables	-	-	-	23
Cash and Cash equivalents	5,548	-	-	6
Other assets	-	-	-	-
<b>Liabilities</b>				
Trade Payable	(1,193)	(3)	(1)	(3)
Other liabilities	(6)	-	-	-
<b>Net assets/liabilities</b>	<b>4,349</b>	<b>(3)</b>	<b>(1)</b>	<b>26</b>
<b>As at March 31, 2017</b>				
<b>Assets</b>				
Trade receivables	3,849	-	-	-
Cash and Cash equivalents	690	-	-	47
Other assets	-	-	-	-
<b>Liabilities</b>				
Trade Payable	(529)	(3)	-	-
Other liabilities	(61)	-	(5)	-
<b>Net assets/liabilities</b>	<b>3,949</b>	<b>(3)</b>	<b>(5)</b>	<b>47</b>
<b>As at April 1, 2016</b>				
<b>Assets</b>				
Trade receivables	742	-	-	-
Cash and Cash equivalents	52	-	-	-
Other assets	-	-	-	-
<b>Liabilities</b>				
Trade Payable	(250)	(3)	-	-
Other liabilities	(44)	-	(5)	-
<b>Net assets/liabilities</b>	<b>500</b>	<b>(3)</b>	<b>(5)</b>	<b>-</b>

\*Others include currencies such as Singapore \$ and Australian \$.

For the year ended March 31, 2018, every 1% increase / decrease of the respective foreign currencies compared to functional currency of the Company would impact operating margins by 0.03%/ (0.03)%. For the year ended March 31, 2017, the impact on operating margins would be 0.03%/ (0.03)%.

### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates and investments. The Company's borrowings and investments are primarily short-term, which do not expose it to significant interest rate risk.

### 27. Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the return on capital as well as the level of dividends on its equity shares. The Company's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value.

The capital structure of the Company consists of net debt (borrowings offset by cash and bank balances) and total equity.

## NOTES forming part of financial statements

The capital structure is as follows:

(₹ in Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Total equity attributable to the equity share holders of the Company	16,454	13,412	10,248
As percentage of total capital	100%	98%	81%
Current borrowings	-	178	2,449
Non-Current borrowings	-	104	-
<b>Total Borrowings</b>	-	<b>282</b>	<b>2,449</b>
As a percentage of total capital	-	2%	19%
<b>Total capital (borrowings and equity)</b>	<b>16,454</b>	<b>13,694</b>	<b>12,697</b>

The Company is predominantly equity financed which is evident from the capital structure table.

### 28. 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. There has also been no such deficiency since the inception of the Fund.

Provident fund contributions amounting to ₹ 64 lakhs (for the year ended March 31, 2017 ₹ 51 lakhs) has been charged to the Statement of Profit and Loss (as part of Contribution to Provident Fund and other Funds in Note 19 Employee benefits expense).

##### b) During the year the Company has recognised the following amounts in the Statement of Profit and Loss towards Employers contribution to:

(₹ in lakhs)

	For the year ended March 31, 2018	For the year ended March 31, 2017
Employee's State Insurance (as part of Staff welfare expenses in Note 19 Employee benefits expense)	1	-
Superannuation (as part of Contribution to Provident Fund and other Funds in Note 19 Employee benefits expense)	38	27
National Pension Scheme (as part of Contribution to Provident Fund and other Funds in Note 19 Employee benefits expense)	3	2

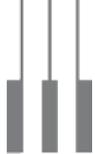
#### ii) Defined benefit plans - Gratuity

As per valuation

The principal assumptions used for the purposes of the actuarial valuations were as follows.

	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Discount rate(s)	7.86%	7.60%	8.36%
Expected rate(s) of salary increase	5.00%	5.00%	5.00%
Mortality Rate	Indian Assured Lives Mortality 2006-08	Indian Assured Lives Mortality 2006-08	Indian Assured Lives Mortality 2006-08
Retirement age	60years	60years	60years





## NOTES forming part of financial statements

Amounts recognised in Statement of Profit and Loss in respect of these defined benefit plans are as follows:

(₹ in lakhs)

	For the year ended March 31, 2018	For the year ended March 31, 2017
Service Cost:		
Current Service Cost	18	14
Net Interest Expense	(2)	(2)
<b>Components of defined benefit costs recognised in profit or loss</b>	<b>16</b>	<b>12</b>
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	2	(13)
Actuarial (gains) / losses arising from changes in financial assumptions	(6)	13
Actuarial (gains) / losses arising from experience adjustments	33	(10)
<b>Components of defined benefit costs recognised in other comprehensive income</b>	<b>29</b>	<b>(10)</b>

The current service cost and the net interest expense for the year are included in the 'Employee benefits expense' line item in the Statement of Profit and Loss.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the Balance Sheet arising from the entity's obligation in respect of its defined benefit plans is as follows:

(₹ in Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at April 1, 2016
Present value of funded defined benefit obligation	(232)	(176)	(153)
Fair value of plan assets	215	204	182
<b>Net (liability) / Assets arising from defined benefit obligation</b>	<b>(17)</b>	<b>28</b>	<b>29</b>
Movements in the present value of the defined benefit obligation are as follows:			
Opening defined benefit obligation	177	153	137
Current service cost	18	14	13
Interest cost	13	13	10
Remeasurement (gains)/losses:	(6)	12	(6)
Actuarial gains and losses arising from changes in financial assumptions	33	(10)	4
Actuarial gains and losses arising from experience adjustments	(3)	(6)	(5)
Benefits paid	-	-	-
<b>Closing defined benefit obligation</b>	<b>232</b>	<b>176</b>	<b>153</b>
Movements in the fair value of the plan assets are as follows:			
Opening fair value of plan assets	204	182	128
Interest income	16	15	10
Return on plan assets (excluding amounts included in net interest expense)	(2)	13	(10)
Contributions from the employer	-	-	59
Benefits paid	(3)	(6)	(5)
<b>Closing fair value of plan assets</b>	<b>215</b>	<b>204</b>	<b>182</b>
The major categories of plan assets as a percentage of total plan:			
Insurer Managed Funds	100%	100%	100%
Category of funds :			
Secure Fund	21.51%	23.09%	26.24%
Defensive Fund	36.65%	35.96%	35.03%
Balanced Fund	41.84%	40.96%	38.73%

## NOTES forming part of financial statements

Sensitivity for significant actuarial assumptions is computed to show the movement in defined benefit obligation by 1%:

(₹ in Lakhs)

Particulars	As at March 31, 2018		As at March 31, 2017	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	24	21	19	17
Future salary growth (1% movement)	24	21	19	17

The Company expects to contribute ₹ 42 lakhs to its defined benefit plans during the next fiscal year.

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

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

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

### Experience adjustments

(₹ in Lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017	As at March 31, 2016	As at March 31, 2015	As at March 31, 2014
Present value of defined benefit obligation	232	176	153	137	111
Fair value of plan assets	215	204	182	128	119
Surplus / (deficit)	(17)	28	29	(9)	8
Experience adjustments on plan liabilities - (gain)/losses	33	(10)	4	25	(3)
Experience adjustments on plan assets - (losses)/gain	(2)	13	(10)	15	-

The Company has established an income tax approved irrevocable gratuity trust fund to which it regularly contributes to finance liabilities of the plan. The fund's investments are managed by insurance company as per the mandate provided to them by the trustees and the asset allocation is within the permissible limits prescribed in the insurance regulations.

### 29. Segment reporting

The Company is engaged in the business of hardware/software product and licenses including related services in India which constitutes a single business segment. The Company's operations outside India did not exceed the quantitative threshold for disclosure envisaged in Ind AS 108.

In view of the above, primary and secondary reporting disclosures for business /geographical segments, as envisaged in Ind AS 108 are not applicable to the Company.

### 30. 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.

(₹ in Lakhs)

	As at March 31, 2018	As at March 31, 2017
ii. The total of future minimum lease payments are non-cancellable operating leases are as below :		
Not later than one year	21	51
Later than one year and not later than 5 years	4	25
Later than 5 years	-	-
iii. The lease payments recognised in the Statement of Profit and Loss are as under :		
Included in rent (Refer Note 21)	175	176
iv. There are no rents which are contingent in nature.		





## NOTES forming part of financial statements

### 31. 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 preceeding 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 ₹ 93 lakhs (Previous Year is ₹ 80 lakhs)
- (ii) Amount spent during the year is ₹ 95 lakhs (Previous year is ₹ 80 lakhs)
- (iii) Amount unspent is Nil (Previous year is Nil)

### 32. Earnings Per Share

Reconciliation of number of equity shares used in the computation of basic earnings per share is set out below:

	Year ended March 31, 2018	Year ended March 31, 2017
Total number of equity shares outstanding	3,375,394	3,375,394
Weighted average number of equity shares for calculation of earning per share	3,375,394	3,375,394

### 33. Distributions made and proposed

The amount of per share dividend recognized as distributions to equity shareholders for the year ended March 31, 2018 and year ended March 31, 2017 was ₹ 10 for each year.

The Board of Directors at their meeting held on August 8, 2016 had declared an interim dividend of 50% (₹ 5 per equity share of par value of ₹ 10 each). The Board of Directors at their meeting held on November 2, 2016, had declared second interim dividend of 50% (₹ 5 per equity share of par value of ₹ 10 each).

The Board of Directors at their meeting held on August 14, 2017 had declared an interim dividend of 50% (₹ 5 per equity share of par value of ₹ 10 each). The Board of Directors at their meeting held on November 13, 2017, had declared second interim dividend of 50% (₹ 5 per equity share of par value of ₹ 10 each).

### 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 North America Inc., USA Sonata Software FZ LLC, Dubai
(c) Post-employment benefit plan (Refer Note 28)	Sonata Software Limited Gratuity Fund Sonata Software Officers' Superannuation Fund Sonata Software Provident Fund Trust
(d) Key Management Personnel (KMP)	Mr. P Srikar Reddy, Director Mr. Sujit Mohanty, Senior Vice President & Director

## NOTES forming part of financial statements

### ii) Transactions with related parties :

(₹ in Lakhs)

Particulars	Holding Company		Fellow Subsidiary		KMP	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
Revenue from Software products and licenses	4,886	1,150	9	-	-	-
Other reimbursements recovered	-	-	-	6	-	-
Service charges / Software project fees	2,025	2,113	-	-	-	-
Rent paid	52	51	-	-	-	-
Inter corporate borrowings taken	45,179	51,552	-	-	-	-
Inter corporate borrowings repaid	45,179	51,747	-	-	-	-
Interest on inter corporate borrowings	201	238	-	-	-	-
Reimbursement of expenses	160	152	-	-	-	-
Dividend paid	338	338	-	-	-	-
Commission on corporate guarantees	51	50	-	-	-	-
<b>Compensation of key management personnel of the Company</b>						
Short-term employee benefits*	-	-	-	-	76	71
<b>Balances outstanding at the end of the year</b>						
Trade Receivables / Advances recoverable	1,248	314	9	6	-	-
Trade payables / Other current liabilities	596	398	-	-	-	-
Corporate guarantees taken	10,276	10,228	-	-	-	-
<b>Payable to key management personnel of the Company</b>						
Short-term employee benefits*	-	-	-	-	20	20

\* The above post employment benefits excludes gratuity and compensated absences which cannot be separately identified from the composite amount advised by the actuary.

### 35. Transition to Ind AS

The Company's financial statements for the year ended March 31, 2018 are prepared in accordance with Ind AS notified under the Companies (Indian Accounting Standards) Rules, 2015. The adoption of Ind AS was carried out in accordance with Ind AS 101, using April 1, 2016 as the transition date. Ind AS 101 requires that all Ind AS standards and interpretations that are effective for the Ind AS financial statements for the year ended March 31, 2018, be applied consistently and retrospectively for all fiscal years presented. All applicable Ind AS have been applied consistently and retrospectively wherever required. The resulting difference between the carrying amounts of the assets and liabilities in the financial statements under both Ind AS and Indian GAAP as at the transition date have been recognized directly in equity at the transition date.

In preparing these financial statements, the Company has availed itself of certain exemptions and exceptions in accordance with Ind AS 101 as explained below:

#### (i) Exceptions from full retrospective application

Estimates exception: Upon an assessment of the estimates made under Indian GAAP, the Company has concluded that there was no necessity to revise such estimates under Ind AS, except where estimates were required by Ind AS and not required by Indian GAAP.

#### (ii) Exemptions from retrospective application:

Share-based payment exemption: The Company has availed exemption available under Ind AS 101 on application of Ind AS 102, "Share Based Payment", to equity instruments that vested before the date of transition to Ind AS.





## NOTES forming part of financial statements

### First Time Adoption-Reconciliation of Balance sheet, Equity and Total comprehensive income as previously reported under Previous GAAP to Ind AS

#### (i) Balance Sheet as at March 31, 2017 and April 1, 2016

(₹ in Lakhs)

Particulars	Note No.	March 31, 2017			April 1, 2016		
		Amount as per Previous GAAP	Effect of transition to Ind AS	Ind AS	Amount as per Previous GAAP	Effect of transition to Ind AS	Ind AS
<b>ASSETS</b>							
<b>Non-current assets</b>							
Property, Plant and Equipment		164	-	164	65	-	65
Capital work-in-progress		2	-	2	-	-	-
Financial assets							
Other Financial Assets	i	212	(2)	210	118	(3)	115
Deferred tax assets (net)		191	-	191	81	-	81
Other non-current assets	i	2,505	2	2,507	1,729	3	1,732
<b>Total non-current assets</b>		<b>3,074</b>	<b>-</b>	<b>3,074</b>	<b>1,993</b>	<b>-</b>	<b>1,993</b>
<b>Current assets</b>							
Inventories		-	-	-	1,001	-	1,001
Financial Assets							
Investments-Mutual Funds		1,800	-	1,800	-	-	-
Trade receivables		40,758	-	40,758	24,016	-	24,016
Cash and cash equivalents		2,211	-	2,211	700	-	700
Bank balances other than above		5,889	-	5,889	5,591	-	5,591
Other Financial Assets	ii	1,811	(1)	1,810	697	(9)	688
Other current assets		1,831	-	1,831	2,436	-	2,436
<b>Total current assets</b>		<b>54,300</b>	<b>(1)</b>	<b>54,299</b>	<b>34,441</b>	<b>(9)</b>	<b>34,432</b>
<b>TOTAL ASSETS</b>		<b>57,374</b>	<b>(1)</b>	<b>57,373</b>	<b>36,434</b>	<b>(9)</b>	<b>36,425</b>
<b>EQUITY AND LIABILITIES</b>							
<b>Equity</b>							
Equity Share capital		338	-	338	338	-	338
Other Equity		13,075	(1)	13,074	9,919	(9)	9,910
<b>Total Equity</b>		<b>13,413</b>	<b>(1)</b>	<b>13,412</b>	<b>10,257</b>	<b>(9)</b>	<b>10,248</b>
<b>Liabilities</b>							
<b>Non-current liabilities</b>							
Other non-current liabilities		27	-	27	20	-	20
<b>Total non-current liabilities</b>		<b>27</b>	<b>-</b>	<b>27</b>	<b>20</b>	<b>-</b>	<b>20</b>
<b>Current liabilities</b>							
Financial Liabilities							
Borrowings		178	-	178	2,449	-	2,449
Trade payables		39,043	-	39,043	20,967	-	20,967
Other financial liabilities		644	-	644	112	-	112
Other current liabilities		3,732	-	3,732	2,343	-	2,343
Provisions		29	-	29	26	-	26
Current Tax Liabilities (Net)		<b>308</b>	<b>-</b>	<b>308</b>	<b>260</b>	<b>-</b>	<b>260</b>
<b>Total current liabilities</b>		<b>43,934</b>	<b>-</b>	<b>43,934</b>	<b>26,157</b>	<b>-</b>	<b>26,157</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>57,374</b>	<b>(1)</b>	<b>57,373</b>	<b>36,434</b>	<b>(9)</b>	<b>36,425</b>

## NOTES forming part of financial statements

### (ii) Equity reconciliation as at March 31, 2017 and April 1, 2016

(₹ in Lakhs)

	Note No.	As at March 31, 2017	As at April 1, 2016
<b>Equity under previous GAAP</b>		<b>13,413</b>	<b>10,257</b>
<b>Ind AS adjustments:-</b>			
Fair valuation of forward contracts	ii	(1)	(9)
Ind AS adjustments		(1)	(9)
<b>Equity under Ind AS</b>		<b>13,412</b>	<b>10,248</b>

### (iii) Total Comprehensive Income for the year ended March 31, 2017

(₹ in Lakhs)

	Note No.	As at March 31, 2017
<b>(a) Net Profit under previous GAAP</b>	<b>(A)</b>	<b>3,364</b>
Employee benefit expenses:		
Actuarial (gain)/loss on defined benefit plans considered under		
Other Comprehensive Income	iii	(10)
Fair valuation of forward contracts	ii	8
Tax effect on above		3
<b>Ind AS Adjustments</b>	<b>(B)</b>	<b>1</b>
<b>Net Profit under Ind AS</b>	<b>(C = A+B)</b>	<b>3,365</b>
<b>(b) Other comprehensive Income includes:</b>		
Items that will not be reclassified to profit or loss :		
- Actuarial (gain)/loss on defined benefit plans (gratuity)	iii	10
Tax impact on the above		(3)
<b>Total</b>	<b>(D)</b>	<b>7</b>
<b>Total Comprehensive Income as per Ind AS</b>	<b>(E = C+D)</b>	<b>3,372</b>

#### Notes

##### i. Security deposits:

Under previous GAAP, Lease security deposits (that are refundable in cash on completion of the lease term) are recorded at their transaction value. Under Ind AS, the difference between the Fair value and transaction value of the security deposits has been recognised as prepaid rent. The lease rentals paid in advance are charged to the Statement of Profit and Loss over the lease term.

##### ii. Hedge Accounting/Forward contracts:

Under Ind AS the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Other Comprehensive Income. The ineffective portion of changes in the fair value of the derivative is recognised in the Statement of Profit and Loss. Under previous GAAP, the gain or loss on the hedging instrument that is determined to be an effective hedge was recognized directly in the appropriate equity account.

##### iii. Remeasurement of Defined benefit obligations:

Under previous GAAP, actuarial gains and losses were recognised in the Statement of Profit and Loss. Under Ind AS, the actuarial gains and losses form part of remeasurement of the net defined benefit liability/ asset which is recognised in Other Comprehensive Income. Consequently, the tax effect of the same has also been recognised in Other Comprehensive Income under Ind AS instead of the Statement of Profit and Loss.

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

**P SRIKAR REDDY**  
Director

**SUJIT MOHANTY**  
Senior Vice President & Director

Place : Mumbai

Date: May 22, 2018





# SONATA SOFTWARE LIMITED

(CIN No.L72200MH1994PLC082110)

**Registered Office:** 208, T V Industrial Estate, 2<sup>nd</sup> 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: +91-80-26610972, Email id: info@sonata-software.com, Website: www.sonata-software.com

NOTICE is hereby given that the Twenty-Third Annual General Meeting (AGM) of the members of SONATA SOFTWARE LIMITED will be held on Monday, 13<sup>th</sup> August, 2018 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 31<sup>st</sup> March, 2018 together with the Reports of the Directors and Auditors thereon; and
  - the Audited Consolidated Financial Statements of the Company for the Financial Year ended 31<sup>st</sup> March, 2018 together with the report of the Auditors thereon.
- To confirm the payment of Interim Dividend of ₹ 3.75 per equity share of ₹ 1/- each (i.e. 375%), already paid and to approve a Final Dividend of ₹ 6.75 per equity share of face value of ₹ 1/- each (i.e. 675%), for the Financial Year 2017-18.
- To appoint a Director in place of Mr. S B Ghia (DIN: 00005264), who retires by rotation and being eligible, offers himself for re-appointment.

## SPECIAL BUSINESS:

- To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution :
 

**“RESOLVED THAT** pursuant to Section 197, 198 and all the applicable provisions of the Companies Act, 2013 and other applicable statutory provisions, Rules, Regulations, amendments thereto or re-enactment thereof, read with Article 122 of the Articles of Association of the Company, the Company be and is hereby authorised to pay remuneration by way of commission or otherwise to any one or more or all of the Non-Executive Directors (other than Managing Director and CEO) commencing from 1<sup>st</sup> April, 2018, and that such commission cumulatively shall not exceed 1% of the net profits of the Company.
- To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:
 

**“RESOLVED THAT** pursuant to provisions of Section 20 and other applicable provisions, if any, of the Companies Act, 2013 and relevant Rules prescribed thereunder, as amended from time to time, the consent of the Company be and is hereby accorded to charge a member in advance, a sum equivalent to the estimated actual expenses for delivery of the documents through a particular mode, if any, request has been made by such member for delivery of such document to him/her through such mode of service provided such request along with the requisite fee has been duly received by the Company at least one week in advance of the dispatch of the document by the Company.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.

- To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:

**RESOLVED THAT** pursuant to Regulation 31A and other applicable provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and any other laws and regulations as may be applicable from time to time (including any statutory modifications or re-enactments thereof for the time being in force), and other applicable provisions; subject to necessary approvals from the Stock Exchanges and other appropriate statutory authorities, as may be necessary; the approval of the Members, be and is hereby accorded to reclassify the following persons/entities (hereinafter individually & jointly referred to as the “Applicants”) and currently forming part of the “Promoter and Promoter Group” holding 29,26,711 Equity Shares aggregating to 2.79% of the paid up capital of the Company, from “Promoter & Promoter Group” shareholding of the Company to the “Public” shareholding of the Company:

Sr. No.	Name	No. of Equity Shares	Percentage
1.	Mr. Shyam Bhupatirai Ghia Group		
	Bhupati Investments and Finance Pvt. Ltd.	15,61,951	1.49%
	Shyam Bhupatirai Ghia	5,000	0.00%
2.	Mr. Mukund D Dalal Group		
	Mukund Dharamdas Dalal	10,36,260	0.99%
	Bela M Dalal	2,23,500	0.21%
	Daltreya Investments & Finance Private Limited	1,00,000	0.10%
	<b>Total</b>	<b>29,26,711</b>	<b>2.79%</b>

**RESOLVED FURTHER THAT** on approval of the Stock Exchange(s) upon application for reclassification of the aforementioned applicants, the Company shall effect such reclassification in the Statement of Shareholding pattern from immediate succeeding quarter under Regulation 31 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and compliance to Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and other applicable provisions.

**RESOLVED FURTHER THAT** Mr. Prasanna Oke, Chief Financial Officer and Mr. Kundan K Lal, Company Secretary

of the Company be and are hereby severally authorized to file the necessary applications before the regulatory authorities and to do all such acts, deeds, matters and things as may be necessary, proper or expedient to give effect to this Resolution and thereby execute all such documents, instruments, papers and writings etc., on behalf of the Company, as may be required from time to time for the aforesaid matter."

**Registered Office:**

208, T.V. Industrial Estate  
2<sup>nd</sup> floor, S.K. Ahire Marg,  
Worli Mumbai – 400 030

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

**Date:** 3<sup>rd</sup> July, 2018

**Place:** Mumbai

**Kundan K Lal  
Company Secretary**

## NOTES:

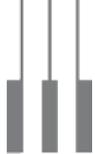
- A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll on his behalf. A proxy need not be a member of the Company.** A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent 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.
- 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.
- 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.
- 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 Computer share 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.
- 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.

- 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.
- Members wishing to claim dividends, which remain unclaimed, are requested to correspond with the Company's Share Transfer Agents for further particulars. Members are requested to note that dividends not encashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will, as per Section 124 of the Companies Act, 2013, be transferred to the Investor Education and Protection Fund.

Members may note that unclaimed Interim and Final Dividend for the Financial Year ended 2012 shall become due for transfer to IEPF on 2<sup>nd</sup> December, 2018 and 15<sup>th</sup> July, 2019 respectively. Further if for the shares pertaining to these dividends, the dividend has not been claimed for last seven years, the shares would also be transferred to IEPF.

- To avail the facility of nomination, Members holding shares in physical form may write to the Company for obtaining the Nomination Form (Form SH-13). Members holding shares in electronic form, may fill the nomination form with the respective Depository Participant.
- 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.
- 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**.
- Electronic copy of the Annual Report for Financial Year 2017-18, the Notice of the 23<sup>rd</sup> 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 Notice of 23<sup>rd</sup> AGM and Annual Report will be available on the Company's website – [www.sonata-software.com](http://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.
- Members/proxies are requested to bring their attendance slips duly filled in and their copy of the Annual Report for the Meeting.
- 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. Deloitte Haskins & Sells, LLP, Chartered Accountants, were appointed as Auditors from the conclusion of Twenty Second (22<sup>nd</sup>) Annual General Meeting (AGM) till conclusion of Twenty Seventh (27<sup>th</sup>) AGM, subject to ratification of their appointment at every Annual General Meeting by the members. However the members may note that pursuant to The Companies (Amendment) Act, 2017 the requirement of ratification of the appointment of the Statutory Auditors in every Annual General Meeting has been omitted and therefore the Company is not seeking ratification.
17. 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, 10<sup>th</sup> August, 2018 up to 5.00 p.m. (IST) on Sunday, 12<sup>th</sup> August, 2018 (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.
18. The Register of Members and the Share Transfer Books will remain closed from Monday, 6<sup>th</sup> August, 2018 to Monday, 13<sup>th</sup> August, 2018 (both days inclusive) for the purpose of payment of the final dividend for the Financial Year ended 31<sup>st</sup> March, 2018 and the AGM.
19. The final dividend on equity shares as recommended by the Board of Directors for the year ended 31<sup>st</sup> March 2018, if approved, at the Annual General Meeting, will be payable:
  - a. to those members holding shares in physical form, whose names appear on the Register of Members on 4<sup>th</sup> August, 2018, after giving effect to all valid transfers in physical form lodged with the Company and/or its Registrar and Share Transfer Agent on or before 4<sup>th</sup> August, 2018; and
  - b. in respect of shares held in electronic form, on the basis of beneficial ownership as per the details furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSIL) for this purpose on 4<sup>th</sup> August, 2018
20. In terms of Regulation 36 of the SEBI (LODR) Regulations 2015, A brief resume of Mr. S B Ghia seeking re-appointment vide Ordinary Business No. 3 in the Notice is as follows:

Mr. S B Ghia (70) (DIN: 00005264) is a Promoter and Non-executive Director of the Company. He is an industrialist with interest in a variety of fields including Chemicals, Fibres & Pet recycling and Preform, Polymers and Software. He holds a Bachelor Degree in Science (Chemistry) and MBA from Bowling Green University, USA. Currently he is the Chairman and Managing Director of Futura Polyesters Limited and Managing Director of Innovassynth Investments Limited. He is also Director in Sonata Software Limited, Alkyl Amines Limited and Innovassynth Technologies (India) Limited. He is a Chairman of Stakeholder Relationship Committee and Corporate Social Responsibility Committee and member of Audit Committee and Nomination and Remuneration Committee of Sonata Software Limited. He is member of Audit Committee, Nomination and Remuneration Committee and Stakeholder Relationship Committee of Futura Polyesters Ltd. He is Chairman of Audit Committee and Nomination and Remuneration Committee and member of Stakeholder Relationship Committee of Alkyl Amines Ltd. He is member of Corporate Social Responsibility Committee of Innovassynth Technologies (India) Limited and member of Risk Management Committee of Innovassynth Investments Limited. His shareholding in Sonata is 5000 shares (0.005%).

# ANNEXURE I TO THE NOTICE

## STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

### ITEM NO.4: Special Resolution

The Non-Executive Directors and the Independent Directors of your Company bring with them significant professional expertise and rich experience across a wide spectrum of functional areas such as marketing, technology, corporate strategy, information systems, and finance. The Board is of the view that it is necessary that adequate compensation be given to the Non-Executive Directors and the Independent Directors so as to compensate them for their time and efforts.

The Shareholders of your Company, at the Annual General Meeting held on 6<sup>th</sup> August, 2013, accorded their consent for payment of commission to Non-executive Directors at 1% of the net profits of the Company for a period of five years commencing from 1<sup>st</sup> April, 2008. Since the above approval was upto 31<sup>st</sup> March, 2018, a new resolution has been placed for approval of the members.

All the Non-executive and Independent Directors of the Company are concerned or interested financially in the Resolution as it relates to payment of commission to self. No other Director or Key Managerial Personnel of the Company or their relatives are in anyway concerned or interested in this Resolution.

The Board of Directors recommend the Special Resolution as set out in Item No. 4 to the Notice for approval by the members of the Company.

### ITEM NO.5: Ordinary Resolution

As per the provisions of Section 20 of the Companies Act, 2013, a document may be served on any member by sending it to him by post or by registered post or by speed post or by courier or by delivery at his office or residence address or by such electronic or other mode as may be prescribed. Further, proviso to sub-section (2) of Section 20 states that a member may request for delivery of any document through a particular mode, for which he shall pay such fees in advance as may be determined by the Company in its Annual General Meeting. Accordingly, the Board of Directors in its meeting held on May 22, 2018 has proposed that a sum equivalent to the estimated actual expenses of delivery of the documents through a particular mode, if any, request has been made by any member for delivery of such documents to him through such mode of service, be taken to cover the cost of such delivery.

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.

None of the Directors or Key Managerial Personnel of the Company or their relatives are in anyway concerned or interested in this Resolution.

The Board of Directors recommend the Ordinary Resolution as set out at Item No. 5 to the Notice for approval by the members of the Company.

### ITEM NO.6: Ordinary Resolution

The Company had received applications from the person/entities (as set out below) pursuant to Regulation 31A of the Listing

Regulations for classifying them under the Public Category since their names have been included as a part of the Promoter and Promoter group.

Sr. No.	Name	No. of Equity Shares	Percentage
1.	Mr. Shyam Bhupatirai Ghia Group		
	Bhupati Investments and Finance Pvt. Ltd.	15,61,951	1.49%
	Shyam Bhupatirai Ghia	5,000	0.00%
2.	Mr. Mukund D Dalal Group		
	Mukund Dharamdas Dalal	10,36,260	0.99%
	Bela M Dalal	2,23,500	0.21%
	Daltreya Investments & Finance Private Limited	1,00,000	0.10%
	<b>Total</b>	<b>29,26,711</b>	<b>2.79%</b>

Vide their letters dated 22<sup>nd</sup> June, 2018 and 23<sup>rd</sup> June, 2018, the Promoter and Promoter Group have requested the Company for:

- (i) declassification of the applicants (as mentioned in the table above) from the Promoter and Promoter Group; and
- (ii) reclassification of the applicants shareholding (as mentioned in the table above) in Public Category.

Over the past few years the said applicants have gradually reduced their shareholding. The current shareholding of the above-mentioned Promoters alongwith the Person acting in concert is not more than 5%.

Further, in accordance with the requirements of Regulation 31A(5) of the Listing Regulations, the above-mentioned Promoters do not, directly or indirectly, exercise control, over the affairs of the Company, do not have any special rights in the Company through formal or informal arrangements. Neither they nor their relatives shall act as Key Managerial Personnel of the Company.

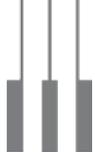
The Company would make necessary application to National Stock Exchange of India Ltd. and BSE Limited to seek their approval for reclassifying the Promoter / Promoter Group to Public Category, as required.

Except Mr. Shyam Bhupatirai Ghia none of the other Directors, Key Managerial Personnel or their relatives are in anyway concerned or interested in passing of this resolution.

The Board of Directors recommend the Ordinary Resolution as set out at Item No. 6 to the Notice for approval by the members of the Company.

The relevant documents in this regard are available for inspection in physical and/or electronic form, between 10:00 A.M. to 5:00 P.M. on all working days i.e., Monday to Friday, till 10<sup>th</sup> August, 2018, at the Registered Office of the Company and copies thereof will also be made available for inspection in physical or electronic form at the Corporate Office of the Company.





## 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 Computer share 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. Parameshwar Bhat, Practicing Company Secretary (COP: 11004) 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 6<sup>th</sup> August, 2018 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:parameshwar@vjkt.in](mailto:email:parameshwar@vjkt.in). 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, 10<sup>th</sup> August, 2018 up to 5.00 p.m. (IST) on Sunday, 12<sup>th</sup> August, 2018.
  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., 6<sup>th</sup> August, 2018, 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](mailto:evoting@karvy.com).
6. The Scrutinizers decision on validity of the votes shall be final and binding.

7. The Scrutinizer 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](http://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:**

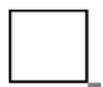
208, T.V. Industrial Estate  
2<sup>nd</sup> floor, S.K. Ahire Marg,  
Worli Mumbai – 400 030

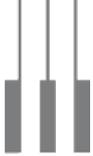
**By Order of the Board  
For SONATA SOFTWARE LTD**

**Date:** 3<sup>rd</sup> July, 2018

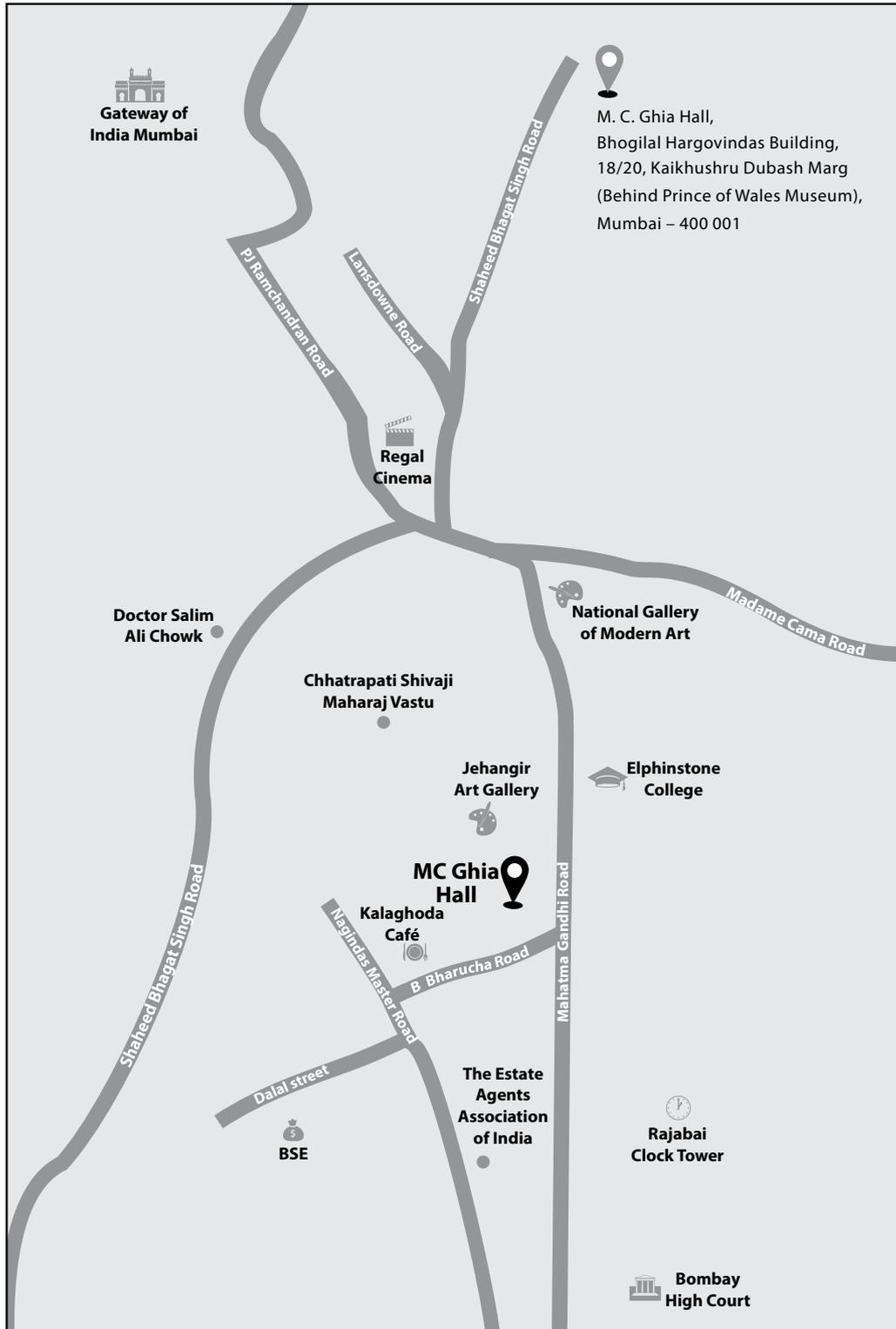
**Place:** Mumbai

**Kundan K Lal  
Company Secretary**





## Route Map to the venue of the AGM



Not to scale

# 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: +91-80-26610972 • Email id: 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 THIRD ANNUAL GENERAL MEETING of the Company on 13<sup>th</sup> day of August, 2018 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

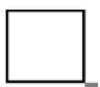
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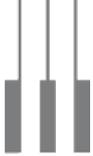
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**Member's / Proxy's name in Block Letters**

**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, TV 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: +91-80-26610972 • Email id: 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-Third Annual General Meeting of the Company, to be held on the 13<sup>th</sup> August, 2018 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
<b>Ordinary Business</b>				
1.	Adoption of Financial Statements for the Financial Year 2017-18 (Including the consolidated Financial Statements).			
2.	Confirmation of the payment of Interim Dividend of ₹ 3.75 per equity share (i.e. 375%) already paid and declare Final Dividend of ₹ 6.75 per equity share (i.e. 675%) for the Financial Year 2017-18.			
3.	Appointment of a Director in place of Mr. S B Ghia (DIN:00005264), who retires by rotation and being eligible, offers himself for re-appointment.			
<b>Special Business</b>				
4.	Approve payment of commission to the Non- executive Directors of the Company			
5.	Approve delivery of documents through a specific mode on request by the member upon payment of a requisite fee			
6.	Approve reclassification of the status of promoters shareholding into public shareholding.			

Signed this..... day of..... 2018

Signature of shareholder: .....

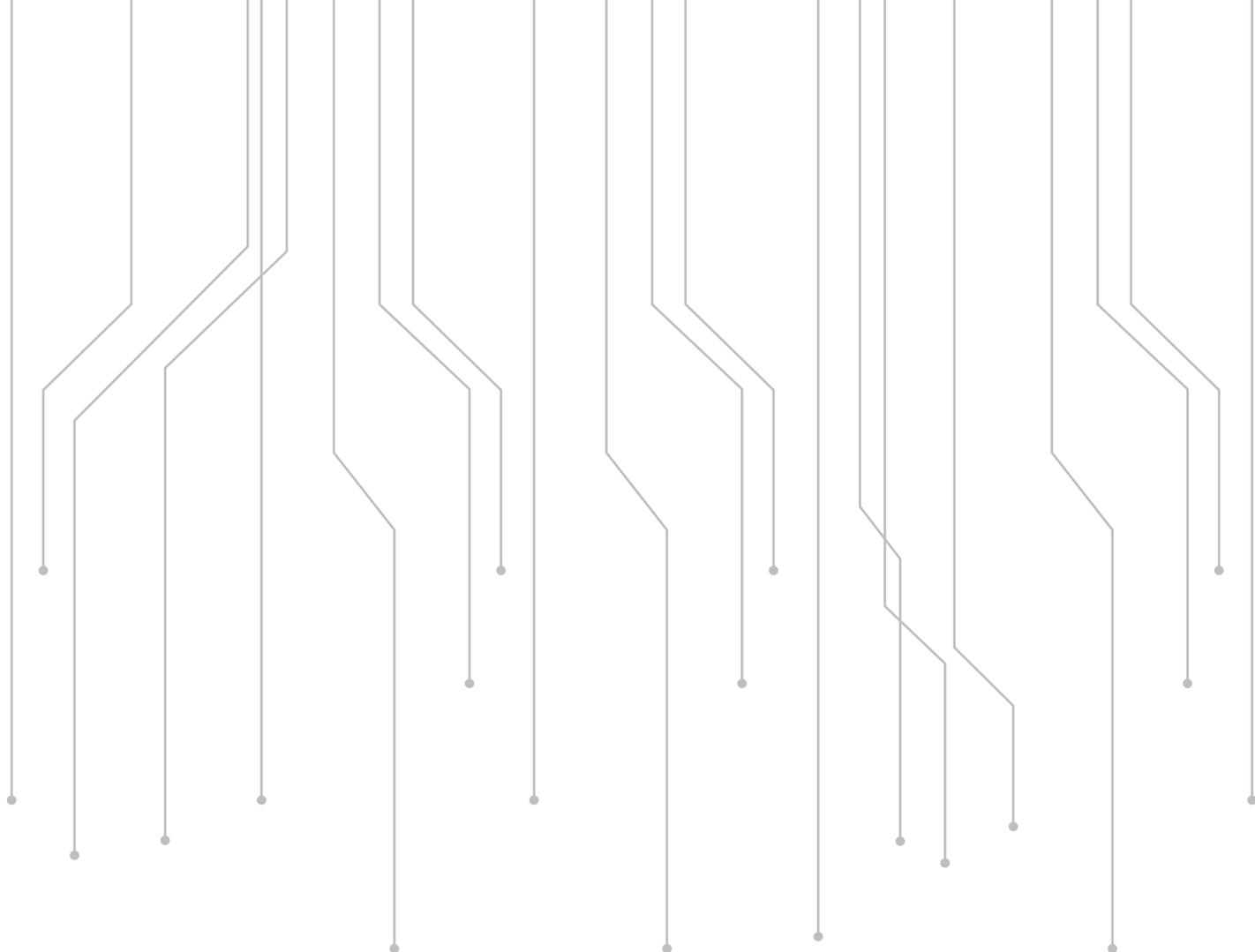
Signature of Proxy holder(s): .....

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

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](http://www.sonata-software.com)  
E-mail: [info@sonata-software.com](mailto:info@sonata-software.com)  
(CIN No. L72200MH1994PLC082110)