



20th October, 2022

National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Mumbai Kind Attn: Manager, Listing Department Stock Code – SONATSOFTW BSE Limited
P.J. Towers, Dalal Street, Mumbai
Kind Attn: Manager, Listing Department
Stock Code - 532221

Dear Sir/Madam,

SUB: TRANSCRIPT OF ANALYSTS/INVESTORS CALL

REF: REGULATION 46(2)(OA) OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

Further to our disclosure dated 7th October, 2022 and 18th October 2022, please find enclosed Transcript of Analyst/Investor call of the Company held on 18th October, 2022. The same is also made available on the website of the Company at https://www.sonata-software.com/about-us/investor-relations/quarterly/results

Please take the same on record.

Thanking you,

Yours faithfully For **Sonata Software Limited**

Mangal Kulkarni Company Secretary, Compliance Officer and Head-Legal

Encl.: As above





"Sonata Software Limited Q2 FY23 Results Update Conference Call"

October 18, 2022



MANAGEMENT



SOFTWARE LIMITED
MR. SAMIR DHIR – CHIEF EXECUTIVE OFFICER,
SONATA SOFTWARE LIMITED
MR. JAGANNATHAN C. – CHIEF FINANCIAL OFFICER,
SONATA SOFTWARE LIMITED
MR. SUJIT MOHANTY – CHIEF EXECUTIVE OFFICER
OF SUBSIDIARIES, SONATA SOFTWARE LIMITED
MR. ROSHAN SHETTY – CHIEF REVENUE OFFICER,
SONATA SOFTWARE LIMITED

MR. R. SATHYANARAYANA – HEAD (FINANCE), SONATA SOFTWARE LIMITED

MR. SRIKAR REDDY - MANAGING DIRECTOR, SONATA



Moderator:

Ladies and gentlemen, good day, and welcome to Sonata Software Limited Q2 FY '23 Results Update Conference Call. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Srikar Reddy – Managing Director of Sonata Software Limited. Thank you, and over to you, sir.

Srikar Reddy:

Thank you, and good evening, everybody, and welcome to the Analyst Call post the announcement of our Results for FY '23, Q2. The results are updated on our website.

Today, I have with me Mr. Samir Dhir – the CEO of the Company; Mr. Sujit Mohanty – CEO and MD of our subsidiary, Sonata Information Technology Limited; Mr. Jagannathan – CFO; Mr. Roshan Shetty – Chief Revenue Officer of the company; and Mr. Sathyanarayana – Head of Finance.

What we'll do today is that we'll have Mr. Samir taking you through the international services operations. Mr. Sujit then taking you through the highlights of the India business, and Jagan will take you through the financial highlights, and then we'll open up the forum for Q&A.

So, over to Samir.

Samir Dhir:

Thank you, Srikar. My name is Samir. Good evening to all of you, and a very warm welcome to all of you for this conference call to discuss our strategy and goals, broad industry updates and the financial results for Q2 ended September 30. Thank you for joining us today. We all appreciate your valuable time and support.

First of all, I'm very excited with the opportunity to lead Sonata Software into its next phase of growth. I've taken the baton being passed to me and to work hard to make Sonata an IT powerhouse in time to come. The team at Sonata is really excited and working judiciously to accelerate our growth curve and really build for scale and scale in terms of large deals, large clients, markets, partnerships and talent. That's what we really are focused on as we move forward.

So, let me cover with you some broad strategic goals that we're working on and the goals around them. So, given the market potential, we really aim to double our international business in the next 4 years or so, and be known in the industry as a specialized firm in modernization and digital engineering. We are committed to focus on our strategy and making investments and investments in sales, investments in large deals, capability build, partner ecosystems, all that to really become one of the fastest-growing company in years to come.

We are in interesting times right now as an industry. We really see 3 secular trends in the market. Number 1, we continue to see enterprise modernization and enterprise is really focusing on growth platforms, which will drive the revenue up. That growth or that trend is really intercepted



by clients modernizing their digital platforms, improving their customer experience on their platforms and unlocking the power of data through analytics and AI and ML. We believe that's a significant trend in front of us as a company to harvest and continue to build on that.

The second trend we continue to see is leveraging technology to strengthen compliance and security. And we're really bullish about that with the capability that Sonata has built over the years. We think we are rightly positioned to capitalize on that trend as well.

And third, quite very importantly right now, to continue to build deep engineering talent, which is specialized and not generic. We really have prided ourselves over the years to build deep engineering talent in the company, and that's something that we want to continue to harvest upon and continue to intercept the market on the trend.

Now if you have a question for me and say, Samir, how are you going to build for this growth? And I think the answer to that is really focusing on the verticals that Sonata has been traditionally strong in. We have been traditionally strong in hi-tech industries, Manufacturing, Retail and Travel verticals. As we go forward, we are doubling down to scale our BFSI and Healthcare/Life Sciences verticals. We continue to invest dollars in BFS and Healthcare verticals to strengthen those verticals from the vertical point of view.

The second investment we're making is in our sales and marketing across the globe, in U.S.A., Europe, and APAC. We really continue to strengthen our sales organization, account mining, hunting organization to really build out a world-class sales organization and really empower the teams with the cutting-edge, leading-edge digital tools to be most efficient and really continue to add value to our customers.

The third side of building scale from a growth perspective is really to continue to focus on modernization and solutions. We have been very strong in our plat formation framework, we'll be very strong in the data and cloud side, automation side. And that's really where a bulk of our focus on our modernization transformation will come from, really harvest the strength of Sonata in the past and really continue to build on that and gain market share rapidly in the verticals that we are focused on. So, that's really our high-level blueprint to build scale to be ready for the growth that is in front of us.

If you have a question for me, which says, how do you build engineering talent go forward? What are we doing different to really build out the capability that are needed to gain more and more market share? My response to that will be, we're really building talent ahead of time and not be surprised with the growth. We really continue to, with our plans to hire lateral talent, we are continuing with our plans to hire fresher programs. We are building out development centers in European geographies and other geographies where we're servicing our clients. We continue to also invest deeply in personalized training for our engineering teams, depending upon the track they are on. We continue to invest dollars to make sure that we continue to harvest and nurture talent, which is best-in-breed from an engineering perspective.



All this, keeping in mind that we are also expanding into Tier 2 and Tier 3 cities and keeping diversity and inclusion as the main focus from a talent build out perspective. So, we really continue to make sure that we have a very diverse workforce and a global workforce as we move forward

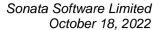
As we have embarked on this strategy, which is really a continuation of our past and build out the future, we are beginning to see some early success in this front. I'm proud to share with you that we closed out a very large deal in the current quarter. This is with a Sweden-based Manufacturing conglomerate, who are a leader in access products. This is a company which is 95 billion and over in revenues. So, we think as we close this large deal out, we'll continue to farm and radiate this customer.

And really the nature of the work is at the heart of what Sonata has stood for, for over the years. This is a customer we are going to modernize their systems, accelerate their business transformation, bring in sales efficiencies and channel efficiency, real-time customer engagement, not only with customers, but suppliers, distributor engagement and all this in an agile transparent manner. And this is really what we are very happy about with this win because it sets up the foundation for us for a very large European customer. But beyond that really is harvesting our investments in the modernization space.

The second marquee win that we had this past quarter was for a SaaS-based talent management and development client, which has over 6,000 customers spread across 180 countries. And for this customer, we're really implementing a solution to modernize the current suite of products on AWS platform and doing their modernization work, doing the cloud modernization, product life cycle management and really getting them ready to adopt the infinite power of the cloud platform from a cloud-native development perspective. So, we're beginning to see early offshoots and success of the investment strategy that we have put out, which is all towards the scaling the platform from a growth agenda perspective.

Now let me cover very briefly the market and industry update. Despite some macro concerns that have been talked about in the industry, so far, from a service demand indicator perspective, our outlook is very strong. We have seen some decisioning delays. But overall the demand environment seems robust. Our pipeline continues to grow, and we continue to drive growth from a pipeline perspective with our clients' platform, which are very growth oriented. These are customer-facing platforms, revenue-facing platforms with customers, and they're all underpinned by work in the cloud, data and automation space. And this is, again, will be a cornerstone strategy of Sonata, so we can harvest the momentum as we move forward.

With that, let me move quickly to the Q2 update. We have had a good strong performance in the most recent quarter. Our international service revenue grew 1.7% sequentially and 16.9% Y-on-Y: on rupee terms, 5.4% sequentially and 27.6% Y-on-Y. In constant currency terms, we witnessed 3.9% sequential growth and 22.8% Y-on-Y. Our operating margins are at 25.7%.





Beyond numbers, this quarter we also added over 400 employees, out of which we have also kept our promise for inducting freshers. Out of the 400, 300 were freshers. And we are also beginning to see tapering down of the attrition. This is the quarter we saw attrition come down by more than 2 percentage points within the quarter compared to prior quarters.

With that, in summary, we are very excited about our long-term prospect of our growth. We have started taking steps to invest in the business and strengthen our sales and solutions to gain the market share by building scale ahead of time. We aim to be in the top 25% quartile of revenue performance in the industry in time to come. We expect the momentum to take off in about 3 to 4 quarters and all our investment initiatives are really built around that to continue to build a very strong and robust order book and pipeline.

Thank you. With that, let me turn it over to Sujit for his comments. Sujit?

Sujit Mohanty:

Thanks, Samir. Good evening to everybody, and welcome to this call. As you have seen from the results, we had a fairly good quarter. On the EBITDA side, we had 40% year-on-year growth. From the Indian market perspective, with most of our customers, we continue to see their investment for digital transformation. And most of our customers, this process continues even during this quarter as well as we believe that going forward, this initiative from each of these customers will continue for some time.

This gives us an opportunity to have more business on the hybrid infra and on the cloud infra and that is what -- that is one of the focus we have as a group and with most of our customers, we were working with them in their digital transformation process and helping them to build up their hybrid and cloud infra, which is required to deliver a good digital experience to their customers as well as for their process.

From a segment perspective, in the Indian market, I think IT, BFSI, Pharma, these are industries where you can see really good cloud consumption growth. And whatever our interaction and experience we have with these customers and as well as with most of the cloud providers, we believe that this trend is also going to continue. In Indian market, various of our customers at various stages of this cloud adoption process. And as you must be knowing that this process consists of various stages. In the initial stage, most of the customer go for lift and shift that means on-premises to cloud and after some time they go for multi-cloud, and then they go for app modernization. And towards the end to get the best results and output, they'll go for data modernization.

So, as partners, we would like to be a strategic partner to each of our customers in each of these stages. And that is what is our business goal and we continue to work on that. We continue to focus on our large annuity and platform contracts, almost a major part of our business comes from our existing customer in form of annuity contracts. Our annuity renewal rate is almost 85%, and that gives a lot of comfort for the future business.



Currently, various hyperscale cloud providers in India, they are having a lot more go-to-market initiatives with partners as well as directly with customers to propagate their cloud platforms and to make sure that there is a larger consumption for each of their cloud offerings. And we are taking advantage of that. We are trying to work with each of them. We are trying to have more and better GTMs with each of them so that we get a larger share of the business.

That's it from me. Thank you so much. I hand it over to Jagan.

Jagannathan C.:

Hi. Thank you, Sujit. Good evening, all. Thanks for joining for this call. Now I'll take you through the financial performance of the company.

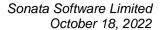
Start with the consolidated performance because this includes the India and the international revenue, I'll cover the revenue of international business separately and domestic business separately. With regard to this important point is for the last 12 quarters, the CQGR of EBITDA growth as well as the PAT growth has been consistently high. We are at 3.4% and 3.8%, which reflects a very strong profitability, continue to have a very, very strong industry leading profitability in our business. That's highlighted here.

The next is international business. Now we have to talk about the revenue growth this quarter. As Samir mentioned, we had a U.S. dollar revenue growth of 1.7%, but the constant currency was 3.9%, which is in the top echelon of the revenue growth for this quarter in the IT services field. Our profitability continued to be very strong. Our PAT growth has been consistently high. The CQGR of our PAT growth has been 2.8%, and we reflected strong profitability of EBITDA of around 25.7%, which is the industry-leading EBITDA for the business.

Coming to the domestic business. Domestic business continued to do well. As mentioned by us, please measure the domestic business as the growth of absolute gross contribution rather than as a percentage of profitability and revenue as a growth because that's the turnover for the business. We wanted to measure the business on the absolute amount of gross contribution and this growth on that. We continue to grow this business very well, and this business gross contribution again has grown quarter-on-quarter very well.

Coming to the financial summary of this. This is the breakup of the financial performance of both international business and domestic business separately, which has been shared with you. We can take questions later whenever the question comes in. And key operational parameters, there is no major changes in the operational parameters. A few of the geographies like Europe had an impact because the cross-currency impact was reflecting on the percentage of contribution. This is like an aberration because of the strong movement in the currency during the end of the quarter. The same has been reflected in a couple of verticals also like Retail. Otherwise there is no major movement between the sales.

The onsite offshore mix is, again, a small change in that of onsite offshore mix. Again the crosscurrency impact on onsite revenue has been there to some extent. Otherwise, like an aberration, we don't expect this to change much in the coming years.





Coming to the other verticals, we have continued to have a strong client addition. We have added 12 customers this quarter, and we continue to focus on further growth. We expect the strong performance to continue for the remaining part of the year. And with this client additions, we expect this growth to be propelled in the coming quarters also.

With this I complete my financial update, hand it back to for the question.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question

is from the line of Baidik Sarkar from Unifi Capital. Please go ahead.

Baidik Sarkar: I just wanted Samir's and the team's comment on how much growth was left on the table

unfulfilled due to supply side issues? And are we on track for recouping that starting Q3? I ask this question because in Q4 of last year and Q1 of this year, there was upwards of 2%, 3% growth

that was not built and not executed because of supply side issues. So, your comments on that

and if we can see a strong recovery from that perspective, starting H2?

Samir Dhir: Yes. I think I've got most part of the question. Thanks, Baidik, for asking the question. The broad

answer is it's in the mid-teens number somewhere, around 15% or so approximately. It may not be the exact number, but it's somewhere in the zone that probably is still not fulfilled because of

the talent supply constraint that we continue to see. Of course, it varies a little bit by technical skill set. On the more modern technology is probably slightly higher and perhaps the more

traditional technology is slightly lower. But on the average, if you want to get a ballpark number,

Baidik, I would say probably around 15%, 16%.

Baidik Sarkar: So, given the intake this year and given how our intake which you also called but when do you

think, Samir, we can bridge that gap? Or do you reckon we get a couple of more quarters to see

if you guys can catch up? How is the bridge looking like?

Samir Dhir: Yes. No, I think we're sort of making good progress, Baidik. Like we said, we have continued

with our investments in the fresher program. Despite all the macroeconomic concerns, we have not slowed down our investments from a campus hiring perspective. We're continuing to do that because the demand environment is robust. I think in the last call we had said it will take us

about 3 to 4 quarters. I think at this point in time, given the easing of attrition we think it's about

a couple of quarters away before we can completely tide over it. So, getting better and faster

now.

Baidik Sarkar: And I'm sorry, sir, this was on your opening comments, but on the large deal side, I mean,

congrats on that. Could you perhaps quantify the range of these 2 large deals that we won? And

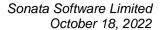
what's your spectrum of large deals in terms of value?

Samir Dhir: Yes. So, we don't share the numbers of the deals itself, Baidik. But I think in general, our

yardstick is these are 3-to-4-year annuity contracts, which are multiyear in nature and generally transformation in nature. So, that's really how I would qualify it. These are fairly large contracts

in the industry. The more focus is to get the annuity contracts increasing as we move forward.

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And hence this deal is a marquee deal for us because we had really chipped taking out that box to continue to build the platform from a scale perspective on annuity side, Baidik.

Baidik Sarkar: And would it be fair to assume that these deals have been won in the same margin band that

Sonata's IT services has been delivering? Or how should we view this from a margin

perspective?

Samir Dhir: Yes, they're in the same margin profile. In fact, the deal we just closed is probably higher than

the average margin profile. So, they're pretty good margin profile deals for us.

Moderator: The next question is from the line of Chirag Kachhadiya from Ashika Institutional Equities.

Please go ahead.

Chirag Kachhadiya: Sir, I have a question like we are migrating from Salesforce to Microsoft platform. So, there are

many peers who are also offering Salesforce platform. So, how this Microsoft offering, will it give us edge in the client ecosystem and the acceptance from client side for the same? If you

could throw some qualitative insight on the same?

Samir Dhir: Sorry, your voice was not very clear. Your question is if you're migrating customers from legacy

platforms to a Microsoft stack, what is Sonata's differentiation? Is that the question?

Chirag Kachhadiya: Yes, that is the question.

Samir Dhir: Okay. So, I think going back to the comment that I made earlier. See, we have been very strong

in our plat formation techniques. That's been the cornerstone of Sonata for last several years. We have built out and invested in that framework and capability over the last 6, 7 years. And that's really at the heart of this whole success that we are beginning to see now in the market. Why that is important, because it's not just about migrating customers from legacy to on cloud, lift and shift, but it is also transforming their estate to really drive meaningful insights from a customer data analytics perspective. It is also about modernizing and unleashing the power of cloud so that development cycles can be faster. It's also about driving the automation along the way. It's also about shedding the legacy code. It's also about moving to a more modernized CI/CD DevOps pipeline. So, it's the whole stack that we offer as a plat formation technique, which is really inbuilt for the engineering DNA of the company, which continues to differentiate

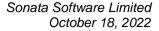
us against the competition.

Chirag Kachhadiya: And does Microsoft provide us any exclusivity?

Samir Dhir: Well, I think we have built ourselves, our own differentiating tools, framework and IPs over the

years, and that's what really differentiates us. Of course, Microsoft endorses us in many of these engagements. But there's no exclusivity. If that's a direct question, we have differentiating rights

because of the investments we have made over the years in these areas.





Chirag Kachhadiya:

And sir, can you throw some light on microeconomic environment challenges which we're facing in execution and also client side spend commentary in such uncertain time?

Samir Dhir:

Yes. So, like I said, I think overall the demand environment is still pretty robust. Our pipeline continues to grow. We are continuing to see our pipeline grow in line with our results that we just announced. So, I think we're very happy with the progress we're making. In addition, we're very happy with the progress we're making on the order book side, our order book continues to be very strong in general, the momentum is very strong. Of course, there are some decisioning delays given the macroeconomic conditions. But those are sporadic at this point in time, they are not concerning us as we move forward. And that's true for all clients across the globe at this point in time. That's our general market observation at this point.

Chirag Kachhadiya:

Since you're quite long in the industry, so if we compare current slowdown with what we've seen during the GFC and post that, is it similar nuances or a bit different this time?

Samir Dhir:

I think that's a million-dollar question. I wish I had answer for you. I think that developing at this point in time. Like I said, we are not seeing that slowdown at this point in time, but we'll keep the audience informed as we move forward. At this point in time, we are hunkering down and continuing to maximize opportunity in front of us. Our investments are in the direction, our market momentum is in the direction, and we have continued to build out the company as we move forward in that direction.

Moderator:

The next question is from the line of Aejas Lakhani from Unifi Capital. Please go ahead.

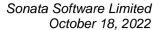
Aejas Lakhani:

Sir, my question is to Mr. Mohanty. I'd like to understand how we should model the scale-up of your products reselling business because we haven't honestly seen this scale of sequential profitability growth? So, I'm really sort of looking to understand how deep and long is this runway? There's a significant scale up that takes place in H2. So, should we expect the same?

Sujit Mohanty:

Hi, Aejas. As I explained during my initial comments, the market looks attractive in the sense that most of the Indian customers, they have a plan and they are spending on the cloud. And if you look at the software reselling now, major spend is on the cloud spend. And that's what I said that the way we are looking at the market and we are observing the market, I think the cloud expenditure of the customer will continue to grow for next couple of quarters for sure. That's mainly because most of the customers' digital transformation program is still on.

And as I explained to you that when the customers are migrating to cloud, there are various stages. And it does not mean that from on-premises to the move to cloud and the program gets over. After that, there are various stages in terms of from a single cloud to multi-cloud, where they actually try to select the right cloud for the right application and once they are multi-cloud, then the complexities regarding security, multi-cloud management, which comes in. And after some time, the customers also start realizing that the applications which they have moved to the cloud are not giving the optimal data's because they are not architect for the cloud usage.





So, there are a lot of app modernization opportunity which comes up. And after a customer goes through a major app modernization session and then they also realize that just not app modernization is going to do everything for them. It's also required from data modernization. So, that is the fourth stage which also comes in. So, it's a long process. It's not just moving to the cloud. So, because of this, we believe that there are various stages in which a partner has the opportunity to work with customers and have a good business. And that's the reason we believe that market is there, and we'll have opportunities going forward.

Aejas Lakhani: And sir, usually, the second half of the year has more sales and significant scale up is there. So,

what do you see as the revenue visibility there?

Sujit Mohanty: Yes, we think it will be a good H2, that's what we believe.

Aejas Lakhani: Sorry, could you repeat that?

Sujit Mohanty: Yes, we believe that we'll have a good second half.

Moderator: Next question is from the line of Sameer Dosani, ICICI Prudential AMC. Please go ahead.

Sameer Dosani: Just to understand, right, what we hear from industry experts is that Retail and Manufacturing as a sector has been struggling economically. So, IT spend in these sectors here is more vulnerable. We have a decent exposure, right? So, Retail is like 15% in our IT services and 20% is distribution and Manufacturing. So, how do you see the trend in this business specifically? And if you can highlight or quantify is it more on the project implementation, more on annuity?

If you can just throw some light on this.

Sure. Thanks for the question, Sameer. I think there are 2 parts to this. The bulk of the work we do for our clients is really transforming their core systems. And we are, in many ways, defining their future modernization agenda. So, those programs that are in flight are continuing at this point in time. So, there is no let up. Of course, there might be some sporadic cases, 1 or 2 clients here and there. But in general, the business momentum that we have seen in the first half of the year is continuing into the second half of the year. We're not seeing any slowdown, and that includes Retail and Manufacturing distribution included.

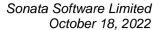
Now from a net new pipeline perspective, there have been some decisioning delays, but I would say they are just delayed by a month or so. They are not like the projects have been canceled or stalled, and we are continuing to watch that space very keenly. Our pipeline build out, as I said earlier, continued to be strong and order book continued to be strong. And at this point in time, there's nothing outlier about the behavior that we're seeing in the marketplace. It's very consistent what we would have normally expected in an environment like this. So, it's not concerning us at

least at this point in time.

Sameer Dosani: And I'm not sure whether we disclosed it, I don't think we disclosed it. What is the utilization

trend because you have hired a substantial number of headcount now, 800 in this quarter? And

Samir Dhir:





I think I looked at your utilization of billability if I'm not wrong, that is a metric that you disclosed. We don't see any impact on that. Could you explain how is that utilization changing? And if you can also highlight what is the kind of number of freshers that you would have hired until now? And how much are deployed from that?

Jagannathan C.:

I'll answer the last question first, Sameer. We have added about 290 campus minds in this quarter. And in that 200 people have joined in September and 90 have joined in the month of July. So, this 90 people will be deployed in the project probably by next month. They have 3 months training period. The other 200 people are under the training now. Coming to this, most of the additions during the quarter have been lateral replacement addition. And our utilization remains sustained because we have put in the process effectively. As Samir was mentioning, the demand on the pipeline is good, new project additions have been good, new customer addition has been good. So, we are continuing to have good utilization, what we call it as billability. So, that is continuing to be good and remaining at 82 percentage for the company.

Sameer Dosani:

So, sorry, I couldn't get the numbers. So, out of the 290 freshers, how many freshers have been added in the September one?

Jagannathan C.:

September is 200.

Sameer Dosani:

200. Okay. So, the full quarter impact of this will come in next quarter, right?

Jagannathan C.:

Next quarter, correct.

Sameer Dosani:

Okay. Out of the 280, how many are deployed?

Jagannathan C.:

No, 90 are completing the training in the month of October. That is this quarter, in this month they are being deployed into the projects. 200 will complete it by November, December. So, they will be deployed at the end of Q3 or beginning of Q4.

Sameer Dosani:

And just to get a sense, how many freshers have we hired in H1 as a total? If you can give that number.

Jagannathan C.:

Total number of freshers we are hiring is about 550 for the year.

Sameer Dosani:

Okay. This is the target you're saying, right?

Jagannathan C.:

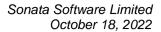
Yes, this is the target, correct.

Sameer Dosani:

And how many are already hired from this, 550?

Jagannathan C.:

Half of them, right, 290 is already hired.





Sameer Dosani: Okay. Sorry. So, 290 was the H1 number. Okay. And last question, sir. If you look at IT services

a business side, Q3 is where we look at is the weaker quarter as there are furloughs and the budgets are running out. So, overall, how do we expect Q3 of our business to turn out to be, if

you can throw some light on that?

Jagannathan C.: You are talking about the international business, right?

Sameer Dosani: Yes, international business.

Jagannathan C.: Demand continues to be there. But Q3, the holiday, furloughs impact can be there a little bit.

Number of the working days will be 2 days lesser in this quarter. But traditionally, the last 2 years has been good for us in Q3, we hope to continue with the overall performance in the same

direction.

Sameer Dosani: Okay. So, no unexpected thing?

Jagannathan C.: No unexpected.

Moderator: The next question is from the line of Romil Jain from Electrum PMS. Please go ahead.

Romil Jain: Sir, 1 question is, we have talked about plat formation being a very important part of the overall

strategy. And obviously that will be to further scale and benefits on the business side. So, what kind of margins do we expect when we go full throttle maybe 2, 3 quarters down the line? So,

just want to understand the margin picture on the international business.

Samir Dhir: Yes. So, I think the gross margin profile of the business is very consistent on all the plat

formation programs, Romil. I think we don't see any impact of that. I think the plat formation programs are accretive and in line with the overall gross margin profile of the company. The investment that we are making are generally going to sit below the gross margin line. But we will continue to make those investments, and those are not new. They have been continuing for the last 5 years. So, we'll make investments pretty much in line to what we have been making in

the past 5 years' timeframe.

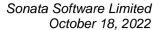
Romil Jain: So, should we see some margin benefit or broadly, we will be in this range?

Samir Dhir: It will continue in the same ballpark.

Romil Jain: Secondly on the competition, just to understand the deals that we have won. Broadly, they would

be against larger peers. So, if you can give some flavor of the competitive scenario there, what we are seeing in the bid pipeline right now? As well as, again, on the competition, the plat formation that we do, can others also try and do that or obviously we have some differentiation?

But what stops others also following similar pattern?



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Samir Dhir:

So, it's a good question. I think for most of the work that we do, Romil, I think we compete with the large Tier 1 companies. These are global players, both India based as well as U.S. and whichever geography you're competing in, if it's a European client, it will be European-based competitors as well. So, these are all the frontline competition that we typically see. And the large deal that we just won was against that. Again, that's a fairly stiff competition.

Now on the plat formation side, I think this hasn't happened by accident or overnight, right? As the say success is created over the years. So, the last 5, 6 years of sustained investment that Sonata has made to really differentiate into the plat formation techniques and tools and framework is really a culmination point. And it's not just about the framework. It's about training your staff. It's really about providing that whole DNA in the company to live that mission and vision every day. It's a fairly long process. Can everything be copied? The Toyota saying that everything can be copied at some point, but it takes time. And we are continuing to invest. So, we know by the time competition catches up in maybe 3, 4, 5 years' time, we would have leapfrogged to the next level of evolution ourselves. So, we're not concerned about that. We believe we have a unique sauce to continue to differentiate in the market in that sense.

Romil Jain:

Sir, 1 question on the acquisitions. So, I just want to understand, as we mentioned, we are going to double the revenue in broadly 4 years on the international side. Does this include any inorganic acquisitions also or it is purely organic?

Samir Dhir:

Yes. I think the strategy is to grow the company. We are not averse to taking acquisitions along the way, Romil, if we find a suitable property, which is in line with our overall broad strategy that we laid out to you. I think if we find a property, we'll take it. But it has not picked up on as a constraint to do that. It has to be thought out M&A. If we have to do, we'll do it, but it has to make and meet our strategic goals. It won't be for scale.

Romil Jain:

So, that means this would be broadly organic is what we can assume?

Samir Dhir:

I wouldn't qualify either way. It really is how the market develops. I think we'll have to see how the market develops and how the opportunities present. But our aspiration is to double the company in about 4 years, and that's what we're really head down focused on. And along the way if an acquisition makes sense, we'll do it. If it doesn't make sense, we'll do it organically.

Romil Jain:

Sir, can I just ask one more question?

Samir Dhir:

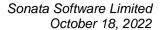
Yes, please go ahead.

Romil Jain:

Yes. So, in terms of the overheads, okay, obviously, in COVID a lot of Travel and everything has gone down. So, in current quarters and going ahead, are we broadly at a normalized level in terms of all the other overhead expenses?

Jagannathan C .:

Not exactly. Still the people have not fully come back to the office. But the Travel is increasing. It will not be like last year. The overhead cost will go up this year, but not to the pre-COVID





level still. We expect like it'll take another 3, 4 quarters at least to get there. But people coming back to office and working from home is a larger industry problem. So, that requires some time to solve.

Moderator: The next question is from the line of Mohit Jain from Anand Rathi. Please go ahead.

Mohit Jain: Mohit here. Just wanted to check, is there a reclassification as far as your disclosures are

considered vertical-wise in Q2 versus last quarter?

Jagannathan C.: Q2 versus last quarter, which vertical specifically?

Mohit Jain: For example, I see this drop also in Travel vertical and then there is some number change in

OPD or ISP. So, therefore, is there some part of revenue which would have gone from Travel to

ISP or something like that?

Jagannathan C.: No. Travel has come down because of the cross-currency because our Travel is majorly Europe.

Mohit Jain: In the last quarter CBD, the percentages were little different for Q1 versus this time. But as per

you, there is no reclassification.

Samir Dhir: No reclassification. This is only because of the cross-currency impact of various currencies that

has impacted in few of the verticals.

Mohit Jain: And sir, just 1 thing on the ISP. We have seen this sharp pickup. So, I may have missed it a little

earlier, but what drove this? And what is the outlook there in ISP particularly?

Samir Dhir: Yes. So, let me build on the first question first, and I'll answer the second question. So, in terms

of the volumes in Travel and other verticals, it's grown in line with our overall numbers. But because of the cross-currency impact, you're seeing the numbers go down in Travel specifically. On the ISP side, our product engineering heritage continues to be strong. So, the ISPs that we continue to build out their core platform, which are their revenue-generating platform, there is no letup. And we continue to build that momentum out. And hence we have continued to see the

market momentum in that direction, Mohit.

Mohit Jain: So, this is something which you think is not project driven essentially and we should see the

momentum building up ahead?

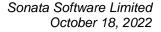
Samir Dhir: Yes. I mean, yes, absolutely. That's our expectation. As we move forward, the market

momentum holds up, and that's what we're seeing at this point in time. And the product engineering work that we do for various ISPs and transformation work we do for them is

absolutely the pipeline is there to continue to build that out.

Moderator: The next question is from the line of Sameer Dosani from ICICI Prudential AMC. Please go

ahead.





Sameer Dosani: My questions have been answered, sorry. Thank you.

Moderator: We have a follow-up question from Chirag Kachhadiya from Ashika Institutional Equities.

Please go ahead.

Chirag Kachhadiya: Sir, other than Microsoft tie-up, what other platform we also plan to launch in the future? And

are there any discussion or negotiation ongoing on that front?

Sujit Mohanty: So, if you're asking from the allied perspective, currently, we have partnership with Microsoft,

Google, AWS.

Chirag Kachhadiya: I'm asking from a point of mitigating the revenue concentration if that's right.

Samir Dhir: So, it's from a sell to point of view. Chirag, I may take that. So, I think as we scale the platform

forward, and I talked about it earlier, we're really continuing to invest on logos that can scale for us, and that's the whole sales investment thesis that I covered earlier, Chirag, in the commentary. So, we have logos in the Travel space, we have logos in the Healthcare space, and that's what we're really focusing on to scale those logos up as we move forward and work on the diversification topic that you're on. And that's something that we are judiciously working on. We believe it's a 2-year journey it will take us to diversify the business, but that's what we're focused on. And even the new logos that we are doing, the must-have account that we have is really all about Fortune 2,000 to 5,000 companies so that these logos have the potential to grow out for us as we move forward. It's a very significant focus we're driving as part of our go-

forward strategy from a radiation point of view and new logo acquisition point of view to work

on that aspect.

Moderator: As there are no further questions from the participants, I now hand the conference over to Mr.

Srikar Reddy for closing comments.

Srikar Reddy: All right. Thank you all very much for joining the call today. Thanks for your continued support.

I look forward to hearing from you in future conference calls. Thank you again for joining today.

Moderator: Thank you very much. On behalf of Sonata Software Limited, that concludes this conference.

Thank you for joining us. And you may now disconnect your lines.