





27th January, 2023

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 16th January, 2023 and 24th January, 2023, please find enclosed Transcript of Analyst/Investor call of the Company held on 24th January, 2023. The same is also made available on https://www.sonata-software.com/about-us/investorwebsite Company of the at 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 Q3 FY23 Earnings Conference Call"

January 24, 2023





MANAGEMENT MR. SAMIR DHIR - CHIEF EXECUTIVE OFFICER,

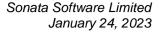
SONATA SOFTWARE LIMITED

MR. SUJIT MOHANTY – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER, SONATA INFORMATION

AND TECHNOLOGY LIMITED

Mr. Jagannathan Narasimhan – Chief Financial

OFFICER, SONATA SOFTWARE LIMITED





Moderator:

Ladies and gentlemen, good day, and welcome to Sonata Software Limited Third Quarter 2022-23 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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Samir Dhir – CEO from Sonata Software Limited. Thank you, and over to you, sir.

Samir Dhir:

Thank you, Tanvi. Hello, everyone. My name is Samir. Good evening to all of you, and I hope 2023 has started well and on a great note for you and your families. A very warm welcome to all of you on this conference call to discuss our strategy and goals and the financial results for the quarter Q3, which ended on December 31, 2022. It is my pleasure to share the progress we have made with respect to our vision and growth trajectory for Sonata. My executive team and I are continuously working judiciously to accelerate our growth and build scale and scale in terms of large deals, large clients, markets, partnerships and talent. I'm also happy to inform you that the CEO succession transition process is successfully completed between Srik and myself, and I'm delighted to have the opportunity to serve our clients and our team members globally across all business lines of Sonata.

With that, let me provide you with an update for our 4-year goals that I outlined in the last call. We are taking strides in line with our commitment to scale our international business to be \$0.5 billion in 4 years and be known in the market as the modernization and digital engineering experts, and also scale our India operations aligned towards our strategy to gain market share with end-to-end annuity contracts in data and cloud modernization opportunities. In addition, we're committed to our ESG goals to achieve our sustainable development goals as we move forward.

Let me start with the update on scale. Our clients have accepted the need to modernize and evolve on a continuous basis, and even in these uncertain times, spend on modernization initiatives is continuing with an objective to achieve faster, more efficient and automated business systems, which are typically hosted on cloud. Towards that, we are making investments in our GTMs, the go-to-market strategies, all focused on modernization and automation primarily in our key markets, which is the U.K., U.S., Europe, India and ANZ.

We will strengthen our solutions for our key verticals, which is TMT, telecom, media and high tech, manufacturing, retail and travel, BFSI and health care. If you recall, we launched BFSI and health care as specific verticals we want to focus on about 2 quarters back. We have also focused on emerging technologies and maturing our capabilities in AI. We are aligning our go-forward structure to enable this growth. Towards that, we are delighted to create the role of a CTO, and Raj is going to be the CTO for the company go forward. And this role is being created to excel as an engineering powerhouse and build capabilities and solutions consistently with a dedicated focus on deepening practices and competencies.



Sonata is well positioned and is focused in a laser sharp manner using its platformation framework, leveraging our lightning tools, and lighting tools are a leading industry-leading suite of tools for accelerated modernization programs for our clients.

In addition, our partnership with Microsoft is going from strength to strength. Once again, we received the Microsoft Business Application 2022 and '23 Inner Circle award. We're truly delighted with that achievement. We recently also achieved the status for Microsoft cloud solution partner and attained all the 6 new Microsoft solution partner designations covering data and AI, innovation, modern work and security.

Towards that, these investments that we've been making in the recent quarters have enabled us to win large deals. We've announced 4 large deals in this quarter, but I'm going to cover a summary of 2 large deals that we have recently won. The first one, a U.S.-based large electric utilities client with operating revenue of nearly \$15 billion and over 13,000 employees. This client delivers power to 15 million consumers in the U.S. Client wanted to provide an enhanced experience to their consumers by ensuring efficient field management, service management and also wanted to automate mobile workforce management to improve service optimization and scheduling.

Our teams judiciously work with the client and propose a solution to develop and build and implement a new platform to transform our client servicing model and improve field workforce, improving productivity immensely. This is a 2-year program, and this is a large deal for Sonata as we move forward.

The second one is for a Australia-based client, who have revenue greater than \$1.5 billion. They improve road safety for motorists. Their headquarter is in Brisbane. And they serve approximately 1.75 million members. The client runs their core systems on legacy platforms, limiting their ability to scale and provide enhanced member experience to requisite compliance. So, our teams got together and proposed a platform that will be built for them to modernize and transform their core business application suite using omnichannel and connected organization with customer 360-degree view.

We will bring our expertise and skills in CRM, Azure, AWS and data to deliver the required outcomes. This is a 3-year program, and again, a large deal for Sonata. We are very delighted that our investments and the inroads that we've been making for the last 3, 4 quarters are really helping us win these large programs as we move forward.

On the topic of scale, we continue to scale our operations from a people perspective. We are continuing our talent attraction strategy. Towards that, even in this quarter, in the Jan-March quarter, we'll continue to take the freshers from the college. We will take around 150 freshers in this quarter again.



We've also launched our Sonata Spark program, which was really to ignite entrepreneurship in our team members. Towards that, we're delighted that we've got several entries to give innovative ideas that we want to take to our clients as we move forward. This is our effort to encourage entrepreneurship within the company as we move forward to bring the technology expertise of our engineers for our clients' benefits.

Moving from scale, talking about ESG. We're very proud to receive a score of management category, which has been given to us by Carbon Disclosure Project, CDP 2022, for all our actions and efforts towards building sustainable practices in business towards transparent and open reporting. This places us amongst the top 27% of the companies in the IT sector. It's a start for us, but we're delighted that we have started with top 27% category and will go from strength to strength from here on.

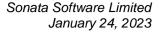
At Sonata, honesty and integrity and transparency are our core values and good corporate governance is how these values are translated into day-to-day practices for us and our team members. We're delighted that Sonata won the coveted Golden Peacock Award for Excellence in Corporate Governance in 2022, again, second time in a row. These accomplishments just go on to show the commitment that we have and the executive team of the company have towards the ESG initiatives as we move forward.

With that, let me provide you an update on the financial performance for the quarter Q3. I'm really delighted to report that we had a very strong performance for our international and domestic business, both. In the international business, we grew sequentially in dollar terms 4.8% and Y-o-Y 13.3%, and our operating margins are at 23.8% (before FX and other income) for the international business. The domestic business, gross contribution, which is what we measure in domestic business, grew sequentially 5.8% and 25.8% Y-on-Y.

Within the quarter, we added a net head count of 140 engineers across the company. We are witnessing steady reduction of attrition. In Q2, we reported 21% attrition. And in Q3, with all the investments and efforts that we've made, we're going to come in at around 15% attrition for the quarter. So, we saw a precipitous decline in attrition about 6% points in the quarter.

We'll be offering salary hike in the current Jan-March quarter as per the earlier practices of Sonata. We're going ahead with those investments to make sure that we are competitively paying as an employer, which will have an annualized impact of roughly about 1.2% on our margin, and we expect to recover these margins in about 2 to 3 quarters' time.

We plan to invest close to 1.5% in the coming fiscal, like we'd outlined earlier as well, to continue to invest in our verticals, market solution and partnerships and in brand building in FY '24 to really continue to enable our scale and continue to become a value-added partner for our clients.





So, that's the summary for the results for this quarter. In summary, we are very optimistic about our long-term growth prospects. We're delighted and excited to serve our client base and the industry that we serve with them. We aim to be in the top 25% quartile for revenue performance, like we have done this quarter. We want to stay in that league, go forward as well.

We continue to see good momentum in Q4. Going into Q4, our pipeline and all lead indicators from a sales perspective are looking very strong. So, we think not only Q3, we'll have a very solid Q4 coming up as well. We are resolute in our belief that much like this quarter and coming quarters, we will continue to take market share away aggressively from competition and enable our clients and our people to achieve exceptional outcomes.

Thank you. With that, let me turn it over to Sujit to provide an update on the India business, and he will then hand it over to Jagan for his comments on our financial performance. Sujit?

Sujit Mohanty:

Thank you, Samir. As Samir already mentioned, we had a very outstanding quarter. We continue to grow our cloud business as well as our infrastructure business in Indian market. We strongly believe that our market growth will continue in the coming quarters. Most of our enterprise customers who are going through their business transformation process, we believe it is not going to reverse, and all those processes will continue at our customer end and we will be working with our customers through all these transformation projects.

Going forward, we'll continue to focus on our existing customers, which help us in building our annuity growth. While focusing on the enterprise customers, we will also continue to work with some of our new alliances to get into some new customer segments like the corporate segment.

Thank you. Passing on to Jagan.

Jagannathan Narasimhan: Thanks, Sujit. Good evening all. We'll start with the update on the financial performance.

As mentioned by Samir, the quarterly revenue growth for the international business in dollar terms has been very, very strong at 4.8%, and in rupee terms, it has been strong at 6.3%. The year-on-year growth in dollar terms have been 13.3%, and in terms of rupees, it was 23.9%. The PAT has been up for the quarter by 4.4% and yearly growth of 20.5%. The domestic business, gross contribution has grown by 5.8% quarter-on-quarter and 25.8% on year-on-year.

Our ROCE in international business continues to be strong at about 37%, and the Indian business continued to grow with 42% of ROCE. The return on net worth has been very, very strong in both the businesses: Indian business is 50% and international business is 37%. The earnings per share have grown 4.3% quarter-on-quarter and 20.3% year-on-year. We had an earnings per share of about Rs. 8.5 per share this quarter.

The consolidated financial trends where we covered the revenue and profitability, and the EBITDA also for the last 8 quarters has been strong, with a CQGR of revenue growth of 6.2%

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and EBITDA CQGR of 5.3%. The PAT CQGR has been 10.3%, indicating a strong profitability of the business.

The international business has been strongly growing for the last many quarters now. We had a very strong growth for this quarter with PAT of 16.6% and EBITDA of 25.2%. The domestic business continued to grow well with their EBITDA at CQGR of 8.3%. Their gross contribution has been growing at CQGR of 5.1%, and PAT has been very strong with CQGR of 14.4%.

Now moving on to the key metrics:

In international business, we have disclosed the geographical trend of the revenue, seems to be strong. This quarter, Europe has been strong for us as well as the rest of the world has been strong for us. The number of customers added for this quarter is 20, and client concentration remains at the same level for top 10 and top 20 customers. Number of \$1 million customers continued to grow up for us, and this quarter has been one of the strong performance of 46 customers more than \$1 million.

So, the vertical mix what we have mentioned here, we have reported the earlier verticals what we were reporting till last quarter, as well as Samir confirmed about the new verticals, what we are going to monitor or focus on for the coming years. So, we have given the new vertical mix of revenue also for that asset transition now for people to understand.

So, we have covered the top go-to market, what is the performance for quarter 3 of last year, current year and last quarter as well as current quarter. We are actually covering this to give a view of what is our go-to-market strategy and what are the areas, how we are going to serve the customers. This data has also been given to get a feel on the new reporting what we are going to follow and the data carrying with all the investors. So, this actually helps us to highlight that our technology focus or the business focus what we have on where we are going to serve the customer.

With this, I conclude my update on financial performance. Thanks to all of you who have joined the call. And we will continue to focus on growth and scale in the coming quarters. Thank you.

Samir Dhir: We're open for questions.

Moderator:

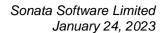
Baidik Sarkar:

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.

Congrats to you and the team on a good print. A couple of questions predominantly around your large deals. Could you qualitatively flesh out what is the exact space and capabilities we're targeting here and how deep this funnel is? I ask this in the context of vendor consolidation that is currently underway. And the numbers from your bigger peers indicate consolidation at their

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end, right? So, given our relatively smaller size, I'm just trying to understand the strength in our positioning and key risks to our assumptions from here in our full year journey?

Samir Dhir:

Sure. This is Samir, and let me take this. So, I think the deals that we just discussed earlier, they are essentially around modernization for our clients' estate. As you know, this is an era where customers are truly committed to spending money to make sure that their consumers stay loyal to them, they can reduce the customer churn and they can provide superior customer experience. So, both the deals that we shared earlier today are in that direction. They are going to modernize their agenda from a customer experience perspective, modernizing their platforms. And we will bring our capabilities from modern technologies like cloud and data to transform their experience. So, they are really not in the consolidation space, per se. They're in the modernization and revenue acceleration space for our customers. At this point in time, for not only these deals, other deals that we are seeing, we continue to see the spend and the demand environment really robust from a modernization agenda perspective, as I outlined earlier.

Baidik Sarkar:

And quantitatively, I understand you don't give out a 12-month order book, per se. But can you traction your business? Is there a range that you can help us imagine?

Samir Dhir:

So, like we have outlined that we are steadfast towards doubling the size of the business in 4 years. We are on that path already. This quarter is a resounding outcome towards that strategy. So, we'll continue the journey as we move forward as well. We do not see any aberration. Of course, as market pivots, if it does pivot, there are some softness people are talking about. But at this time, we are not seeing any softness in our pipeline or order booking at this point in time. To the point Jagan mentioned earlier, starting next quarter, we will also start sharing with you our order booking summary as we are rehashing out our investor information.

Baidik Sarkar:

That's very helpful. Does your 4-year aspiration of \$0.5 billion have a large inorganic assumption to it? Or how should we just read this organically?

Samir Dhir:

Yes. I think it will be a combination of largely organic, but there will be some inorganic tuckins we will do as we move forward to really bolster our capability set more than anything else. We are not looking to acquire properties from a scale perspective, but we're definitely looking to acquire properties from a differentiated capabilities perspective to augment our modernization agenda that Sonata is marching on now.

Baidik Sarkar:

And just one last question before I get back into queue. How should we read your incremental 150 bps investments on go-to-market and SG&A? Given the traction in our business, will the operating leverage neuter this out? Or should we assume a like-to-like 150 bps cut in our margins for FY '24 for the whole year normalized?

Samir Dhir:

It's a great question. I think we expect the leverage to kick in, which will give us the incremental dollars we need to invest in the business. But we also expect around 1% to 1.5% incremental



investment over and above the leverage that we discussed to continue to invest in the business

as we scale forward.

Baidik Sarkar: Right. So, for the entire year, I think it's fair to assume 100, 150 bps kind of a downtrend just

your services business. That's the print reading for '24.

Samir Dhir: That's right. And that's just to accelerate towards the \$0.5 billion journey we talked about earlier

in 4 years' time.

Baidik Sarkar: I was just trying to understand obviously, the traction in your domestic business is strong now,

and this will take us through the next few quarters. But just given the softening commentary from OEs world over be it Microsoft or an Oracle, it's relative softness or absolute softness. But would you expect this traction to probably taper down towards end of FY '24, early '25? Or do

you have no indications leading to that as things stand today?

Sujit Mohanty: Today, there is no such indication. And whatever is happening with most of the OEMs, from the

customer point, we believe that most of the commitments which they have made in terms of the contractual agreement to use the software, that will continue to be there. I mean, assuming that at some point of time even if there will be some softness, that will be more which is on the pro side, but the base contracts will continue. So, whether it is Microsoft or Oracle or any of the hypescalers or any of the other OEMs, none of them till now has not indicated regarding any

slowness in the market.

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

Mohit Jain: Sir, first was on the IT services head count. Can you share that number in terms of head count

breakup for the quarter?

Jagannathan Narasimhan: Yes. The IT services, we have added 140 people. I'll just tell you that. It is 5,786 total for both

the businesses together.

Mohit Jain: Can you repeat the number?

Jagannathan Narasimhan: Total number is 5,786, sir.

Mohit Jain: And second in terms of IT services margins for the quarter, for third quarter. Now I'm assuming

there is no wage hike etc. in this quarter. You also got some benefit on cross currency towards

the end. So, why would we have this decline during the quarter on a sequential basis?

Jagannathan Narasimhan: The major reason for that is we have actually invested some money on the employees'

engagement activities for addressing the long-term issues of attrition and employee engagement, which is reflecting in our attrition anyway for this quarter's data. That had an impact of about

0.89 bps on that. And also, operational expenses going up now. Because the sales momentum is



very high now, the operational expenses are going up for us, which is also resulting in the balance impact for the quarter.

Mohit Jain: So, is there a one-off expense that you have done during the quarter? Or should we assume wage

hikes from the quarter's margin?

Jagannathan Narasimhan: Not exactly wage hike. This is not a wage hike. This is employee engagement activities. This is

like a one-off kind of an activity for the quarter. But some amount of employee engagement

activities will be there in the couple of quarters more for addressing the attrition issues.

Mohit Jain: Sir, what I mean to ask is, because we are entering a wage hike quarter and this quarter's margins

are close to 22%, should I assume a decline from there on? Or you think there is this 40, 50 basis

point one-off which we should adjust before looking at wage hike for 4Q?

Jagannathan Narasimhan: For 4Q, the salary hike will have an impact on the margin. But operational efficiencies will cover

some portions, and this employment engagement activity may tone down much, much lesser from here. So, we expect some benefits because of this toning down as well as the operational

efficiencies.

Mohit Jain: So, that was second. Third was, so now when you talk about this 1.5% incremental investment,

I was under the impression that '23 also we invested already. Now if we incrementally invest

1.5%, are we revising our growth estimate in some sense? How do you measure the return on

sales investment for FY '24?

Samir Dhir: Yes, Mohit, let me take that. So, what we announced last time was our intent to spend

investments coming into the back half of this year. But the hiring process takes time. So, I think we're just about now that the new investments are kicking in with the hiring of people and talent, etc. So, in Q4 quarter, we'll see some of that impact. But going into full next year, we'll see the full year impact of those incremental costs, some of it. And those investments are already baked

into our \$500 million in 4 years journey discussion.

Mohit Jain: So, that will be the new margin level that you guys will be operating at from '24 onwards? I'm

assuming these are all recurring costs as they are hiring related.

Samir Dhir: I think as scale kicks in, there will be leverage advantage in about 2 to 3 quarters, maybe 4

quarters. But for the first half for sure and maybe second half initially, we'll see the impact. But

beyond that, leverage will kick in as the growth kicks in.

Mohit Jain: Second half of FY '24?

Samir Dhir: FY '24, yes.

Mohit Jain: At the last one is on health care. It appears there is some sequential decline there in the business.

Any specific reason for that? And when should we expect a pickup there?



Samir Dhir: I think health care business, it's early days right now. This is a seasonal dip. There's no softness

from an overall perspective. We continue to make investments. And we're just closing out another deal in the health care space. So, as we go into this quarter, we will probably pick back

up again. This is a seasonal variation, some of it.

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

Please go ahead.

Chirag Kachhadiya: Sir, I have a couple of questions. The first one is on attrition. What trend we are witnessing?

Second, to achieve such a turnover which we have in mind in next 3, 4 years as cool, what additional head count are we going to add from next 3-, 4-year perspective? Also, is the margin

lever in place in line with the top line growth?

Samir Dhir: So, I think let me start, and Jagan can build on this. The first question about attrition, I think

we've seen a good quarter from an attrition climb down perspective. I think like we reported earlier, Chirag, 21% in Q2 became about 15% in Q3. That's a good step forward. Clearly, the market is still volatile. I wouldn't declare victory as yet. I think we have to watch this for next

few quarters to make sure there is a good solid trend coming up, but this quarter was good for

us.

That's on one end. The second end, the hiring has become a little easier. Of course, the niche skill and the specialized skills are still hard to come by. But the regular skills are a little bit easier

to hire. So, on that perspective, the supply side has eased off a little bit.

To your second question about the head count projection, much like you have said, it will double

the company in 4 years' time. I think our head count will follow very much a linear path in that sense. So, from currently close to about 6,000 people, one could expect that we'll double the

head count in about 4 years' time as well. So, we're on a linear scale from there.

Moderator: The next question is from the line of Amit Agarwal, individual investor. Please go ahead.

Amit Agarwal: Sir, my question is regarding the platformation product. Sir, what% of the sales we achieved

from this product? And is this a blockchain product? And what are the margins we are working

on this particular product?

Sujit Mohanty: So, you are asking that going forward, what the revenue would be. Is that your question, Amit?

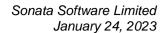
Amit Agarwal: Sir, my question is regarding your product Platformation. Sir, what percent of the revenue are

we driving from this particular product? And is this based on blockchain? And what are the

margins in this particular product?

Samir Dhir: Amit, let me take that. Sorry, I misunderstood the question. So, Platformation is our framework

to help clients modernize their platforms, and Platformation really comprises of a series of





accelerators that Sonata has built over the years. I earlier in my prepared comments talked about lightning tools. So, as Raj takes on the CTO role, is really strengthening up the Lighting tools, which really is almost like a chassis of the Platformation technique. And that's what we want to take and support and strengthen and invest in that chassis as we move forward so we can help customers accelerate their journey from a modernization perspective.

We do not really measure the revenue from those tools because those are really an accelerator and a framework for us to deliver superior customer experience for our customers. That's how we've been tracking it out, Amit.

Amit Agarwal:

Sir, is it based on blockchain? And what are the margins in this particular product?

Samir Dhir:

So, it's not really a product, Amit. It is really our framework to help modernize faster. So, let me give an example. So, if a customer has an on-prem data platform, if they want to modernize and move it to cloud, we have a series of accelerators. Using our Platformation technique, we help move the databases from on-prem to cloud. So, that's a series of products that we have.

Now these products are not on blockchain. These could be on a Java stack. This could be on ETL stack using informatics or some other tools. These are based on smattering of technologies. And a composite of this what we call as Lighting tool that we have built as an IP for ourselves.

Moderator:

The next question is from the line of Dhvaneet Savla, individual investor.

Dhvaneet Savla:

Really impressed with the direction which we are taking now. And I just had just one question. This is with regards to our margins. You said that due to the salary increases, we are going to have a hit on the margins of around 1%, 1.5%. Just wanted to know that by when can we expect to transfer it into our revenue or into our contracts so that this margin which is there been accounted for?

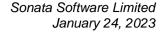
Samir Dhir:

Vineet, a good question. Like we said earlier, we are planning to invest over the next, I would say, 3 to 4 quarters on this 1%, 1.5%. Our growth, as you can see, the numbers have started picking up. This quarter is a strong quarter. And of course, we're going to continue the momentum as we move forward.

We think the leverage advantage will kick in, in back half of next fiscal year, which is FY '24. But first half of fiscal year, we'll probably use the investment dollars to continue to invest, and then back of the fiscal year, the scale will help us from a leverage perspective, and hence, we can recover the margins. It's hard to say whether it will be Q3 or Q4, but somewhere around Q3 or Q4 we'll start to see leverage kick in, and hence, the margins will pick back up.

Moderator:

The next question is from the line of Chirag Kachhadiya from Ashika Institutional Equities. Please go ahead.





Chirag Kachhadiya:

Sir, once again, I have a question on geographic specific comments, that, on tech project front, what behavior you are witnessing and when you feel that the demand outlook will clear in front of you guys, if you can throw some light on that?

Samir Dhir:

Chirag, a good question. I think the demand environment in general is pretty secular. We continue to see robust pipeline build across all geos and across verticals. Of course, there are some specific client pockets where we are seeing softness. Specifically, in the high-tech area, we have 1 or 2 clients that have shown some softness. But that has been adequately covered and compensated, in fact, more than that, by other clients in the same segment and other industries.

But broadly speaking, across geographies, which is the predominant geographies of Sonata, U.S., U.K., Nordic regions and APAC and India and AMZ, we are continuing to see a fairly secular trend of demand across the geographies and across verticals. Of course, we have a lot of work to do in BSFI and health care because we launched those verticals recently. Those are early incubating verticals. But as we move forward, we want to continue to build scale in those verticals as well, Chirag.

Chirag Kachhadiya:

And sir, in our turnover guidance of doubling in next 3, 4 years, it will be inorganic also, right? Or just pure based on organic growth?

Samir Dhir:

That's right. I think predominantly, we expect it to be organic driven. Of course, we will have some tuck-ins inorganically to increase our technical capabilities on specific competency areas that we want to accelerate. We'll do some tuck-ins. But yes, it will be a combination of organic and inorganic, but primarily organic.

Moderator:

We have one question from Sameer Dosani from ICICI Prudential. Please go ahead.

Sameer Dosani:

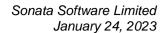
So, just want to understand, Samir, your opening remarks mentioned about increasing the annuity revenue of your business. So, how should we measure it? Or how are you measuring internally? And is there some target, if you have some% of revenues, I mean, how do you track it? Now where is it? And where do you think you will reach in next 2 to 4 years? So, if you can just reply on that.

Samir Dhir:

Yes, Sameer, thanks for asking the question. I was thinking where you've gone this quarter. So, thanks you asked the question. But on a serious note, I already alluded to the large deals that we're focused on in the international market. And I think that's our focus to continue to clock large deals because that's what will build the scale. That is the really focused effort to drive our investments. The annuity comment was really for the India market. And I'll let Sujit cover the metrics that he tracks from an annuity perspective.

Sujit Mohanty:

From an India business perspective, one of the metrics which we track is that what is the% of the annuity business we are doing. And as it stands today, it's around 76%. We're trying to achieve a% of around 80%, that means 80% of the business where we have the contracts in hand





and we keep building year-on-year. We believe that, that is a very comfortable position, some piece of business prospectively. And that is why we're continuing to work with our existing customers, continuing to make sure that we get into multiyear contracts rather than just making one-off sales. So, these are a few of the parameters which we monitor. I hope I have answered your question.

Sameer Dosani:

Yes, correct. So, Samir, just one clarification on the deal and size. So, we had 4 large deals. This is on the top of 2 large deals that we had last quarter, is it?

Samir Dhir:

That's right. These are additional deals that we closed in the quarter. So, generally speaking, in these forums, Sameer, we talk about deals that we closed within the quarter.

Moderator:

The next question is from the line of Debashish Mazumdar from B&K Securities. Please go ahead.

Debashish Mazumdar:

Congratulations on a good set of numbers in a seasonally weak quarter. So, Samir, 1 question that I have, and this is kind of a little bit of more understanding that is required. If I see your largest customer globally, who have already mentioned that they are having some trouble with their smaller clients. And my sense is that we must be very big with the small size bookings of Microsoft, especially with the Dynamics Azure side. So, the sense that I'm trying to get is what exactly is giving us this kind of traction in our performance, especially in the TMT business and also in a seasonally weak quarter? And from your commentary, it seems to be that going forward, next 2, 3 quarters, also, you have a good amount of visibility to get growth and deals. So, some comments on that side will be really helpful.

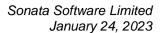
Samir Dhir:

Sure, Debashish. A fair question. I think on the high-tech side, like I said to you, with a few clients we have seen softening. But I think at the same time, the investment that we have put in, specifically in the Microsoft account, we had increased our sales capacity 2 quarters back. And I think that has really helped us to diversify into new line of businesses, new programs. So, really ahead of the curve in that sense.

And as some of the programs came down, but we were able to build our pipeline in the last 2 quarters to really catch up and do more than we are probably doing. So, we really continue to see good momentum and good growth even in this account, in Microsoft accounts. I think overall the trajectory is looking up. And that's been the strategy for us that we want to be ahead of the game, of the competition. And hence, while the spend of these customers overall is not increasing, but we're taking market share away from our competition. And that's a core part of our strategy, to deliver superior experience in the modernization space. And based on the back of our good delivery, we can continue to take the efforts away from competition.

Debashish Mazumdar:

Great. And one more question is, if I see even our margins today, which is also considering some amount of pressure that we have seen in the last 1, 1.5 years, despite that, our margins are still higher than some of the similar size and larger size competition, higher means significantly





higher. So, is it like our platform-based model, the MSA deals that we take, do we kind of automate a lot of things at the back end, which is helping us to get this kind of margin profile in the international business? Or is it like going forward when we try to achieve scale, we'll ultimately get back into that 15%, 16%, 18% margin range, where most of my larger peers are operating?

Samir Dhir:

It's a great question, Debashish. I think there's not a single answer to this question, but let me try and give you a sort of a color for this question. So, number one, do we have a secret sauce to help clients modernize? The answer is absolutely yes. The Lighting tool that I alluded to earlier in the call is really our secret sauce, and couple that with the Platformation technique that Sonata has built over the years is really helping us gain more market share at a higher premium, because this is a market which is willing to pay a premium to the expert skills and expertise. This is not a commodity play for us and in our customers' mind.

So, if you're transforming your estate, you're not really looking as a simple commodity outsourcing. You're really looking in a partner that you can trust, who can help you accelerate your revenue curve. So, from that perspective, we don't think the business model will fundamentally change.

However, having said that, like we just outlined, we'll continue to invest in the business as we accelerate the journey. It will be a deliberate attempt, not because of our business model weakness, but our deliberate attempt to diversify the business increasingly to expand into newer geographies. And that's a bit it will take. And like I alluded to earlier, we're going to take a 1%, 1.5% margin hit in the coming years. That's a very deliberate part of the strategy to accelerate faster.

Debashish Mazumdar:

So, you are reasonably confident enough that we are not moving into the direction of 17%, 18% even in next 2, 3 years, despite achieving scale of doubling the size that we are talking about?

Samir Dhir:

I think it's a reasonable assumption to make. It's hard to predict that far off. But it's a reasonable assumption to make at this point in time.

Debashish Mazumdar:

Great. And one last question, again, on the cloud and Dynamic side. So, are we operating more into the infrastructure management space or more into the app development and product engineering space?

Samir Dhir:

I think these things are not as decoupled right now. Predominantly, if you look at it, we come from a customer journey or what we call as growth platforms in. And if that means we have to do a little bit of infrastructure work, we will pick that up. But we're primarily a customer experience, growth platform-oriented company, and that's where we why I alluded to earlier that we are on the customer experience side, building platform, which accelerates revenue for the customer. That's our strong suite. Having said that, is that the entire suite? No. But I would say 70%, 80% is in that area.



Debashish Mazumdar: But that's the business which is more project dependent and it will always be like that. And that

is where maybe my sense is that you are getting some amount of pricing power and better margin

also. Is the understanding correct?

Samir Dhir: That's probably a reasonable assumption, yes.

Moderator: The next question is from the line of Amit Chandra from HDFC Securities. Please go ahead.

Amit Chandra: So, my question is regarding the travel vertical. So, we have seen some recovery in the travel

vertical. But still, we are much below the pre-COVID levels that we used to operate. So, what is happening there? Because most of the other companies have shown strong growth and also the spending is back in terms of recoveries by most of the travel clients. So, what's happening with

our top travel client there? It will be helpful.

Samir Dhir: So, on the travel vertical, Amit, the commentary from our clients has been pretty positive. They

had a great summer and the bookings that they've seen in winter have been extraordinary as well. They are cautiously watching the bookings that are coming up for summer in 2023. But as far

as bookings for summer and the winter are concerned, they've been pretty robust.

As you know, the investment to IT follows a little bit of a lag cycle, and that's what we're witnessing at least in our clients. Is the demand picking up? The answer is absolutely yes. Are we seeing growth? Again, the answer is yes. But is it at a cliff that will offset the pre-COVID level? I think it will take several quarters for us to catch up to that level. But the momentum is

in the right direction because the customers are seeing the momentum in the right areas.

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

Samir Dhir for closing comments.

Samir Dhir: Thank you, Tanvi, once again. Thank you all for joining today. Like I said in the opening

Of course, we live in an uncertain market and we'll continue to watch the market. But as we speak today to you, we're very bullish about the future and we continue to take market share aggressively away from our competition using our differentiated Platformation and Lighting tools framework and really enable the journey in an accelerated manner for our customers and

remarks, we are really very optimistic about our future. The demand environment is holding up.

our employees towards success. So, thank you for joining today. I'll speak to you in a quarter's

time. Thank you all.

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.