ANNUAL REPORT 2020-21

PLATFORMATION™

MAKES THE DIFFERENCE

SONATA SOFTWARE

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PLATFORMATION™
MAKES THE DIFFERENCE

2020-2021 has been a year that is going to stay in all our memories for a long time. What makes it even more so for all of us at Sonata is how the entire company pivoted seamlessly to a work from home model and continued to meet & beat both business and customer expectations.

Sonata has emerged stronger from the pandemic across several fronts. Platformation™, Sonata's unique proprietary model of Digital Transformation for enterprises continues to resonate strongly helping our customers grow while positioning us as a Digital Transformation Partner of choice. Our relationship with Microsoft completed its 30th year and has never been stronger as we align to the Cloud and Data growth engines with Advanced Specializations that will help open new opportunities while offering more digital services to our existing customers. Our vision of offering a world class client experience is winning hearts and minds.

It's four years since we conceptualized Platformation™

Our unique proprietary model of digital transformation for organizations. The model was created after understanding how successful, born-digital companies have been able to create, deploy and scale their businesses in a way that promotes and supports rapid – and occasionally exponential – growth.

Platformation™ Makes the Difference

The name Platformation™, a portmanteau of platform and transformation, recognizes the power of platform architecture as a cornerstone of digital growth."

Platformation™ brings a design-thinking approach, which looks at business processes as a series of platforms and identifies ways in which these platforms work together to maximize value.

The world today is in flux. Old business models have been upended. Digital is no longer an adjunct to business efficiency. It has become its lifeblood. Companies need more from their partners. Not just for digital transformation, but also to navigate an increasingly chaotic world of shifting consumer habits, multiple technology platforms and a future that holds great promise but even higher risks. However, enterprise transformation is never easy. Every customer is unique, every business is a unique combination of people, processes and products.

Over the last four years Platformation™ has shown its effectiveness by bringing to the table deep domain knowledge along with Sonata's world-class consulting assets and knowledge of best practices – like the Customer Digital Agenda Template (CDAT), Platform Maturity Assessment tools, Digital Business Process Libraries and a 16-point Tech Platform Characteristics framework.

The ideas which we have adopted for Platformation™ are that firstly, one needs to conceptualize a business model that is platform based, then identify how to create open, scalable, connected and intelligent platforms to support them. The key is to identify platforms that need to be created to support these business models and visualize the digital transformation journey around the creation of these platforms.

Our Platformation™ strategy has been well complemented through our strategic investment and inorganic growth initiatives. We invested in platform technology companies that bring in unique IP – like a commodity trading platform, or R10x, a retail and distribution collaboration platform between consumers, retailers and manufacturers These investments have enhanced differentiation, helped create unique value propositions and accelerated enterprise transformation.

4 years of Platformation™

Four years of Platformation™ have made a difference to Sonata, making it a strategic digital partner to our clients. The fact is that Sonata's model of building holistic digital companies by creating platform-based businesses enabled by technology platforms created and aligned to Platformation™ principles is unique. This is in opposition to the more general approach in the market by services companies that more focused on technology-led transformations. Sonata has now engaged with more than 40 clients who have befitted from implementing Platformation™.

The engagements could be top-down and consulting led, or creating digital platforms or providing digital services or skills, but the difference the clients have perceived are benefits of Platformation™. The effort of over 4 years of transforming talent aligned to Platformation™, whether it is creating unified full stack engineers, designers, platform architects, digital strategists or digital client partners, is now being experienced by clients in the services they get from Sonata.

At Crawford & Company, the world's largest independent claims management company, Sonata has been an integral part of their digital journey.

"Sonata has helped us in this digital journey, building the Digital First notice of Loss (FNOL) platform using their Platformation™ approach".

- Daniel Volk,
Senior Vice President and Chief Information Officer

For CPL Aromas, one of the world's largest fragrance houses, their digital agenda was executed with Platformation™-led insights.

"Sonata has been a strategic partner to us and has helped us by stabilizing our key business systems along with digital transformation based on Platformation™".

- Alfred Muthunathan,
Chief Information Officer

These are just some of the clients who have experienced the benefits of Platformation™ continue to engage with Sonata as a strategic partner in their digital journey.

Unprecedented Times

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

We believe, going forward, continued focus on Platformation™ and aligning all our strategies and actions around it, will continue to sustain our unique leadership position in helping customers accelerate their enterprise digital transformation through Platformation™. We believe we are well positioned as a strategic partner of choice for our customers to help accelerate their digital agenda and transformation mandates.

The Sonata Footprint across the Globe

Sales Offices

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

UK
- London

Middle East & Africa
- Qatar
- Dubai

Europe
- France
- Germany
- The Netherlands
- Denmark

APAC
- Singapore

Australia
- Sydney
- Melbourne
- Brisbane

Development Centers

Redmond

India
- Bengaluru (2)
- Hyderabad (1)

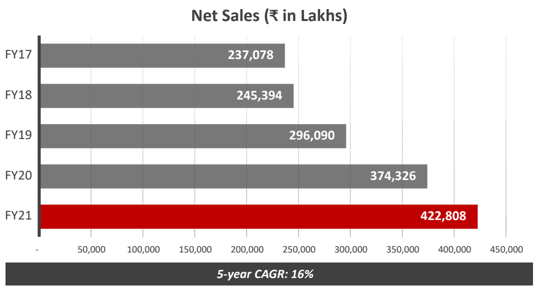
Offices

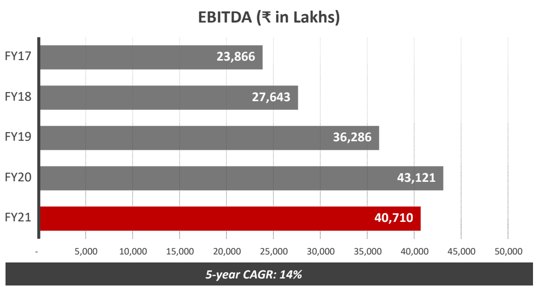
- **Bengaluru**
- **Chennai**
- **Delhi**
- **Hyderabad**
- **Kolkata**
- **Pune**
- **Mumbai**

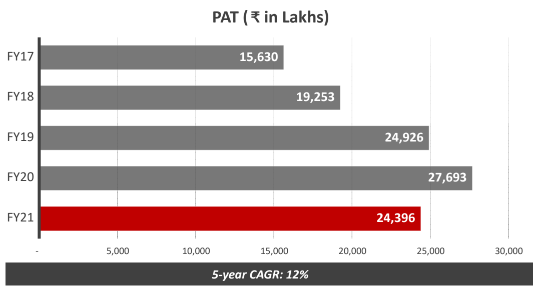
Operational Highlights

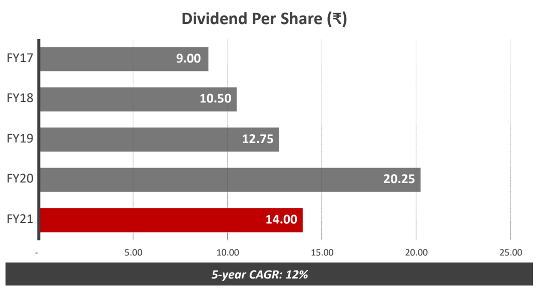
In these unprecedented times, we have strived to become a stronger organization in terms of the quality of customers, relationships and internal investments, in creating world class competencies aligned to Platformation™ across platform engineering, cloud transformation, data analytics and Microsoft Dynamics. Owing to the uncertain environment, organisations all over the world are revisiting their business strategies and are investing rapidly in emerging technologies, Cloud migration and digital transformation to stay relevant. With strong visibility and business opportunity in the near future, Sonata is more focused now on investing for long term growth, in talent acquisition and transformation, IP and competency development. With our Platformation™ led strategy, alliances, acquisitions and investment, Sonata is well positioned to stand firmly with our customers in their journey of digital transformation in new normal era.

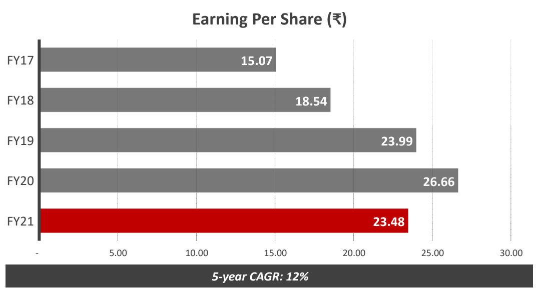
Financial Highlights

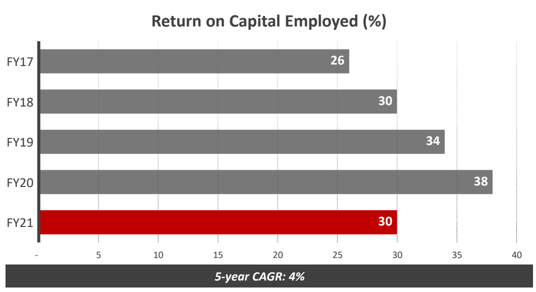












Successfully completed the integration of newly acquired company, GAPbusters Limited (GBW), headquartered in Melbourne, a leading global player in the Customer Experience (CX) domain serving renowned brands for nearly thirty years.

Sonata's unique 'Platformation™' strategy for Digital Transformation completed 4 years in March 2021.

Launched 'CXe', a unique enhanced integrated CX management solutions developed using the 'Platformation™' approach.

Sonata's Cloud strategy and assessment service is now available in the Microsoft Azure Marketplace, an online store providing applications and services for use on Azure.

Successfully completed ISO27001 Surveillance Audit in August 2020 in Remote delivery mode and projects from Global Village, Hyderabad, Head Office and Redmond Office in North America were covered. The remaining part of ISO9001 Surveillance audit was successfully completed in Remote delivery mode for Sonata Software Ltd in September 2020.

₹ in Lakhs

Key Financials	FY21	FY20	FY19	FY18	FY17
Net Sales	422,808	374,326	296,090	245,394	237,078
EBITDA	40,710	43,121	36,286	27,643	23,866
PAT	24,396	27,693	24,926	19,253	15,630
Net Worth	90,547	66,967	76,286	65,326	59,075
Debt	8,973	8,600	1,562	3,373	5,522
Debtors	61,579	70,000	81,111	39,644	51,991
Cash	64,811	31,149	33,608	54,318	38,097
Per Share Ratio (₹)					
EPS	23.48	26.66	23.99	18.54	15.07
DPS	14.00	20.25	12.75	10.50	9.00
BVPS	86.07	63.66	73.06	62.12	56.18
Margin Ratio (%)					
EBITDA Margin	10	12	12	11	10
Net Profit Margin	6	7	8	8	7
RoE	31	39	35	31	29
RoCE	30	38	34	30	26

Sonata Software at a Glance

Sonata is a global technology company specializing in platform-based digital transformation, supporting businesses to become connected, open, intelligent and scalable. Sonata's Platformation™ methodology brings together industry expertise, platform technology excellence, design innovation and strategic engagement models to deliver sustained value to customers. A trusted partner of world leaders in the retail, manufacturing, distribution, travel, services and software industries, Sonata's software portfolio includes the Brick & Click Retail Platform©, Modern Distribution Platform©, Rezopia Digital Travel Platform©, Kartopia E-commerce Platform©, Halosys enterprise development automation Platform©, CTRM Commodity Trading and Risk Management Platform© and KODO – AI Powered Customer Experience (CX) Platform. Sonata's Platformation™ approach ensures services built on Microsoft Dynamics 365, Microsoft Azure, AWS, Cloud Engineering and Managed Services deliver on the Platformation™ promise. As world leaders in digital technologies including IoT, Artificial Intelligence, Machine Learning, Robotic Process Automation, Chatbots, Block Chain and Cyber Security, Sonata's people and systems are nurtured to deliver on our commitment to excellence in business technology solutions.

Vision

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

The Company

35 YEARS
as an IT Solutions Provider

$500+ M REVENUE
15% 3 Yr. CAGR

4000+ TEAM
across the US, EU, Asia & ANZ

SEI CMMI L5, ITIL & ISO-Certified

Industry Focus

RETAIL
Apparel, Hard Goods, Grocery, Hypermarket

CPG & MFG
Consumer Goods, Industrial Goods, Wholesale

TRAVEL
TO, OTA, Airline, Rail, Hotel, Cruise

SERVICES
Energy & Utilities, Oil & Gas, Specialty Contractors & Professional Services

AGRI & COMMODITY
Agri manufacturers & commodity Traders

SOFTWARE VENDORS
ERP, SCM, Retail, Travel

Competencies

DIGITAL
E-Commerce, Mobility & IoT, Analytics, Cloud, RPA

APPLICATION LIFECYCLE SOLUTIONS
ADM, Digital Assurance, IMS, Managed Services

PLATFORM IP
Brick & Click Retail, Rezopia Digital Travel, KoDo, Modern Distribution

TECHNOLOGY INFRASTRUCTURE SOLUTIONS
Software, Cloud, Server & Storage, Systems Integration

Credentials

CUSTOMERS
Global Top 5 – E-Commerce, Electronics, Grocery Retailer, F&B CPG Co, Software Co

TECHNOLOGY
Microsoft, SAP, Oracle, Open Source, IBM

AWARDS AND ACCOLADES
Microsoft – Inner Circle, SAP Pinnacle Award, Microsoft Country Partner of Year India

FINANCIAL
Public Limited Company-Listed on National Stock Exchange of India and BSE Ltd

A Global IT Solutions Organization, with focused Industry Verticals, versatile Portfolio of Digital Services covering wide range of Technologies and delivering value through our unique Platformation™ approach

SUSTAINABILITY AT SONATA

WE MAKE DEEP IMPACT AND TRANSFORM LIVES

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

SONATA and SUSTAINABILITY

At Sonata, we have ensured that our systems are built strong to counter any challenges from the environment or climate change, against health or safety. We identify climate change as a very important global and business issue and strive to meet the set goals. Sonata is committed to achieve the Sustainable Development Goals (SDGs) of the United Nations Development Programme (UNDP). Goals have been established on locations in Energy Efficiency, GHG Emissions Reduction, Sustainable procurement, and others, covering 90% of our operations, to reduce the adverse impact of climate change.

OUR PHILOSOPHY OF CHANGE

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

- Economic Growth
- Environmental Protection
- Social Development

Sustainability Goals

THE GOALS WE'VE SET OUT TO ACHIEVE

Our Key Programs

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

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

SDG 4 - Quality Education

Sonata powers Agastya's Lab-on-Tab Program

Lab on a Tab (LoT) program, Agastya's digital initiative combines the excitement of using touch-screen technology, with easy-to-learn science content to provide a self-learning platform for children.

Agastya is now developing 9 modules in 5 languages that are contextually meaningful. The grim situation created by COVID-19 pandemic offered a tremendous learning opportunity to take science to the rural students and help understand it in an interdisciplinary and multidisciplinary manner.

We are proud to be part of this journey in spreading knowledge and awareness in rural schools in subjects like Physics, Biology, knowledge of the Pandemic, drug development in Chemistry, outbreak dynamics, Math & social impact in Economics and Humanities. This program has been rolled out in 2 districts of Dharwad and Kolar and has impacted over 30,000 plus beneficiaries consisting of students and teachers from rural Karnataka.

Impact:
Total Lives impacted (beneficiaries)

34303

SDG 5 - Gender Equality

Empowering women and children through skills training and capacity building

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

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

Impact:

Total women trained: **103.** Children benefitted: **1065** children in the two government schools

SDG 8 - Decent Work and Economic Growth

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

The Museum of Art & Photography (MAP) is a project of the Art & Photography Foundation, a non-profit organization that is dedicated to furthering awareness, education, and conservation of Indian art and heritage. The MAP building in Bengaluru is going to be India's first major private art museum. The project is under construction & will be open to the public later this year. This will also be the First Digital Virtual Museum and Sonata are the Lead Tech Partners to MAP.

The Sonata-MAP Partnership commits to widening the community's access to art and culture. With Sonata's grant, our expertise in developing MAPs website and mobile app, MAP now successfully reaches out to its audience virtually. The digital repository developed by Sonata helps MAP host digitized versions of prominent artifacts. The Digital Platform & Website created helps MAP to reach out to the Public with Workshops on Art and culture and have dedicated targeted interactions with famous personalities in the field of Art and Culture.

Impact:
Total Lives impacted (beneficiaries)

1.2k

Developed an ecommerce platform with multi functionality for wholesalers and retailers to sell the products across the global market – Women Weave.

Women Weave is a registered Charitable Trust, supporting the role of women in handloom weaving since 2002. Women Weave works towards making handloom a profitable, fulfilling, sustainable and dignified income-earning activity. The Women Weave (WW) mission is to work towards overcoming the vulnerability of women who weave on handlooms as a part- or full-time occupation.

Sonata developed a customer facing digital platform that allows weavers from handloom school to showcase their design collections to prospective buyers/customers. The platform now enables weavers to receive orders, customization requests about colors, design themes and yardage, invoicing, and order fulfillment.

Impact:
Total Lives impacted (beneficiaries)

975

SDG 3 - Good Health and Well-Being

Building Awareness for the differently abled

Sense International India (also known as Sense India) is the only national-level organisation supporting needs-based services which help children and adults with deaf/blindness to overcome their challenges. Sense India's key objective is to provide information, guidance, support, and training to the families of persons with deaf/blindness and multiple disabilities by raising awareness and campaigning for rights, opportunities, and services throughout the nation.

Sonata pledges support to Sense India's noble objective. Proud to have our teams help in building their website and amplifying outreach.

Impact: Total Lives impacted (beneficiaries)

1.2k

SDG 7 - Affordable and Clean Energy

Being in the services sector, our Company does not have energy intensive operations. But we have always been on the lookout for energy efficient measures for operation, and value conservation of energy through utilization of newer technologies and 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 conservation. We have steadfastly ensured our systems are updated with the latest in technology and adopted best practises in energy conservation measures.

Impact:
As a result of our prudent measures, we could report a decrease in water usage YoY by 3% and energy savings by 20%.

SDG 13 & 15 - Climate Action and Life on Land

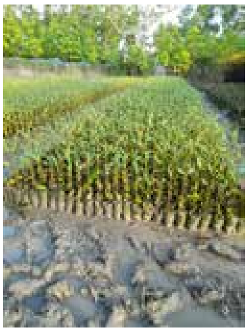
Saving the planet, by planting trees and protecting them.

We are thrilled and proud to be associated with Grow-Trees.com to bring about a change in the heart-rending condition of the environment today and contribute towards the health and well-being of our planet.

We are proud to celebrate the contribution of Sonatians by helping plant 5 trees for every Sonatinas completing 3 years. Sonata has actively been involved with Grow-Trees.com since 2013 and has planted over 42,000+ trees across several Indian states that are in dire need of reforestation/afforestation. We have contributed to their projects in Rajasthan, Karnataka, West Bengal, and Himachal Pradesh to help them inch closer to their vision of planting trees globally.

Impact:
Carbon Offset:
~844,700 kgs of CO_2 offset per tree per year upon maturity. We take a conservative global average of ~20kg per tree per year upon maturity.

We do not measure water recharge; however, this is a potential positive impact through afforestation.



COVID Support to Employees and the community:

Last year was an exceptionally challenging year for all of us with the pandemic hitting the world. Our employees were also impacted due to this. The company had taken various steps internally to ensure safety and good health of Sonatians and their families.

A high level Covid-19 Response Task Force was constituted to ensure that the necessary focus and direction is given for redressal of employee requests. Here are some of the steps we took:

- Work from Home was rolled out immediately to ensure the safety of all the employees.
- Special Teams were constituted to ensure all support is provided to the affected in terms of Medical Help & Hospital support.
- Enhancement of the Medical Insurance coverage was done for all the employees to ensure they have enough coverage.
- Term Life Insurance Cover for the employees was also enhanced from the existing limits.
- Special Covid Insurance cover was taken to support the employees.
- Oxygen Concentrators were procured to support the employees in case of need during these times
- Vaccination drives were planned by the Company with the support of Manipal and Apollo Hospitals to help vaccinate our employees in Bangalore and Hyderabad. The vaccination charges were totally borne by Sonata for its employees and their spouses as well as the Support staff working at the various facilities.
- Tele consultation facility was enabled so that employees and their families can take Medical consultation from Home. This was rolled out to the employees in India.

Corporate Information

BOARD OF DIRECTORS
Pradip P Shah
Chairman

S B Ghia
Director

Viren Raheja
Director

P Srikar Reddy
Managing Director & CEO

Radhika Rajan
Director

Sanjay K Asher
Director

COMMITTEES OF THE BOARD

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

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

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

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

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

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

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SONATA SONATA SOFTWARE

BOARD'S REPORT

To the Members,

Your Directors have pleasure in presenting before you the Twenty-Sixth (26th) Annual Report of your Company together with the Audited Standalone and Consolidated Financial Statements for the Financial Year ended 31st March, 2021.

FINANCIAL RESULTS

(₹ in Lakhs)

Description	Standalone		Consolidated	
	Financial Year ended 31.03.2021	Financial Year ended 31.03.2020	**Financial Year ended 31.03.2021**	Financial Year ended 31.03.2020
Total Income	**82,621**	97,397	**425,583**	380,166
Total Expenditure	**54,730**	67,372	**384,873**	337,045
EBITDA	**27,891**	30,025	**40,710**	43,121
Depreciation and Amortization Expense	**1,890**	2,060	**3,957**	3,654
Finance Cost	**972**	1,090	**1,539**	1,518
Profit before Tax & Exceptional Items	**25,029**	26,875	**35,214**	37,949
Provision for Tax (Net)	**7,126**	5,749	**10,818**	10,256
PAT before non-controlling interest	**17,903**	21,126	**24,396**	27,693
Non-controlling interest			**-**	-
PAT after non-controlling interest			**21,126**	24,396
Basic Earnings Per Share (in ₹)	**17.23**	20.33	**23.48**	26.66

COVID-19

Despite Covid-19 pandemic challenges the Company faced initially in 2020, the business continued to grow, we continued to remain focused on execution of the various strategies, especially led by our Platformation™ strategy, focus on industries, focus on the alliance, converting our services to Platformation™ digital services, converting our clients to digital clients, investing in IP, continued to invest in people, continued to invest in talent transformation and many new initiatives were taken which helped Company deliver a solid performance. So overall as a Company and Sonatian's as a team, we are pleased with where we have reached today both qualitatively and quantitatively. At this point of time, we would like to thank all our customers in showing faith in us and all Sonatian's for dedication and commitment shown during these unprecedented times.

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 2020-21 was a year of disruption. With the sudden outbreak of Covid-19 pandemic, our immediate focus was to ensure the employee safety and organise ourselves to deliver services remotely globally with work from home measures implemented effectively. We were able to move 100% of our employees to work remotely or work from home and been able to create and implement processes to deliver different kinds of services to our customers extremely effectively. Your Company's strategy of creating digital enterprises by creating platform through unique Platformation™ methodology became more relevant in the new normal with more digitisation, automation and contactless operations. The Company continued to focus on Platformation™ led solutions for its customers across its focus verticals of Retail, Travel, Distribution and ISVs. While the first half bore the brunt of the after effects of the pandemic with disruption to some key clients the second half has turned out to be the best in the history of the company. Revenues of the Company grew 12 % over the previous year, and PAT margin was at 6 % on revenue.

Your Company continued its investments in IP, technology, people and process. The acquisitions we made in the previous years – Sopris Systems, LLC (Sopris), Scalable Data Systems Pty Ltd (Scalable), GAPbusters Limited (GBW) - have started bearing fruit of success. It has created enormous opportunities in industries such as Utilities and Agri-commodity businesses. Our GBW acquisition in the customer experience space (CX) has opened up emerging opportunity in the digital transformation pace as well as penetration in newer markets. The company is very well poised to capitalize opportunities and grow in the 2021 and beyond.

Your Company continued to strengthen its alliance with Microsoft and focused on delivering high quality services to its clients which increased the stickiness of the business.

The India business of the Company has shown tremendous growth and added new lines of business; like AWS, Google Clouds and SI business. This is reflected in the quality of business of more annuity clients and higher percentage of cloud led business..

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

- Successfully completed the integration of newly acquired company, GAPbusters Limited (GBW), headquartered in Melbourne, a leading global player in the Customer Experience (CX) domain serving renowned brands for nearly thirty years.
- Sonata's unique trademark 'Platformation™' strategy for Digital Transformation completed 4 years in March 2021.
- Launched 'CXe', a unique enhanced integrated CX management solutions developed using the 'Platformation™' approach.
- Sonata's Cloud strategy and assessment service is now available in the Microsoft Azure Marketplace, an online store providing applications and services for use on Azure.
- Successfully completed ISO27001 Surveillance Audit in August 2020 in Remote delivery mode and projects from Global Village, Hyderabad, Head Office and Redmond Office in North America were covered. The remaining part of ISO9001 Surveillance audit was successfully completed in Remote

delivery mode for Sonata Software Ltd in September 2020 .

Your Company further strengthened its Senior Leadership with rich talent. Mr. Suresh K P joined Sonata as Vice President - Talent Transformation and Mr. Nidhish Shetty joined Sonata as Vice President – Open Source Platform Engineering and Data & Analytics. Your company also announced compensation revision effective January 1, 2021.

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

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

In this unprecedented time, your company has become a more stronger organization in terms of the quality of customers, relationships and internal investments, in creating world class competencies aligned to Platformation™ across platform engineering, cloud transformation, data analytics and Microsoft Dynamics. Owing the uncertain environment, organization's all over the world are revisiting to their business strategies. Organization's are investing rapidly in emerging technologies, Cloud migration and digital transformation to stay relevant in current situation. With strong visibility and business opportunity in the near future, your company is more focused now on investing for long term growth, in talent acquisition and transformation, IP and competency development. With our Platformation™ led strategy, alliances, acquisitions and investment, Sonata is well positioned to stand firmly with our customers in their journey of digital transformation in new normal era.

STANDALONE FINANCIALS

Total Income has shown a de-growth of 15%. The Earnings before Interest, taxes, Depreciation and Amortization (EBITDA) stood at 34% of total income and Net Profit at 22% of total income with Earnings per share at ₹ 17.23.

CONSOLIDATED FINANCIALS

Total income has shown a growth of 12%. The Earnings before Interest, taxes, Depreciation and Amortization (EBITDA) stood at 10% of total income and Net Profit at 6% of total income with Earnings per share at ₹ 23.48.

Analyzing your Company's consolidated results by the two segments it operates in, International IT services contributed 28% of total revenues and 75% of PAT while Domestic products and services contributed to 72% of the total revenues and 25% of PAT.

International IT Services total revenue is ₹ 118,386 lakhs, de-growth of 7% and $ 160 million in US $ terms with a de-growth of 11% in revenues. Your Company has managed to declare good results consistently because of its focus on serving and growing its existing customers, new customer additions of 34 throughout the Financial Year, and maintaining resource utilization at 87% over the Financial Year under review.

Domestic products and services witnessed de-growth of 7% in PAT. The focus in this business has always been to manage Return on Capital Employed (ROCE), which was approximately 30% for the year under review.

Your Company during the Financial Year under review had a stronger consolidated Balance Sheet and has approximately ₹ 64,066 Lakhs of cash and cash equivalents, showing Return on Capital employed (ROCE) of its 30% and Earnings per share at ₹ 23.48 per share.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

DIVIDEND / TRANSFER TO RESERVES

Considering the better liquidity position of the Company, the Board of Directors of your Company are pleased to recommend payment of a final dividend of ₹ 10 /- per equity share at 1,000 % 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 ₹ 4.00/- per equity share adds upto a total dividend of ₹ 14/- per equity share for financial year 2020-21. If approved, the final dividend will be paid to all those equity shareholders whose names appear on the Register of Members of the Company on 9th August, 2021, and to those whose names appear as beneficial owners in the records of the National Security Depository Limited and Central Depository Services (India) Limited on the said date.

Your Company has not transferred any amounts to reserve for the Financial Year ended 31st March, 2021.

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

BOARD MEETINGS

During the year under review, the Board of Directors met four times. The meetings were held on 11th May, 2020, 10th August, 2020, 6th November, 2020 and 4th February, 2021. The maximum interval between any two meetings did not exceed 120 days, as prescribed by the Companies Act, 2013.

DIRECTORS

Mr. Viren Raheja (DIN: 00037592) Director, retires by rotation and being eligible, offers himself for re-appointment at the ensuing Annual General Meeting (AGM). Brief profile of Mr. Viren Raheja is provided in the notes to the Notice of the ensuing AGM. The Board of Directors, on the recommendation of the Nomination and Remuneration Committee, has recommended his re-appointment.

INDEPENDENT DIRECTORS

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

All the Independent Directors of the Company have given declarations that they meet the criteria of independence as laid down in section 149(6) of the Act and Regulation 16(1)(b) and (Regulation 25) of Listing Regulations. There has been no change in the circumstances affecting their status as independent directors of the Company. The Independent Directors have confirmed that they have complied with the Company's Code of Conduct. They have also further confirmed that they have registered their names in the Independent Directors' Databank.

DIRECTOR'S RESPONSIBILITY STATEMENT

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

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

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

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

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

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

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

MATERIAL CHANGES AND COMMITMENTS

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

AUDIT COMMITTEE

The Audit Committee comprises of Mr. Pradip P Shah (Chairman), Mr. S B Ghia, Ms. Radhika Rajan and Mr. Sanjay Asher as its Members. The Committee met four times during the year under review and all its recommendations were accepted by the Board.

VIGIL MECHANISM

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

NOMINATION AND REMUNERATION COMMITTEE & STAKEHOLDERS RELATIONSHIP COMMITTEE

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

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

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Corporate Social Responsibility Committee comprises of Mr. S B Ghia (Chairman), Mr. P Srikar Reddy and Ms. Radhika Rajan as its members. The Committee met two times during the year.

The brief outline of the corporate social responsibility (CSR) policy of the Company and the initiatives undertaken by the Company on CSR activities during the year are set out in **Annexure III** of this report in the format prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee comprises of Mr. Pradip P Shah (Chairman), Mr. Viren Raheja and Mr. P Srikar Reddy. The Committee met one time during the year.

DIVIDEND DISTRIBUTION POLICY

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

SUBSIDIARY COMPANIES

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

During the Financial Year under review your Company entered into an agreement with Treeni Sustainability Solutions Inc., is a Delaware (US) based Company to acquire upto 24% stake through Sonata Software North America Inc., a wholly-owned Subsidiary of the Company.

The Financial Statements of the Subsidiaries are available on your Company's website at https://www.sonata-software.com/about-us/investor-relations.

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

EMPLOYEE STOCK OPTION PLAN "ESOP"

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

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

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 28th May, 2021. Further no employee was issued stock options during the year equal to or exceeding 1% of the issued capital of the Company at the time of grant.

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

As required under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, the applicable disclosures as on 31st March, 2021 are uploaded on the website of the Company www.sonata-software.com.

SECRETARIAL AUDIT

The Board had appointed Mr. Parameshwar G Hegde, Practicing Company Secretary as the Secretarial Auditor for the Financial Year 2020-21. The Secretarial Audit Report for the Financial Year ended 31st March, 2021 is annexed to this Report as **ANNEXURE II**. The report does not contain any qualification, reservation or adverse remark.

COST AUDIT

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

QUALIFICATIONS IN AUDIT REPORTS

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

STATUTORY AUDITORS

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

REPORTING OF FRAUDS BY AUDITORS

During the year under review, neither the statutory auditors nor the secretarial auditor has reported to the audit committee, under Section 143 (12) of the Companies Act, 2013, any instances of fraud committed against the Company by its officers or employees, the details of which would need to be mentioned in the Board's report.

SECRETARIAL STANDARDS

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

ANNUAL RETURN

Pursuant to Section 92(3) and Section 134(3)(a) of the Companies Act, 2013, the Company has placed a copy of the annual return as at March 31, 2021 on its website at https://www.sonata-software.com/about-us/investor-relations/corporate-governance.

INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

During the year, the Company has transferred the unclaimed and un-encashed dividends of ₹ 21,94,939. Further, 27,753 corresponding shares on which dividends were unclaimed for seven consecutive years were transferred as per the requirements of the IEPF Rules. The details of the resultant benefits arising out of shares already transferred to the IEPF, year-wise amounts of unclaimed / un-encashed dividends lying in the unpaid dividend account up to the year, and the corresponding shares, which are liable to be transferred, are provided in the Shareholder information section of the Corporate governance report and are also available on our website, at https://www.sonata-software.com/about-us/investor-relations/corporate-governance.

RECOGNITION

During the year under review, your Company was felicitated with Microsoft Eagle Award Winner for Dynamics Customer Adds for Financial Year 2020.

QUALITY

Your Company continues to focus on delivering World Class Customer Experience through Digital Delivery Processes and Remote Working best practices in a seamless way.

During the year under review, your Company successfully completed surveillance audit for ISO 9001-2015 (overall quality management system), upgraded IT Service Management system to ISO20000-1 2018 version of standard and expanded the scope of Information Security Management System aligning to ISO 27001 standard by including Redmond Office, Sonata Software North America and Somajiguda Office in Hyderabad. Your Company also successfully completed the Recertification audit for ISO9001:2015 recently in April 2021.

Your Company continues to enhance the effectiveness of its delivery to all customers and also Sonatians by rolling out SonataOne Platform, the Platformation™ initiative for Sonata's internal business processes. We continue to increase our focus on meaningful automation and adopting world class practices and processes for world class delivery.

Your Company participated in the Process Benchmarking initiative 2020 from HYDSPIN (Hyderabad Software Process Improvement Network), which surveyed the Best practices of key processes followed among leading IT Service, Product based, Product and Service Oriented organizations.

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

Your Company is pursuing the following focus areas to become a World Class Organization: Platformation™ as mainstream, Creating World Class Client Experience by leveraging World Class competencies and talent through engaged Sonatians for all our existing as well as new clients. Enabling Digital Transformation of client's business processes through Platformation™, Sonata's unique framework and approach is actively promoted within your Company and acknowledged and appreciated by many of your clients.

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 has always been on the lookout for energy efficient measures for operation, and value conservation of energy through utilization of newer technologies & innovation for improving productivity and quality of products and services. Every endeavour has been made to ensure the optimal usage of energy, avoid wastage and conserve energy. As an ongoing process 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 and create an environmentally friendly work environment
- Installing LED lights which reduces electricity consumption
- Installation of sensors at work space area resulting in lights automatically getting switched off in areas not in use
- Continuous monitoring of floor areas after normal working hours and switching off lights
- Turning off air conditioners during non-peak hours and on weekends
- Installing of Energy Meters for closed monitoring of AHU run hours on daily basis.
- Regular UPS and AC plant maintenance to ensure efficient working of the equipment.
- Air condition in HO replaced with energy savings VRV/ VRF units and the gas used is eco-friendly which is harm less to Ozone layer in atmosphere
- Comply 100 % removal of dead loads during week-ends. (Turn off/plug out heating elements of vending machines, turn off Lighting circuits, ensure all manual operating loads are cut off etc)

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

- Replacing the CFL based lighting in our Bengaluru Global Village facility to LED based lighting in phases which has given immense savings in Electricity consumption.
- Air-conditioning staggered mode of operation resulting in reduction in fuel consumption.
- Replacing old monitors with energy efficient monitors which leads to significant reduction in energy consumption.
- Migration of in-house computing infrastructure to cloud lead to significant energy and cost savings.
- Regular UPS and AC plant maintenance to ensure efficient working of the equipment.
- All air-conditioning units which is operated on R22 gas is replaced with eco-friendly gas operated A/c units. Gas used is eco-friendly which is harm less to Ozone layer in atmosphere, whereas earlier A/c units used is R-22 which is not recommended as it is harmful to atmosphere.
- Comply 100 % removal of dead loads during week- ends. (Turn off/plug out Heating elements of vending machines, turn off Lighting circuits, ensure all manual operating loads are cut off etc)
- Water, which is a scarce commodity all over, we have implemented new technology based systems for washroom water management named HUIDA where we will be using only 1 to 1.5 Liters for flushing as water against normal Commode flush of 10-15 liters per flush.
- Wattmiser :- Installed in our AHU has improved air quality inside the floor and in turn energy saving
- Water aerators to the taps have been installed at all the facility which will save water (Claim is around 80%) without compromising water pressure (inspection done by management personally and observed that it is saving water).
- Conventional UPS in Hyderabad – unit -1 been Upgraded to Modular UPS system. UPS is modular UPS is with latest technology and there is Energy cost reduction.

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

(B) Technology absorption

During the Financial Year under review, your Company focused its efforts and built competencies in areas of new technologies like CX, RPA, Chatbots, Machine learning & strengthened other competencies like multi cloud and hybrid cloud , modern data platform infrastructure, omni channel commerce and security

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 Retail, Distribution , Service industry and software solutions.

(C) Foreign exchange earnings and Outgo

During the Financial Year under review, 90 % of the revenue came from exports of developed software and related services to clients in USA, UK, Australia, Germany, UAE, Japan, Singapore, Denmark and Europe.

Foreign Exchange outgo on account of travelling, professional and legal charges, subsistence/living costs, overseas salaries, capital goods, etc. was ₹ 5,227.26 Lakhs and Foreign Exchange inflow on account of export of software services (net), goods and other operating revenues was ₹ 70,265 Lakhs.

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

PUBLIC DEPOSITS

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

HUMAN RESOURCES MANAGEMENT

Sonata was part of the following activities during 2020-21:

- Connect programs and virtual employee engagement activities provided the much-needed motivation and good vibes in the situation that unfolded in the first quarter. In the new remote working scenario, enthusiastic and positive communication was paramount. We have had an array of virtual 'Fun at work' games and activities conducted for teams across geographical locations. The teams and families caught on and had fun at virtual dance and yoga sessions.
- The entire organization had to quickly move to a WFH model and being able to communication effectively in the virtual environment became highly important. We believe that effective communication helps create a World class customer and Sonatian experience. We had over 300 enthusiastic participants in the webinar conducted to make this transition seamless- "Communicate effectively in virtual environment".
- As the world rapidly moved towards digital transformation, it was imperative to bring ourselves up to speed and up-skill. We

launched the Unified Engineer Development plan to support our Platformation™ agenda.

- The Leaders' Ideation Forum (LIF) is a digitally hosted platform connecting leaders of Sonata across our various locations. The forum is one of our many initiatives to enhance communication, ideate on solutions, solve problems, and make consensus-based decisions aligning to our ethos of one culture, one team and one mission. Virtual LIFs were hosted which included Sonatians from various locations in India. The theme for the session was "Ideas, best practices for ensuring World Class delivery while remote working."
- Competency Town Hall: Various Town Halls were organized for different competency groups where leadership shared updates focusing on business perspectives in the current context and the opportunities ahead. The Town Hall communicates to the team on critical aspects of business and ensures alignment to common purpose and goals of the organization.
- All Hands meeting is a key element of our communication and culture. Working remotely didn't stop us from enhancing the frequency or quality of our All Hands meetings. Virtual All- hands meeting was organized for our accounts. These sessions held more importance than ever, as it brought together teams working across different locations & shifts. These meetings gave an opportunity for Sonatians to receive important account level updates as well as raise clarifications with senior management.
- One key account All Hands Meet - #CONVOKE; it was a confluence of thoughts & experience. Leadership used the opportunity to celebrate together achievements and success of account.
- Virtual Independence Day celebrations were organized and we had an overwhelming response by the participants. There was singing, playing of musical instruments, dancing and showcasing of artwork by the employees and their children as a part of the talent show along with Independence day Trivia conducted for the participants.
- To enable Sonatians to give the best in class experience to clients and to each other through communication, we launched BSI (Behavioral skill initiative) on LMS. Over 750 Sonatians enrolled and participated.
- The first Sonata Scalable Joint Leadership Update meeting was conducted with over 60 participants, to bring the two teams closer and enhance connect. Better leverage the strengths of Sonata and Scalable group members for business growth
- Ask CEO is a platform to share your ideas, suggestions, feedback and strategy approaches giving you direct access to connect with me. Urge employees to use the platform to share feedback/suggestions on Platformation™ as a mainstream, Creating World Class Experience and World Class Sonatian Experience.
- The pandemic did not dissuade Sonata's Toastmasters from connecting with one another and improving their leadership skills virtually. Each week the club convened to speak on themes such as Welcome to my Cubicle / WFH, Enjoy little things in Life, One Truth / One Lie, Engineers in Us etc.
- Virtual events, all-hands meets and on-boarding continued in Q3 in our endeavor to keep the teams aligned and engaged. Virtual all-hands provided scope for sharing business updates and celebrate employee achievements & milestones.
- Let's Connect meetings were organized for our strategic accounts. The forum provides scope for the Delivery leadership & HR to give a huge shout out to all our top performers by handing over DNA awards.
- GBW Virtual Events: Sonata - GBW Virtual events across Australia, UK, Malaysia, Japan, China and India gave a chance to the GBW global employees, along with the Sonata HR team members to gather and celebrate Excellence Awards, DNA Awards and Service Recognition Awards. Grant Salmon, CEO, GBW provided latest GBW business updates, latest business wins, and information on the integration progress between GBW - Sonata team. The regional teams also shared moments in their lives along with key reflections.
- c.o.n.v.e.r.s.a.t.i.o.n.s: Is a unique format informal chat sessions, where our CEO speaks to Sonatians who he usually does not meet during his day to day interactions. These conversations enable us to engage with our employees in locations across the world including India, Europe, US and UK - allowing us be truly global, share expectations, foster thoughts and ideas - all leading to alignment to a greater cause and better understanding of the core purpose of the organization.
- Recognition of team that has created a World Class Client Experience through Excellence in Delivery: The team's greatest challenge this time came in the form of building trust in a client. Putting its best foot forward, it took the team many thoughtfully designed interactions and meetings to win trust and establish a bond. As the project was rolled out, it was very clear that the team had exceeded all expectations in making impact with the client. The team overcame several technical challenges and arrived at solution by building a platform that has multiple features, as a one stop solution providing seamless integration with the client's internal systems and external APIs!
- Learning and development: At Sonata, we are working towards nurturing an environment of life-long learning focused on career and individual growth – transforming the Learning function to Unified Learning and Development.
- FLEX (Focused Learning Experiences), a Leadership Development Journey for the new normal was launched for aspiring and current leaders. The sessions are aligned to the current business needs of leadership and digital roles of Digital DM/PM and Architect, enabling leaders to deliver World Class Client and Sonatian Experience in line with the Growth Agenda.
- Unified Digital Architect program was launched aiming to train 25 Digital Architects by June 2021 for deployment. This would support our Platformation agenda.
- NASSCOM Future Skills B2C group was launched for all Sonatians in India. A platform access that would contribute to building a learning culture by providing access to industry level curated knowledge content from SMEs in latest areas of Digital, Leadership and Professional skills.
- We launched SonataOne, Sonata's new integrated & modern HR platform for employees to self-transact and complete various tasks such as Generate the employee certificates such as Address Proof, employment certificate, apply & track leaves, recognise colleagues, view Personal data, submit time sheets, claim travel and expense reimbursements etc.

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

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

Your Company through this Policy has constituted a committee and has established a grievance procedure for protection against victimization. The Policy is available on intranet for the employees to access as and when required. No complaints were received under this Policy during the Financial Year 2020-21.

INTERNAL FINANCIAL CONTROLS

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

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

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

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

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

During the Financial Year under review, your Company had given Inter Corporate Deposits at prevailing bank lending rate to its Wholly Owned Subsidiary, Sonata Information Technology Ltd., and Sonata Software Solutions Limited for meeting its working capital requirements. The balance outstanding as on 31st March, 2021 is Rs 180 Lakhs. The maximum amount outstanding at any point of time during the Financial Year has been ₹ 295 Lakhs.

Also, your Company has given Corporate Guarantees on behalf of Subsidiaries for facilitating its business needs. The outstanding amount as on 31st March, 2021 is as below:

Name of the Subsidiary	₹ in Lakhs
Sonata Software North America Inc., USA	5,483
Sonata Information Technology Limited, India	11,467

RISK MANAGEMENT

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

CORPORATE SOCIAL RESPONSIBILTY (CSR)

During the Financial Year, your Company has spent ₹ 377 lakhs towards CSR activities. Your Company has a Policy on CSR and as part of its implementation program, identified and participated in the following initiatives:

- Sonata Software in association with Child Rights and You (CRY) helping them to setup Child Activity Centre, and they can be referred to as a place where children of socio-economically marginalized communities are empowered through education to discover their self, develop agency of their own, and enhance self-efficacy.
- Sonata Software partnered with SAHAI Trust, mainly to uphold the rights of the Physically challenged patients especially the spinal injured, through providing proper treatment and comprehensive rehabilitation and save their families from economic deprivation and thereby contributing to the creation of a healthier society where physically challenged get equal opportunities to lead dignified and independent lives.
- Sonata partnered with The Kishkinda Trust (TKT) and developed an E-Commerce platform to co-exist with their existing website with Multi-Functionality so that the retail and wholesale buyers will be able to place orders online from artisans.
- Sonata Software in partnership with Agastya International Foundation is supporting them to take Science and Mathematical experiments to the Rural schools in the Country. We have supported them with the Program -"Lab On Tab" which help Rural students to get access to Science and Maths experiments at their doorstep in Rural schools. Sonata also developed the App based learning platform for Agastya's –Lab on Tab.
- Sonata in partnership with MAP, a project of Arts and Photography Foundation, has built a responsive website for booking tickets for its various events and hosted the Digitized version of artefacts for MAP
- Sonata Software in partnership with Industree Crafts Foundation is developing a Co Create app for Artisans. The app would have a Master Bank to capture the details of Artisans and their artworks across India. This app will also help Artisans across the country to register themselves and display their crafts
- The partnership with Kriti Social Initiatives is to help empower the women in slums with skill development. This Partnership supports various women empowerment programs to empower women through skills training and capacity building, promote livelihoods for women and ensuring education of children in slums of Hyderabad. Sonata has also created a Technology Platform for Kriti to market the Products manufactured by the Women artisans.
- Scholarships for economically challenged engineering students – We partner with SKSVMA Trust to support technical education for economically challenged students in the backward districts of Karnataka. We are also supporting them with grant for infrastructure support to create Project labs.
- Sonata Software in partnership with Sense International India (SII) has leveraged technical expertise from Sonata in revamping their existing website with new functionalities and fund-raising module to help their Programs
- Sonata Software partnered with Sneha Trust, to support Sneha Trust's Vidya Unnati Program with an aim to improve the quality of education and access to opportunities, for socio-economically vulnerable children.
- Sonata Software partnered with Disom-The Leadership School' program under FMRA (Friends of Moral Re-Armament) to improve Leadership among the Rural communities who hail from economically, socially and politically marginalized backgrounds.
- Sonata Software partnered with MAP, a project of Arts and Photography Foundation, to support "The Deep Dive Program", an online program that brings scholars in global art to the audience across the globe and offers a unique opportunity to access art, histories and knowledge.
- Sonata Software in partnership with Women Weave has

designed a customer facing platform with multi-currency functionality that allows Weavers to showcase their design collections to prospective customers. This platform also enables weavers to receive orders and customization requests with regards to colors, design themes and yardage

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

BUSINESS RESPONSIBILITY REPORT

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

RELATED PARTY TRANSACTIONS

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

All related party transactions are placed on a quarterly basis before the Audit Committee and before the Board for approval. Prior omnibus approval of the Audit Committee and the Board is obtained for the transactions which are foreseeable and of a repetitive nature 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 – IV**.

Pursuant to Regulation 23(9) of the Listing Regulations, your Company has filed the reports on related party transactions with the Stock Exchanges.

JUSTIFICATION FOR ENTERING INTO RELATED PARTY TRANSACTIONS

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

BOARD EVALUATION

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

REMUNERATION TO DIRECTOR AND EMPLOYEES

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

A statement comprising the names of top 10 employees in terms of remuneration drawn and every person employed throughout the year, who were in receipt of remuneration in terms of Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, forms an integral part of this Report. However the same is not being sent along with this Annual Report to the Members of the Company in line with the provision of Section 136 of the Companies Act, 2013. Members who are interested in obtaining these particulars may write to investor@sonata-software.com and these documents will be made available for inspection electronically from the date of circulation of this Annual Report up to the date of AGM i.e, 16th August, 2021.

LISTING WITH STOCK EXCHANGES

Your Company confirms that it has paid the Annual Listing Fees for the year 2020-21 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 Hegde, a practicing Company Secretary, confirming the compliance with the conditions of Corporate Governance as stipulated under the said Regulations is attached to this report

ACKNOWLEDGEMENTS

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

FOR AND ON BEHALF OF THE BOARD

Place: Mumbai
Date: 12 May, 2021

PRADIP P SHAH
CHAIRMAN

SONATA SOFTWARE

Annexure I

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

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

PART "A": SUBSIDIARIES

(₹ in Lakhs)

Sl. No.	Name of the subsidiary	Sonata Information Technology Ltd.	Sonata Software Solutions Limited	Sonata Software North America Inc.	Sonata Software FZ LLC	Sonata Software GmbH	Sonata Europe Ltd., UK	Sonata Software (Qatar) LLC	Interactive Business Information Systems Inc.	Scalable Data Systems Limited	Sopris Systems LLC	Gapbuster Ltd
1	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	Same Reporting Period	Same Reporting Period	Same Reporting Period	Same Reporting Period	Same Reporting Period	Same Reporting Period	Same Reporting Period	Same Reporting Period	Same Reporting Period	Same Reporting Period	Same Reporting Period
2	Reporting currency	INR	INR	USD	USD	EURO	GBP	USD	USD	AUD	USD	GBP
3	Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	-	-	USD = ₹ 73.11	USD = ₹ 73.11	Euro = ₹ 85.77	GBP = ₹ 100.70	USD = ₹ 73.11	USD = ₹ 73.11	AUD = ₹ 55.67	USD = ₹ 73.11	GBP = ₹ 100.70
4	Share capital	338	1	219	100	21	2,478	40	366	-*	-*	9,594
5	Reserves and surplus	26,498	961	6,830	(893)	154	9,800	(526)	771	345	(1,075)	(10,322)
6	Total assets	87,514	1,528	33,695	1,287	239	13,841	81	2,396	1,671	906	1,893
7	Total Liabilities	60,678	566	26,645	2,081	63	1,564	567	1,260	1,325	1,981	2,621
8	Investments	2,036	-	12,611	-	-	3,873	-	-	-	-	-
9	Turnover	306,561	2,930	55,160	696	317	12,038	60	4,436	5,229	3,143	4,395
10	Profit / (Loss) before taxation	8,938	961	(369)	(112)	(9)	3,981	(26)	1,671	855	49	161
11	Provision for taxation	2,919	-	(88)	-	-	756	-	277	259	10	-
12	Profit / (Loss) after taxation	6,019	961	(281)	(112)	(9)	3,224	(26)	1,395	596	39	161
13	% of shareholding	100	100	100	100	100	100	49	100	100	100	100

*Share Capital as at March 31, 2021 for Scalable Data Systems Pty. Ltd. is ₹ 111 and Sopris Systems LLC. is ₹ 146.

Notes:

1. In the details given above, the reporting currency has been converted to ₹ at the closing exchange rate as on 31st March, 2021.
2. On April 21, 2020 Sonata Europe Limited (a wholly owned subsidiary of Sonata Software Limited) has acquired 100% of voting interests in GAPbuster Ltd.
3. Sonata Information Technology Limited has proposed a final dividend of ₹ 148 /- per equity share (rounded off to ₹ 50 Crores) on par value ₹ 10 each which is subject to approval of shareholders.

Part "B": Associates and Joint Ventures

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

There are no associate companies and joint ventures during the current financial year

FOR AND ON BEHALF OF THE BOARD

PRADIP P SHAH
Chairman
Place : Mumbai

P SRIKAR REDDY
Managing Director & CEO
Place: Bengaluru

JAGANNATHAN C N
Chief Financial Officer
Place: Bengaluru

R SATHYANARAYANA
VP - Finance & Accounts
Place: Bengaluru

MANGAL KULKARNI
Company Secretary
Place: Bengaluru

Date : May 12, 2021

Annexure II

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED **MARCH 31, 2021**

(Pursuant to section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014)

To,
The Members,
Sonata Software Limited,
208 T V Indl Estate, 2nd Floor, S. K. Ahire Marg,
Worli, Mumbai- 400030
Maharashtra, India

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **SONATA SOFTWARE LIMITED** (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on March 31, 2021 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 the Company for the financial year ended on **March 31, 2021** and made available to me, 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 thereunder;

iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment and Overseas Direct Investment, if any ;

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 (Share Based Employee Benefits) Regulations, 2014;

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

vi. Other laws applicable specifically to the Company, namely:

   (a) The Information Technology Act, 2000 and the rules made thereunder;

   (b) The Special Economic Zones Act, 2005 and the rules made thereunder;

   (c) Software Technology Parks of India rules and regulations;

   (d) The Indian Copy Rights Act, 1957;

   (e) The Patents Act, 1970; and

   (f) The Trade Marks Act, 1999.

I have also examined compliance with the applicable clauses of the (i) Secretarial Standards issued by The Institute of Company Secretaries of India (ii) The Listing Agreements entered into with Stock Exchanges.

I report that, during the year under review, the Company has complied with the provisions of the Acts, Rules, Regulations, Guidelines and Standards mentioned above.

I further report that, there were no events/actions in pursuance of:

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

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

c) 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;(Not applicable to the Company)

d) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and

e) The Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018 requiring compliance thereof by the Company during the audit period.

I further report that, the compliance by the Company of applicable financial laws such as direct and indirect tax laws and maintenance of financial records and books of accounts have not been reviewed in this Audit since the same have been subject to review by the statutory financial auditors, tax auditors, and other designated professionals.

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

Adequate notice is given to all directors to schedule the Board meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions of the Board were unanimous and no dissenting views have been recorded.

I further report that, based on the information provided and the representation made by the Company and also on the review of the compliance certificates/reports taken on record by the Board of Directors of the Company, in my opinion there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines

I report further that, during the audit period there were no other specific events / actions in pursuance of the above referred laws, rules, regulations, guidelines, etc. having a major bearing on the Company's affairs.

P.G.HEGDE
Hegde & Hegde
Company Secretaries
FCS: 1325 / C.P.No: 640
UDIN: F001325C000254435

Place: Bengaluru
Date: May 12, 2021

This report is to be read with Annexure A which forms an integral part of this report.

ANNEXURE A

To,
The Members
Sonata Software Limited
Mumbai

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

1. Maintenance of secretarial records is the responsibility of the Management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the process and practices, I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, I have obtained the Management Representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards is the responsibility of the Management. My examination was limited to the verification of procedure 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.
7. Due to prevailing circumstance of COVID-19 pandemic, the audit was conducted based on the verification of the Company's books, papers, minutes books, forms and returns filed, documents and other records furnished by/obtained from the company electronically and also the information provided by the Company and its officers by audio and visual means.

P.G.HEGDE
Hegde & Hegde
Company Secretaries
FCS: 1325 / C.P.No: 640
UDIN: F001325C000254435

Place: Bengaluru
Date: May 12, 2021

ANNEXURE III

1. **Brief outline on CSR Policy of the Company.**

   Sonata Software, 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 this 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, take up those programmes directly or indirectly, that benefit the communities and society at large, over a period of time, in enhancing the quality of life & economic well-being of the local populace.

2. **Composition of CSR Committee:**

Sl. No.	Name of Director	Designation /Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Mr. S. B. Ghia	Chairperson	2	2
2	Mr. P. Srikar Reddy	Member	2	2
3	Ms. Radhika Rajan	Member	2	2

3. **Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company.**

   I. **Composition of CSR Committee:-** https://www.sonata-software.com/sites/default/files/financial-reports/2019-09/composition-of-committees.pdf

   II. **CSR Policy:-** https://www.sonata-software.com/sites/default/files/financial-reports/2019-09/CSR_Policy.pdf

   III. **CSR Projects:-** https://www.sonata-software.com/sites/default/files/financial-reports/2021-07/csr-projects-fy-21-22.pdf

4. Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable (attach the report). : Not Applicable

5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any : Not Applicable

6. Average net profit of the company as per section 135(5): ₹ 18,728 Lacs

7. (a) Two percent of average net profit of the company as per section 135(5): ₹ 374 Lacs

   (b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years: Not Applicable

   (c) Amount required to be set off for the financial year, if any: Not Applicable.

   (d) Total CSR obligation for the financial year (7a+7b-7c).: ₹ 374 Lacs

8. (a) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year. (in Lacs)	Amount Unspent (in Lacs)				
	Total Amount transferred to Unspent CSR Account as per section 135(6).		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5).		
	Amount.	Date of transfer.	Name of the Fund	Amount.	Date of transfer.
377	Nil	Nil	Nil	Nil	Nil

(b) Details of CSR amount spent against ongoing projects for the financial year:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)	
Sl. No.	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No)	Location of the project.		Project duration. (in Months)	Amount allocated for the project (in Lacs.).	Amount spent in the current financial Year (in Lacs.).	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in Lacs.).	Mode of Implementation- Direct (Yes/No).	Mode of Implementation – Through Implementing Agency	
				State.	District.						Name	CSR Registration number.
1	Child Rights and You (CRY)	Schedule VII, Promoting Education	No	West Bengal	Kolkata	12 Months	9	8	--	No	Child Rights And You	NA
2	Social Aid for The Handicapped Infirm Trust (SAHAI Trust)	Schedule VII, Promoting Healthcare	No	Tamil Nadu	Coimbatore	12 Months	2	2	--	No	Sahai Trust	NA
3	The Kishkinda Trust (TKT)	Schedule VII, Promotion and development of traditional art and handicrafts	No	Karnataka	Anegundi	6 Months	5	5	--	Yes	-	NA
4	Agastya International Foundation (AIF)	Schedule VII, Promoting Education	Yes	Karnataka	Bengaluru	6 Months	40	38	--	Yes	-	NA
5	Arts and Photography Foundation	Schedule VII, Promotion and development of traditional art and handicrafts	Yes	Karnataka	Bengaluru	8 Months	80	78	--	Yes	-	NA
6	Industree Crafts Foundation (ICF)	Schedule VII, Promotion and development of traditional art and handicrafts	Yes	Karnataka	Bengaluru	12 Months	76	72	--	Yes	-	NA
7	Industree Crafts Foundation (ICF)	Schedule VII, Promotion and development of traditional art and handicrafts	Yes	Karnataka	Bengaluru	6 Months	21	20	--	Yes	-	NA
8	Kriti Social Initiatives	Schedule VII, Promoting Gender Equality, Empowering women	No	Telangana	Hyderabad	2 Months	6	5	--	Yes	-	NA
9	Smt. Kamala and Sri Venkappa M. Agadi Trust (SKSVMA Trust)	Schedule VII, Promoting Gender Equality, Empowering women	No	Karnataka	Gadag	36 Months	7	7	--	No	SKSVMA Charitable Trust	NA
10	Sense International India (SII)	Schedule VII, Promoting Education	No	Gujarat	Ahmedabad	12 Months	43	43	--	Yes	-	NA
11	Sneha Trust	Schedule VII, Promoting Education	Yes	Karnataka	Bengaluru	36 Months	5	5	--	No	Sneha Trust	NA
12	Friends of Moral Re-armament (FMRA)	Schedule VII, Promoting Education	No	Panchgani	Maharashtra	36 Months	5	5	--	No	Friends of Moral Re-armament	NA
13	Art and Photography Foundation	promotion and development of traditional art and handicrafts	Yes	Karnataka	Bengaluru	36 Months	42	40	--	Yes	-	NA
14	Women Weave	promotion and development of traditional art and handicrafts	No	Madhya Pradesh	Maheshwar	2 Months	2	2	--	Yes	-	NA
15	Application & Hosting Support for developed Applications			India		12 Months	31	31	--	Yes	-	NA
	TOTAL						374	361				

(c) Details of CSR amount spent against other than ongoing projects for the financial year: **Not Applicable**

(d) Amount spent in Administrative Overheads: ₹ 16 Lacs

(e) Amount spent on Impact Assessment, if applicable: Not Applicable

(f) Total amount spent for the Financial Year (8b+8c+8d+8e): ₹ 377 Lacs

(g) Excess amount for set off, if any

Sl. No.	Particular	Amount (in Lacs.)
(i)	Two percent of average net profit of the company as per section 135(5)	374
(ii)	Total amount spent for the Financial Year	377
(iii)	Excess amount spent for the financial year [(ii)-(i)]	3
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	NIL
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	3

9. (a) Details of Unspent CSR amount for the preceding three financial years: Not Applicable

   (b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s): Not Applicable

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details). : Not Applicable

   (a) Date of creation or acquisition of the capital asset(s).

   (b) Amount of CSR spent for creation or acquisition of capital asset.

   (c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.

   (d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset).

11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5). Not Applicable.

Sd/-
P. Srikar Reddy
Managing Director and CEO
Place: Bengaluru
Date: 12 May, 2021

Sd/-
S. B. Ghia
Chairperson of CSR Committee
Place: Mumbai
Date: 12 May, 2021

ANNEXURE IV

Particulars of Contracts / Arrangements made with Related Parties

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

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 2021, which were not at arm's length basis.

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

(₹ in Lakhs)

Name of the related party	Sonata Information Technology Ltd.	Sonata Software North America Inc.	Sonata Software FZ LLC	Sonata Europe Ltd., UK	Sonata Software (Qatar) LLC	Scalable Data Systems Pty Ltd	Interactive Business Information Systems Inc.	Sopris Systems LLC	Sonata Software Solutions Ltd	Palred Technology Services Private Limited *
Nature of relationship	Wholly owned subsidiary	Wholly owned subsidiary	Wholly owned subsidiary	Wholly owned subsidiary	Subsidiary with 49% holding	Wholly owned subsidiary	Wholly owned subsidiary	Wholly owned subsidiary	Wholly owned subsidiary	Entity with common Key Management Personnel (KMPE)
Nature of contracts/ arrangements/ transactions:										
Rendering of services	1,295	36,040	153	6,120	-	1,091	935	44	25	-
Software license fees paid	5,028	-	-	-	61	-	37	-	553	-
Commission on sales	-	-	-	-	-	-	-	-	-	6
Service charges recovered	366	-	-	-	-	-	-	-	-	-
Inter corporate deposits given	100	-	-	-	-	-	-	-	505	-
Inter corporate deposits recovered	100	-	-	-	-	-	-	-	546	-
Interest received on inter corporate deposits	-	-	-	-	-	-	-	-	13	-
Interest income from rent on sub lease	33	-	-	-	-	-	-	-	-	-
Recovery of rent	72	-	-	-	-	-	-	-	-	-
Dividend received	338	-	-	541	-	2,015	-	-	-	-
Commission received on guarantees given on behalf of Subsidiary	58	40	-	-	-	-	-	-	-	-

* with effect from August 31, 2020.

Notes:

1) Duration of the above Contracts / Arrangements / transactions with subsidiaries are all ongoing contracts.

2) Salient terms of the contracts or arrangements or transactions above mentioned are all based on transfer pricing guidelines.

3) Appropriate approvals have been taken for these Related Party Transactions.

4) Advances paid have been adjusted against billings, wherever applicable.

FOR AND ON BEHALF OF THE BOARD

Place: Mumbai
Date: 12 May, 2021

PRADIP P SHAH
CHAIRMAN

Annexure V

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 2020-21:

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	88.5%	4.38	0.05%	0.24%
Srikar Palem Reddy	MD & CEO	27.27%	51.96	0.65%	2.82%
Shyam Bhupatirai Ghia	Director	82.35%	4.46	0.06%	0.24%
Viren Rajan Raheja	Director	-	-	-	-
Radhika Rajan	Director	86.96%	4.42	0.06%	0.24%
Sanjay Khatau Asher	Director	191.78%*	4.36	0.05%	0.24%

* Remuneration has been prorated in 2019-20 since joined w.e.f 8thAugust,2019 as compared to full year in 2020-21. Hence the % of increase is not comparable.

(ii) The percentage increase in remuneration of Chief Financial Officer & Company Secretary, in the Financial Year 2020-21:

Name of Person	Designation	% of increase compared to previous year	% of Revenues	% of Profits after tax
Jagannathan C N	Chief Financial Officer	118%*	0.10%	0.43%
Mangal Krishnarao Kulkarni	Company Secretary	21%**	0.06%	0.26%

* Remuneration has been prorated in 2019-20 since joined w.e.f 30th October, 2019 as compared to full year in 2020-21. Hence the % of increase is not comparable.

** Remuneration has been prorated in 2019-20 since joined w.e.f 1st July, 2019 as compared to full year in 2020-21. Hence the % of increase is not comparable.

(iii) The percentage increase in the median remuneration of employees in the Financial Year 2020-21:

The percentage increase in the median remuneration of Sonata during the Financial Year under review is 15%. This has been arrived at by comparing the median remuneration of the cost-to-the Company as on 31st March, 2021 as compared to previous year 31st March, 2020.

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

The total employee strength as on 31st March, 2021 is 3661 as against 3802 as on 31st March, 2020.

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

The Average increase in remuneration of the employees other than managerial personnel was 10% as compared to the average increase in the managerial remuneration of 40%.

The main reasons for increase in managerial remuneration is on account of :

a) voluntary pay cut on variable pay including commission for 2019-20 as compared to full payment in 2020-21 and

b) remuneration of two key managerial personnel has been prorated in 2019-20 since they joined during the year as compared to full year in 2020-21.

(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 : 12 May, 2021

PRADIP P SHAH
CHAIRMAN

Management Discussion and Analysis - Annual Report FY2021

SONATA SOFTWARE

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

GLOBAL ECONOMIC REVIEW 2020-21

The global economy started the year 2020 with Covid-19 at its peak leading to lockdowns that severely restricted human activities. This has led to sharp declines in business-related activities across industries and geographies. Nonetheless, in early 2021, activities in several sectors picked up and adapted to pandemic restrictions. With the vaccination rollouts gaining momentum and governments fiscal stimulus measures, the global economy is expected to rebound at 6.0% in 2021, then moderate to 4.4% in 2022, from a contraction of (–)3.3% in 2020, as per the International Monetary Fund's (IMF) World Economic Outlook of April 2021. However, the emerging variants of the virus, the effectiveness of policy support to provide a bridge to vaccine-powered normalisation, and the evolution of financial conditions all contributes a high level of uncertainty.

The pandemic is widening gaps in economic performance between countries and sectors, increasing social inequalities, particularly among vulnerable groups, and endangering damage to job prospects and living standards for many people in the long term. The covid-19 would have long-lasting economic and health implications, necessitating continued government support.

INDIAN ECONOMIC OVERVIEW

In FY2021, despite tremendous fiscal and monetary stimulus support from the government, India's economic growth tumbled to (-)8.0% as lockdowns, and other containment measures slashed domestic demand without stopping the spread of Covid-19. The economy is projected to rebound at 12.5% in FY2022 making it the fastest-growing large economy in the world. It will moderate to 6.9% in FY2023, as per IMF's World Economic Outlook release of April 2021. The recovery to be led by continued normalization in economic activities as the rollout of vaccines gains traction. However, experts believe that the given projection is overly ambitious due to the recent increase in Covid-19 cases resulting in partial lockdowns in some states.

GLOBAL IT INDUSTRY

According to Gartner's recent release, worldwide IT spending is forecasted to total USD 4.1 trillion in 2021, reflecting a growth of 8.4% from 2020. With the new normal work model, IT is no longer limited to support corporate activities as it was traditionally but is now actively involved in delivering business value. Acceleration in digitalization has not only shifted IT from a back-office role to the front of the business, but it has also changed the source of funding from an overhead cost that is maintained, monitored, and sometimes cut to something that generates revenue. All IT spending segments are expected to expand in 2022 and beyond.

Even though cost optimization efforts will continue in 2021, organizations are now prioritising their IT spending in emerging technologies such as Cloud, Automation, Data analytics, Digital ER&D, Artificial Intelligence (AI), Machine Learning (ML) which would add their agility and flexibility and enable them to keep the operations running in unforeseen situations like a pandemic in future. With the increased vaccine rollouts and easing of lockdown restrictions, the strong recovery of IT spending is expected across countries, industries, and markets.

INDIAN IT INDUSTRY

Despite initial hiccups in early 2020, the Indian IT industry remained resilient during the pandemic crisis. It was a herculean task for IT vendors to take care of customers, employees, and business operations to keep running smoothly when all delivery locations were under lockdown. During this unprecedented time, with unusual challenges associated with work from home, disrupted supply chains and changing customers' preferences, IT vendors rapidly realigned their strategies to be more customer-service–driven and assist customers in their digital transformation journey.

According to Gartner's recent release, India's IT spending is expected to reach USD 93 billion in 2021, witnessing a growth of 7.3% from 2020. Cloud is expected to drive a greater part of the Enterprise software growth in India in 2021, as per the below table. Furthermore, the government's easing of foreign investment restrictions in some sectors such as Insurance, Infrastructure and Telecommunications would also stipulate extra funds for businesses and IT vendors to accelerate their digital transformation efforts.

With innovation and resilience being the core competencies, the Indian IT sector not only ensured continuity of services to its customers but also emerged as a bellwether for other industries to keep the operations running. Due to strong digital execution capabilities, cost advantages and favourable talent landscape, India remains a favoured destination for IT services. FY2022 is expected to see a growth trend continue in India's IT spending, particularly in the area of digitalisation of internal processes, supply chain management, customer engagement processes and interactions, and service delivery.

KEY SECTORS FOR SONATA

Digital Transformation 2.0

Sonata Software is a global IT service and technology solutions company and its unique trademarked 'Platformation™' strategy for Digital Transformation is witnessing significant upturn globally among its customers. The Company completed 4 years in March 2021 of Platformation™, the unique and revolutionary approach of Sonata to help incumbent companies achieve their mandates for digital transformation. Sonata's repository of IP, its structured approach that includes evaluation of a Customer Digital Agenda, market-specific solution architecture "MARCHITECTURE SONATA SOFTWARE" and a digital library of processes with in-depth points of view of critical processes enables Sonatas clients to fast track their digital transformation initiatives.

Sonata's empowered platforms assist customers in creating and implementing platform-based business models. Sonata helps build open, connected, intelligent, and scalable platforms at the heart of today's modern digital businesses by combining engineering excellence with industry experience, niche horizontal expertise, platform assets, and IPs. Sonata has also created reference platform business models for several industries specializing in retail, consumer goods, distribution, manufacturing, agri-business, utility service industry, and the best-in-class platform models. The concept of Platformation™ has gone from strength to strength and has today become even more important in the post-pandemic world paving the way for Sonata's strong growth. Sonata has now also implemented its Platformation™ approach across all its service lines, including Cloud Transformation, Data & Analytics, Artificial Intelligence (AI), Machine Learning (ML), Platform Engineering, ERP/ Dynamics Services, Platformation™ consulting services across the value chain, helping them to future proof client's digital investments while being flexible at delivering to growing needs of their business. Even with its own IP's, the Company has followed a Platformation™ approach, making it much faster and convenient for its customers.

According to Nasscom's recent survey, digital transformation deals have increased by 30%, cloud spending has increased by 80%, and customer engagement has increased by 15%, since the pandemic. It is expected to see a surge of hyper-digitalisation, with the world becoming more 'physical (Physical + Digital) in the near future. Organizations are increasingly adopting and investing in emerging technologies such as AI, ML, Big Data Analytics, Internet of Things (IoT), Cloud Computing, Cyber Security, Robotics, Blockchain, Augmented Reality (AR), Virtual Reality (VR) that can help to upgrade its existing business models, automating front-end functions, minimise operational costs, mitigate risks, resolve supply chain disruptions, meet changing consumers preferences and deliver business value by connecting their businesses and value chains to the outside world. Trust, Agility, Talent and Innovation will be critical pillars to sustain in an extremely competitive environment.

Sonata sees more synergies with its IP-Led approach in various industry verticals aligned to Microsoft GTM and Platformation™ approach that's closely aligned to Microsoft catalyst-led digital transformation approach as Microsoft is now becoming more industry-led and digital transformation-led with its catalyst approach. With its Platformation™ strategy, Sonata is well-positioned to help its customers achieve digital transformation in today's new normal environment of digitalization.

Customer Experience

In the world of customer experience, the global pandemic has significantly affected customer's buying behaviour and spending pattern due to the customers' shifting lifestyles and value sentiments.

According to a study by Fortune Business Insights, the global Customer Experience (CX) market is estimated to increase from USD 9.26 billion in 2020 to USD 21.86 billion by 2027, exhibiting a CAGR of 13.0% from 2020 to 2027. CX solutions are becoming increasingly important in most organisations digital transformation initiatives as they concentrate more on measuring and managing the customer experience to fuel growth. The market is witnessing huge investments in IT infrastructures by start-ups and small & medium enterprises. The pandemic is helping to expand the CX market growth as remote working, lockdowns, and social distancing prompted market players to adopt advanced digital CX technologies and cloud based CX solutions to improve their interactions with customers. Several companies launched new products to assist end-user organizations in deepening clients' relationships, maintaining customer loyalty and gaining new customers.

On March 2021, Sonata Software launched 'CXe', a unique enhanced integrated CX management solutions developed using the Platformation™ approach. 'CXe' is a compelling offering from Sonata designed for clients worldwide looking for complete end-to-end CX solutions in the post-pandemic new normal that addresses the challenges with traditional solutions. In early FY2021, Sonata had acquired the Melbourne based GAPbusters Limited (GBW), pioneers in the CX domain with 30 years' experience delivering CX improvement for marquee brands across the globe. 'CXe' is a combined result of GBW's CX Management tools and expertise supplemented by Sonata's own Platformation™ methodology of driving digital transformation and deep expertise in aligned technologies like customer engagement, data, and analytics. Sonata is now sprucing up its team to be able to offer the solution to more new customers besides making further investments in solution development and marketing given the opportunity CX provides. The Company see CX solution as a game-changer in the market.

Industry verticals

Sonata's focus has been on the following industry verticals:

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

In FY2021, the pandemic affected some of the industry verticals such as Travel, Non-essential retail. Despite many challenges the Company faced initially at the start of the pandemic, a slew of new opportunities has now arisen. Sonata is well poised to take advantage of all of them and deliver world-class client experience all around.

ISVs (Independent Software Vendors)

The global ISVs market is expected to reach USD 4,077.7 billion by 2027, reflecting a CAGR of 13% between 2019 to 2027 period, as per Transparency Market Research. The major factors driving market growth include the rising adoption of software as a Service (SaaS) and the growing demand for multi-cloud and hybrid-cloud systems.

Increasing business outsourcing of software and services, as well as the growing need to adopt advanced IT solutions due to the rapidly changing market landscape, are expected to boost the growth of SaaS. The pandemic has enhanced the demand for implementation of multi-cloud and hybrid-cloud platforms that assist companies to implement application workloads that embrace functionality such as data residency standards, compliance and regulations, low latency and minimize expenses that improve mobility, and provides enhanced protection, enhanced user interface, and ubiquitous access. Thus, escalating new opportunities for independent software vendors (ISVs).

In today's dynamic environment, ISVs face multiple opportunities and have to make strategic choices from multiple fronts. Various factors have prompted a change, including shifting consumers preferences, competitive pressure, technological advancements, and meeting business needs. To remain in business and keep their products market-relevant, ISVs need to invest in building new platforms, modernizing their existing legacy products, and sustaining and improving profitability. Sonata's Platform engineering DNA built on Platformation™ methodology assists ISVs in this transformation journey. Sonata offers Digital platform engineering, modern engineering and sustenance engineering solutions to address the challenges faced by ISVs. Sonata has been working with many marquee customers in Azure and AWS cloud and has its engineering DevOps platform for building and delivering products. Sonata has vast experience in building capabilities in advanced technologies and cloud solutions also has built different platforms for ensuring seamless delivery.

Travel and Tourism

The travel and tourism sector continues to be one of the hardest hit by the Covid-19 pandemic. According to the United Nations World Tourism Organization (UNWTO) release of January 2021, the global tourist arrivals declined to 74% in 2020 as compared to 2019. In 2020, the global tourism industry lost an estimated USD 1.3 trillion in export revenues, which is more than 11 times the loss recorded during the global economic crisis of 2009. The pandemic crisis has put 100 to 120 million direct tourism jobs at risk, many of which are in small and medium-sized business. As per UNWTO, the sector could take 2½ to 4 years to reach the 2019 level again.

Following a tough end in 2020, the global travel and tourism sector suffered further setbacks at the beginning of the 2021 year as countries tightened travel restrictions in response to the resurgence of muted variants of the coronavirus. Additionally, the pace and dissemination of the vaccination rollout is slower than expected, further delaying the restart of tourism. Travel experts are cautious in their outlook, with the majority not expecting a return to pre-pandemic levels before 2023.

Domestic tourism is helping to cushion the blow, at least in part, and governments across the globe are taking immediate measures/action to restore and re-activate the industry while safeguarding jobs and businesses. Many countries are also developing strategies to build a more resilient tourism economy in the aftermath of the Covid-19 pandemic. These include preparing plans to support the sustainable healing of tourism, encouraging the digital transition and shift to a greener tourism environment and rethinking tourism for the future. Tourism is at a turning point and the measures put in place today will shape the tourism of tomorrow.

Technology has the potential to play a vital role in reviving the sector swiftly. Digitalisation in tourism services is likely to accelerate with increased automation usage, contactless payments and services, virtual experiences, and real-time information provision. With social distancing and health and hygiene protocols likely to stay in place for the near future, touchless service delivery and investments in emerging digital technologies could be a bridge to recovery.

Sonata Software is a global travel technology services company with deep domain expertise. We provide a comprehensive set of solutions and services and are the trusted partner of many marquee names in the travel business. Sonata powers some of the world's largest tour operators, corporate travel, online travel, rail and airline segments. We capitalize on technologies such as Mobility, Analytics, and Cloud to provide ERP and Omni-Channel Commerce solutions that provide benefits such as improved customer engagement, enhanced operational performance and greater return on IT investments. Sonata's pre-built end-to-end Travel Experience Management platforms offer businesses the crucial benefits of a full suite of high-quality solutions. These travel solutions which cover the front, middle and back-office operations can be personalized and implemented rapidly.

Retail

The retail industry was worst hit by the Covid-19 pandemic in 2020, second only to the damage to Travel and Leisure. The unprecedented situation forced retailers to reconsider their growth strategies and make short-term plans instead to navigate through the crisis. The hardest hit were department stores, apparel and speciality retail.

In the United States (US), major retailers furloughed millions of employees and filed for bankruptcy protection as a result of government-mandated shutdowns and social distancing rules. On the other hand, consumers' behaviour, preferences, and buying pattern shifted rapidly towards online shopping, benefiting e-commerce retailers while forcing all others to scramble to catch up.

Moody's has revised its outlook for the US retail sector to stable from negative and expects operating profit to grow by 20% in 2021, with growth most pronounced in the hard-hit discretionary segments. The growth is expected to be driven by large US fiscal stimulus, increased consumer spending and macroeconomic growth. However, downside risk remains high due to uncertainties related to economic growth and the trajectory of new coronavirus cases. Store rationalization is expected to continue in 2021. Health and safety have become paramount for consumers and will remain so in future.

In 2021, technology will be at the core of all aspects of the business for those who survive and thrive in this uncertain situation. With the tensions fuelled in 2020, investment in digitalization and emerging technologies will be a must for every retailer that did not already accelerate investments during the pandemic – from the supply chain, e-commerce, and store operations, to merchandising, marketing, and shopper engagement. The scenario remains the same for the retail industry across the globe with varying levels and impacts. The Covid-19 era has introduced a huge opportunity for retailers to redefine the boundaries of digital retail to stay more connected with customers, rethink business strategies, gain new revenue by embedding their business with technology and create efficiencies in the new normal.

With Sonata's expertise in developing and implementing digital solutions and enterprise applications across multiple segments - Apparel & Fashion, Groceries & FMCG and Hard Goods, retailers can chart and implement solutions that help converge the digital and physical realms, thus redefining the boundaries of digital retail. Sonata's industry-ready platforms help retailers across segments implement new-age digital solutions in a shorter time while also laying a foundation for faster innovation of business models.

Sonata's proficiency in the leading Retail, Distribution, Travel and transportation customers along with its range of IP-led platform solutions, such as Brick & Click Retail, Kartopia, Modern Distribution and Halosys positions the Company as a strong contender to gain most from the post Covid-19 recovery.

Consumer Packaged Goods (CPG), Distribution, Manufacturing

In 2020, as the globe was swirling in turmoil, CPG companies continued to focus strongly on output because people needed their products to stay home due to lockdowns and closures of physical stores. During the year, CPG demand increased by 9.4% over 2019. Following an unprecedented 21% growth in March 2020, the industry adjusted to the uncertain situation and delivered goods throughout the year. The job lost at the start of the pandemic recovered rapidly, bringing employment levels up to 98% of the pre-pandemic level by October 2020, outperforming the overall economy, and CPG companies are continuing to hire. From elevated demand to supply chain to managing waste, all about the CPG industry is in the middle of remarkable change and capitalizing on enormous opportunities. The digital transformation is ongoing in the CPG industry. Revenue growth management, e-Commerce, unified demand planning, digital brand experience and data as an asset are key factors that will define growth for the digitally transformed CPG industry in 2021.

The distribution industry was no exception; with the sudden turn in remote workers, distributors also had to quickly change the way they do business. Distributors are hyper-focused on increasing levels of automation and efficiency within the supply chain. With the introduction of e-commerce and the increase of online product orders, distributors are swiftly transforming their presence from bricks & mortar to include a web presence to capture increased consumer's demand. e-commerce is opening up a more convenient way for distributors to engage with their customers, who are progressively shifting away from traditional ordering methods. Although there is no clear end to the Covid-19 pandemic, the future holds a necessary advancement to the distribution industry, and technology is at the forefront for distributors who are positioning themselves ahead for success.

The Covid-19 crisis wreaked havoc on manufacturers in every sector. Companies that serve booming industries such as technology, health care, and home repair witnessed a significant increase in demand, while those that manufacture components for underperformers such as aviation, energy, and the automotive industry have languished. Meanwhile, almost all manufacturers experienced supply chain disruptions, operational challenges and volatile demand environment. Even after the pandemic subsides, it will leave behind a changed economic landscape for manufacturers and their customers. Focusing on automation and targeting areas of the economy that are expected to grow could help companies succeed and recover in the coming future.

In today's digital transformation phase, when consumers preferences are changing dramatically, operational efficiency is a key market engine for manufacturers and distributors. A flexible supply chain that provides real-time visibility and insights into the entire distribution network, from procurement to storage to delivery, is a critical enabler of efficient operations.

With the platform-oriented approach and new digital technologies, manufacturers and distributors will be able to not only efficiently manage the supply chain ecosystem, which includes different players such as distributors, franchisees, retailers, stockists, logistics providers and customers but also allow each player in the ecosystem to perform at their best. Sonata brings together deep experience, industry-ready platforms, and a unique Platformation™ approach to help industrial and consumer goods manufacturers and wholesale distributors to stay competitive with digital distribution platforms and solutions. Equipped with these solutions, manufacturers and distributors can establish an adaptive distribution network that can withstand the changing market dynamics and new distribution models.

Agri Manufacturing and Commodity Business

In 2020, the Agri manufacturing and commodity business was relatively undeterred by the Covid-19 pandemic. However, the impact was seen in terms of supply chain disruptions and agricultural production. Even though farm operations and supply chains were exempt from the lockdown guidelines, challenges such as supplying raw materials across closed borders and having enough healthy employees to keep facilities operative remained.

In an already competitive commodities market, disruptive shifts in global production and consumption models have changed the commodity procurement pattern. Although commodity markets have always been volatile, decision-making in real-time is crucial in today's markets, with severe weather, pandemic disruptions, evolving customer requirements, volatile tariffs, and others having a major impact on profitability and even a percent gain can improve the revenues. As a result, to execute transactions profitably, the trading team requires high-quality operations and the right platforms. Organizations who do not embrace digital automation in commodity sourcing can lose insights into their trading decision-making process and making it difficult to stay competitive in the long run.

In this new normal, maintaining adequate visibility, transparency, and accountability across the commodity transacting lifecycle would necessitate an immediate focus on governance, operations, and technology. Given the instant paradigm shift, technology has become critical in the execution of the risk monitoring and oversight of a commodity trading business.

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

With Sonata's unique ERP integrated CTRM platform, customers can achieve better visibility on their commodity sourcing and trading needs, single source-of-trade data, superior control over trading decisions, and reduced cost structure for better profitability.

Utility and Service Industries

Services play a key role in increasing productivity, efficiency and effectiveness in the whole economy. Services can be strategically used to facilitate economic makeover. These include telework enabling ICT (Information & Communication Technologies) services, digital financial services, and e-commerce platforms, which have kept economies running during pandemic induced lockdowns. ICT services, which can increase efficiency and reduce costs, promote the digital transformation of farming, manufacturing, and other sectors. This services-enabled digitization boots supply and export capacity, enhancing countries' economic resilience and recovery in the wake of the pandemic.

Sonata has spent 30 years working with services companies from the energy sector to speciality contractors, professional services firms, and a wide variety of field services and project-centric companies. With the acquisition of Sopris Systems in 2019, which specialises in helping project-centric and field services companies, Sonata got access to enter utilities services industries.

Even though not severely impacted due to pandemic, the utilities industry is also revisiting its processes and operations to adjust to the situation, particularly from a safety and security point of view. The utilities industry is now needed to focus on two distinct features: a major jolt in supply chain activities and more strict guidance from regulators. Utilities must create alternate roadmaps and mechanisms to ensure that the top and bottom lines are healthy in tandem with customer satisfaction. And second is with mandatory social distancing, isolation, pandemic fear, plant and field operations must be redefined to provide more safety.

Summary

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

COMPANY OVERVIEW

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

Highlights 2020-21

- Successfully completed the integration of newly acquired Company, GAPbusters Limited (GBW), headquartered in Melbourne, a leading global player in the Customer Experience (CX) domain serving renowned brands for nearly thirty years.
- Sonata's unique trademark 'Platformation™' strategy for Digital Transformation completed 4 years in March 2021.
- Launched 'CXe', a unique enhanced integrated CX management solutions developed using the 'Platformation™' approach.
- Sonata's Cloud strategy and assessment service is now available in the Microsoft Azure Marketplace, an online store providing applications and services for use on Azure.
- Successfully completed ISO27001 Surveillance Audit in August 2020 in Remote delivery mode and projects from Global Village, Hyderabad, Head Office and Redmond Office in North America were covered. The remaining part of ISO9001 Surveillance audit was successfully completed in Remote delivery mode for Sonata Software Ltd in September 2020.
- Some of our key new engagements are listed below:

Customer	Product and Solution
Leading producer of fish and its products in Norway	Implementation and licenses of CTRM
Leading financial services software company in the ANZ region	Support with Dynamics Connectors using the Dynamics technology
A large multinational energy corporation in the US	Phase 2 HES implementation
A leading apparel chain store in ANZ region	upgrades to Dynamics 365
A global airline company in APAC	Adopts Prism Next
In the US, an American brand of automotive oil change specialty shops and service centers	Sonata-GBW implemented the Star Audit project – mystery shopping, brand auditing
A leading clothing and apparel company in Australia	Upgrade eCommerce websites from SAP Commerce version 6.2 to v20.05 as part of their SAP Commerce Consolidation Project – Phase 1 SRG
A large luxury marine transport manufacturer in Europe	Implement a Data Warehouse for the EMEA region
A reputed management institute and a Talent management Profiling POC for a private equity firm for online education in India	Implemented a remote Digital Classroom solution using MS technologies
Partnered with a leading investment banking company	To build an omnichannel borrower platform to enhance their customer experience
One of the largest non-profit healthcare services companies	Develop NextGen User-Interface Console for their application
Leading manufacturer of digital audio interfaces and audio converters	Dynamics 365 Implementation
Leading retail chain for apparel in Australia	Build, design & architect the data Platform - migration from Qlikview to PowerBI
Leading electronic manufacturing company in US	Dynamics 365 Upgrade assessment
Partnered with a reputed hardware solutions retailer in US	Software & Networking Assessment of their current platform to move to the Cloud
Leading financial advisory firm in Europe	Build the Omni-channel borrower platform

Awards and Recognition

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

- Proud winners of the MS Eagle Award for this year, dedicated to partners who set new standards for MS Dynamics 365.

INVESTMENT IN PEOPLE

To fuel its growth strategies, Sonata continued to make key investments in people at all levels in the Company. The total headcount of the Company stood at 4,102 of whom 3,320 are technology professionals. The FY21 also witnessed the following key addition of senior leaders:

- Mr. Suresh K P joined the Company as Vice President - Talent Transformation
- Mr. Nidhish Shetty joined the Company as Vice President – Open Source Platform Engineering and Data & Analytics

Trainings and Workshops

As the world rapidly moved towards digital transformation, it was imperative to bring ourselves up to speed and up-skill. The Company launched the Unified Engineer Development plan to support our Platformation™ agenda. More than 100 Sonatinas have completed the program from OS and MS competencies. The program for Dynamics and D&A will be launched next.

The Leaders' Ideation Forum (LIF) is a digitally hosted platform connecting leaders of Sonata across our various locations. The forum is one of our many initiatives to enhance communication, ideate on solutions, solve problems and make consensus-based decisions aligning to our ethos of one culture, one team, and one mission. A virtual LIF was hosted on 26th June which included Sonatinas from various locations in India. The theme for the session was "Ideas, best practices for ensuring World Class delivery while remote working."

As an intrinsic part of the Onboarding process, Stepping Stones to Sonata, was conducted for new joinees of Sonata and Scalable. This induction framework helped in integrating new employees into the organization by helping them understand systems, procedures, culture, and business of the organization and help them settle in faster.

To enable Sonatinas to give the best in class experience to clients and to each other through communication, the Company launched BSI (Behavioural skill initiative) on LMS. Over 750 Sonatians enrolled and participated.

The first Sonata Scalable Joint Leadership Update meeting was conducted with over 60 participants, to bring the two teams closer and enhance connect.

Virtual events, all-hands meets and on-boarding continued in FY2020-21 in our endeavor to keep the teams aligned and engaged. Virtual all-hands provided scope for sharing business updates and celebrate employee achievements & milestones.

CORPORATE SOCIAL RESPONSIBILITIES (CSR)

- Combating the COVID-19 situation in rural schools has been an uphill task. Our Sustainability partner, Agastya International Foundation, continued to make the best use of technology in delivering fun and education to over 1000 children from 15 schools. Science, nutrition, arts & crafts, model making, and sanitation – the children of rural South & North Karnataka continued to learn and make the most of it because of their efforts.
- Sonata Software has supported the Museum of Art & Photography (MAP), Bengaluru as part of our CSR engagement since 2019. As a member of MAP's Founding Circle, Sonata has made a financial donation as well as an in-kind contribution in the form of services to develop the Museum's new and interactive website. MAPs" initiative during the lockdown is also something we have supported. The Bouquet of Hope initiative is another means to help migrant workers who have suffered immensely because of the pandemic.
- Sonata partnered with Kriti Social Initiatives to make an impact in two main ways : to empower women through skills training and capacity building, promote livelihoods for women and ensure the education of children in slums in Hyderabad and to work on social Initiatives in building technology platforms for various women empowerment programs. But due to the pandemic, Kriti had to change focus to some other areas of impact with the grant:
  - o Distribution of books to children studying in low income schools.
  - o Providing teachers to government schools which were affected due to Covid.
  - o Income generation activities for women: Kriti is investing in developing e-commerce capability – launch of e-commerce store and providing sales and digital marketing personnel to drive the growth.
- Sonata continues to support and work with our Sustainability partners in these times in order for them to meet their goals.
- Sonata partners with Sense International (India) to support differently-abled children under its Sustainability initiatives.

OPERATIONAL REVIEW

The Company added 34 new clients and enhanced its delivery center and customer service presence globally.

1. **Platformation™ Led Services:**

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

   Sonata's focus on Platformation™ at the core and industry led approach have started to pay off in these times when clients are looking to begin their digital journeys with the Company. We celebrated 4 years of Platformation™ in March 2021, and now it is becoming truly main stream.

   The Platformation™ initiatives cover 5 key areas -

- **Converting existing clients to digital clients** - this framework has now been developed, tried and matured in different client contexts. Our teams are now able to road map digital partner approaches and engage with clients across different archetypes top-down, build platforms and deliver digital services. Some of key Platformation™ engagements in existing clients are:
  - o Sonata has been signed on for building infrastructure for data and API platforms for a large music holding company in the APAC. This is the beginning of 2 year data Platformation™ initiative expected to be $ 1mn over 2 years. This initial phase will run for 3 months.
  - o Our client, a leading company in the travel industry in Europe, has chosen Sonata as their partner for all digital initiatives because of our ability to show digital capability and delivery over a sustained period of time.
- **Winning new clients through Platformation™** – direct and thru alliance – our POV based industry led approach has helped us win key clients across our Platformation™ offering, i.e., Dynamics, Data, and Cloud.
- **Developing world-class competencies aligned to Platformation™** – all our competencies have now been converted to digital competencies and the offerings, tools, methodologies have been transformed.
- **Building world class talent** – our efforts continue in transforming our talent to align to Platformation™, whether it's the UEP program or digital architect program or digital delivery manager program.

We continue to invest in CX with our new entity GBW, and they continue to win large programs with both existing and new clients.

2. **Delivery Process Excellence:**

   Delivery Excellence team is re-chartered and renamed as "Customer Success Team" to put the processes and system to ensure that Sonata provide world class client experience to our clients.

   Successfully completed ISO9001 Surveillance audit in Remote delivery mode for both Sonata Software Ltd and Sonata Information Technology Limited (Digital Infrastructure Services Group) in June 2020.

   Successfully completed ISO27001 Surveillance audit in August 2020 in Remote delivery mode and projects from Global Village, Hyderabad, Head Office and Redmond Office in North America were covered. The remaining part of ISO9001 Surveillance audit was successfully completed in Remote delivery mode for Sonata Software Ltd in Sep 2020.

   ISO20000 Surveillance cum Upgrade Audit is completed in Dec 2020/Jan 2021 in Remote delivery mode and projects & functions from below Sonata Offices are covered: Global Village, Hyderabad, Head Office. With successful completion of this audit, Sonata's IT Service Management System (ITSM) is now upgraded and compliant to ISO20000:2018 version of Information Technology - Service management standard.

   Sonata/GBW enabled Outlook India with a robust and responsive platform to drive an insightful study of the Mood of the Nation. The solution was conceived using Design Thinking principles and further developed using the Platformation™ approach, Sonata's unique framework for digital transformation. This is Sonata's first fully customized program for the Indian market. Functionally and technically, jointly managed by the Indian and Australian teams, the study ran virtually in three mini-survey campaigns via email for Outlook India subscribers, website and social media page visitors.

   Sonata partnered with a world leader in claims management solutions in their digital transformation journey, by building the Digital First Notice of Loss (FNOL) platform through Sonata's Platformation™ approach, using modern engineering practices & technologies. The new digital platform went live on 1st Oct 2020.

Sonata implemented a digital platform, which has gone live in Sep 2020 for the largest ferry operator headquartered in UK, operating 20+ Ships, 30000+ sailings, carrying 10+ million passengers, 1.6 million cars and 2.2 million freight units every year between UK & Ireland and Continental Europe.

An ISV Platformation™ project for a leading global OTA focused on the hostel market has gone live in Jun 2020. Sonata designed and developed this platform leveraging Sonata's Platformation™ methodology.

Sonata has successfully completed the validation of Asset Management Application, which has gone live in September 2020 for Johnson & Johnson, a multinational company developing medical devices, pharmaceutical, and consumer packaged goods.

Besides these, Sonata also implemented Finance & Supply Chain Management modules for one of the leading Company. We also developed the Carrier App and Shipper App for the digital freight ecosystem platform for one of the US-based start-ups. We continue to focus on helping our customers to shape successful outcomes for their business by understanding their needs better through Remote Digital Delivery Model in a high collaborative manner.

Sonata Software Ltd participated in the HYDSPIN (HYDERABAD Software Process Improvement Network) Process Benchmarking 2020 initiative, which surveyed the Best practices of key processes along with Lessons learned and Regular Practices followed among leading IT Service, Product based, Product and Service-Oriented organizations.

Sonata has developed a Digital Platform for Health, Environment & Safety Management (HES Platform) for a large US Based Oil & Gas multi-national. We followed the Platform consulting through business, technology, data lens to identify platform initiatives and roadmap across various layers covering technology (API, Data, UI) and business capabilities.

The benefits to our clients have been many-fold - Consolidation of all Safety measures. Digital Accessibility & Transformation of HES Services, Support Cross-Functional Value Streams, Increased understanding of Risk profile and Monitoring of Safeguards and improved Customer Satisfaction.

Our continuous focus of being a digital partner for our clients starts with delivering a world-class client experience across the life cycle from marketing, sales, pre-sales, solutioning, delivery and account management. Responsiveness, quality of people, quality of delivery, quality of governance is key. Setting up the CCoE model is essential, ensuring we practice all processes, including digital delivery as recommended by the customer success team is critical.

3. Marketing Initiatives

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

- Sonata participated in MS Inspire, the Microsoft flagship customer event in July 2020.
- "3 key talents for a successful digital transformation" – World Economic Forum published the article coauthored by Mr. Srikar Reddy, CEO & MD, Sonata Software in collaboration with Jean-Claude Monney, a Digital Transformation and Knowledge Management Coach who has worked previously with Microsoft and was a faculty member at the Columbia University
- Held flagship customer event 'Sonata Spark' along with Scalable Data Systems in Melbourne in April 2019, was successful in bringing together Sonata's customers, prospects and partners to discuss and brainstorm on topics related to Platform based digital transformation and future of business & technology
- Two successful events conducted in collaboration with Sonata's alliance partners, Microsoft – ComRisk 2019 and the Retail Innovation Summit
- Attended the Google Cloud Platform (GCP) organized in Mumbai. Sonata being a GCP selling partner for Google, has been part of their go-to-market strategy
- Participated in AXUG event's Northern California chapter on September 2019

SEGMENT-WISE PERFORMANCE

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

- International IT Services contributed with 28% of total revenues and 75% of PAT
- Domestic Products and Services with 72% of the total revenues and 25% of PAT

During the year, the International IT services revenues stood at Rs 118,386 Lakhs (USD 160.3 million) a de-growth of 7% on Y-o-Y basis. Domestic products and services stood at Rs 3,06,561 lakhs. The total consolidated revenue stood at Rs 4,22,808 lakhs a growth of 13% on Y-o-Y basis.

The Company added 34 new logos during the year across verticals, regions in the International Services segment.

From a geographical perspective, USA contributed 54% to our services revenues, followed by Europe (including UK) contributing 24% and Rest of the World (RoW) delivering the balance. The onsite revenue contributed 35% while the balance was from offshore activities.

From a vertical perspective, Travel & Tourism contributed to 9% in the revenues, ISV 32%, Retail Distribution contributed 30% while the balance came from other services.

From a competency perspective, 30% of our revenue was from AX business(Microsoft Dynamics), 12% was contributed by Data and Analytics and 20% by Microsoft Digital Platformation™ Services while the balance came from ERP and other services. Overall, 62% 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 the Company's future-ready digital transformation initiatives.

FINANCIAL OVERVIEW

Consolidated Financial Highlights:

Particulars	2020-21 (₹ in Lakhs)	2019-20 (₹ in Lakhs)	YoY Growth
Total Income	425,583	380,166	12%
EBIDTA	40,710	43,121	-6%
Interest & Depreciation	5,496	5,172	6%
PAT After Non-Controlling Interest	24,396	27,693	-12%
EPS (₹)	23.48	26.66	-12%

1. **Total Income**

Total income increased 12% from ₹ 380,166 lakhs in 2019-20 to ₹ 425,583 lakhs in 2020-21 largely owing to increase in revenue from international IT services and domestic products & services.

2. **EBITDA**

The EBIDTA margin is 10% in 2020-21.

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

The Net Profit margin is 6% in 2020-21.

4. **Interest and Borrowings**

The interest cost for the year 2020-21 is ₹ 1,539 lakhs, out of which interest expense on lease liability as per Ind AS 116 is ₹ 1,014 lakhs. The Company had a Net Cash balance of ₹ 64,811 lakhs (including investment in Mutual Funds and net of bank borrowing).

5. **Capital Employed**

The Capital Employed is ₹ 99,520 lakhs in 2020-21. The Return on Average Capital Employed (ROCE) for the year ended 31st March, 2021 was reported at 30%.

6. **Net Worth**

The Net Worth is ₹ 90,546 lakhs in 2020-21. The Return on Average Net Worth (RONW) for the year ended 31st March, 2021 was reported at 31%.

7. **Fixed Assets**

The Company's fixed assets which includes property, plant, equipment and goodwill is ₹ 32,313 lakhs as at March 31, 2021. and depreciation for the year is ₹ 2,016 lakhs.

8. **Working Capital Management**

Days sales outstanding for international IT services Increased from 44 Days in 2019-20 to 50 days in 2020-21.

Standalone Financial Highlights:

Particulars	2020-21 (₹ in Lakhs)	2019-20 (₹ in Lakhs)	YoY Growth
Total Income	82,621	97,397	-15%
EBIDTA	27,891	30,025	-7%
Interest & Depreciation	2,862	3,150	-9%
PAT	17,903	21,126	-15%
EPS (Rs)	17.23	20.33	-15%

1. **Total Income**

Income decreased 15% from ₹ 97,397 lakhs in 2019-20 to ₹ 82,621 lakhs in 2020-21 mainly on account of COVID.

2. **EBITDA**

EBIDTA decreased 7% from ₹ 30,025 lakhs in 2019-20 to ₹ 27,891 lakhs in 2020-21.

3. **Profit after Tax**

Profit after Tax decreased 15% from ₹ 21,126 lakhs in 2019-20 to ₹ 17,903 lakhs in 2020-21.

4. **Interest and Borrowings**

The interest cost for the year 2020-21 is ₹ 972 lakhs, out of which interest expense on lease liability as per Ind AS 116 is ₹ 930 lakhs. The Company had a Net Cash balance of ₹ 32,127 lakhs (including investment in Mutual Funds).

5. **Capital Employed**

The Capital Employed is ₹ 52,952 lakhs in 2020-21. The Return on Average Capital Employed (ROCE) for the year ended 31st March, 2021 was reported at 42%.

6. **Net Worth**

The Net Worth is ₹ 52,952 lakhs in 2020-21. The Return on Average Net worth (RONW) for the year ended 31st March, 2021 was reported at 40%.

7. **Fixed Assets**

The Company's fixed assets which includes property, plant, equipment and goodwill is ₹ 3,288 lakhs as at March 31, 2021. and depreciation for the year is ₹ 552 lakhs.

OUTLOOK

2020 was an exceptional year for the global economy impacting growth across industries and sectors. As outlined in the economic and industry review, the year 2021 continues to remain uncertain for projections due to the resurgence of muted virus variant cases and the uncertain macroeconomy.

The Covid-19 pandemic has accelerated the adoption of digital technologies by several years, and that many of these changes could be here for the long term. Organizations are rapidly adopting the changes and increasing their investments in emerging technologies to stay relevant in the competitive market.

Sonata completed another strong year witnessing solid growth in both the segments it operates in – International IT Services and Domestic Products and Services demonstrating resilience. The Company at the start of the year, witnessed some impact in the travel and non-retail segment due to Covid-19, while other segments remained resilient. The worst is behind now, and the Company looks forward to an era of positive growth. As industry returns to normalcy and increased digitization, the Company see enormous opportunity for IT services, particularly for the companies like Sonata, who have a greater digital footprint and unique digital offering.

The Company continued to serve its clients and have also seized the opportunity to build innovative solutions, forge strategic partnerships, improve client relations and focus on employee wellness initiatives.

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

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

Sonata is well placed to make most of the opportunities to support its new and existing customers. The Company will continue to focus on its strategy to be the digital transformation partner across core verticals based on its IPs and specialized services around digital technologies like analytics, cloud, social, omnichannel commerce and mobility. It will continue to prominence on improving its capabilities and invest in new innovative growth platform in the coming year.

Risk & Concern

Nature of Risk	Risk Explanation	Risk Mitigation
Economic Risk	The Company's business may be adversely impacted by unforeseen economic reforms and events in the country it serves in.	Coronavirus Pandemic has impacted the whole world, regardless of the size of the economy or its diversity. The Company has a diversified geographical presence and has always maintained healthy and long - standing relationship with its clients in partnering them as their IT solution provider and adding value to their businesses. These have resulted in minimal impact to the overall business of the Company, and these mitigation strategies will endure
Foreign Currency Risk	Unfavourable currency fluctuations may adversely impact Company's earnings.	The Company uses foreign currency forward contracts to hedge risks involving foreign currency fluctuation. There is a periodic evaluation and consultation with appropriate professionals to validate the Company's hedging strategies.
Concentration Risk	The regional concentration as well as vertical concentration can adversely impact Company's business in case of a slowdown.	The Company continues to further diversify its business in terms of regional and vertical exposure on an ongoing basis.
Competition Risk	The Company operates in a competitive business environment. A loss of client can impact the regular cash flows.	The Company seeks to differentiate itself from its competitors with the following strong differentiated strategies: -Platformation™ approach which includes proprietary IP, frameworks, industry-specific trademark solution architecture components (MARCHITECTURE™), and digital library of processes - A strong and multidimensional alliance with Microsoft - Robust Financial structure The combination of IP, relationships, and financials create significant competition differentiators
Attrition Risk	Human capital plays a significant role in the IT services; attrition can lead to service and delivery failures.	The Company deploys best-in-class HR principles and practices to maintain a strong bonding between the Management and the employees. Employee engagement is high, with periodic engagement programs across levels within the organisation. Sonata's emphasis on its DNA (Deep Nurtured Attributes) coupled with exciting rewards and recognition, binds employees to the Company, keeping our attrition rates well within Industry averages.
Regulatory Risk	The Company operates across several nations viz. UK and US. Any change in law, regulations and taxation framework may affect the business operations. Further legislation in various countries in which the Company operates may impose restrictions on companies in those countries from outsourcing work to us, or may implement stricter immigration laws, or may limit our ability to send our employees to certain client sites.	The Company has a professional team in and outside India to mitigate this risk on a continuous basis. Issues of tax relate to litigations with Income Tax authorities in India on deduction/ exemption of profits derived from export of software under Section 10A of the Income-Tax Act, treatment of payments for purchase of software as 'royalty' and consequent denial of deductions for such payments on the basis that taxes have not been deducted at source, etc. Management is taking an active role in highlighting these issues and those faced by the Industry with Government Authorities through active representation. These initiatives outside of pure litigation have also helped in resolving long standing disputes.

Material Development in Human Resource

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

The Company ended the year with a headcount of 4,102 which was decreased by 3% compared to the previous year's headcount of 4,211.

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 2020-21 based on the said requirements.

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

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

II. BOARD OF DIRECTORS

Your Company's Board of Directors comprises of an optimum combination of professionals with expertise, diversity and Independence. The Board of Directors of your Company as on 31st March, 2021 comprised of six Directors of whom one is a Non-Executive Promoter Director, one is a Non-Executive Director, one is an Executive Director and three are Independent Directors. The composition of the Board is in conformity with Regulation 17 of the Listing Regulations read with Section 149 of the Companies Act, 2013 ("the Act"). The Chairman of the Board is an Independent Director.

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

Independent Directors are Non-Executive Directors as defined under Regulation 16(1)(b) of the SEBI 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. In terms of Regulation 25(8) of SEBI Listing Regulations, they have confirmed that they are not aware of any circumstance or situation which exists or may be reasonably anticipated that could impair or impact their ability to discharge their duties. Further, the Independent Directors have included their names in the data bank of Independent Directors maintained with the Indian Institute of Corporate Affairs in terms of Section 150 of the Act read with Rule 6 of the Companies (Appointment & Qualification of Directors) Rules, 2014.

The Board is of the opinion that all the Independent Directors of the Company fulfill the conditions specified under Listing Regulations and are independent of the management of the Company. Further, all the Directors have confirmed that they are neither debarred nor disqualified from being appointed or continuing as Director by the Securities and Exchange Board of India /the Ministry of Corporate Affairs (MCA) or any such statutory authority. In the opinion of the board, the Independent Directors fulfil the conditions specified in the applicable regulations and are independent of the management. The Company has obtained a Certificate to this effect from Mr. Parameshwar G Hegde, Practising Company Secretary (CoP No: 640), Bengaluru, as mandated under Schedule V, Part C, Clause 10(i) of SEBI (Listing Obligations and Disclosure Requirement) (Amendment) Regulations, 2018.

Due to the exceptional circumstances caused by the COVID-19 pandemic and consequent relaxations granted by MCA and SEBI, all Committee /Board meetings in FY 2020-21 were held through Video Conferencing.

During the Financial Year 2020-21, 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 11th May, 2020, 10th August, 2020, 6th November, 2020 and 4th February, 2021. The necessary quorum was present at all the meetings. The video-conferencing facilities were arranged for Directors for participating in Board and Committee Meetings, in consonance with the applicable Laws and Regulations

During the Financial Year 2020-21, 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 2020-21 without the attendance of the Non-Independent Directors and members of the management.

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

The names, designation, categories of the Directors and their shareholdings in the Company as on 31st March, 2021 are furnished below:

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

Details of Directors attendance during the Financial Year 2020-21 and at the last Annual General Meeting, number of Directorships in other Indian companies and committee memberships/Chairmanship held by them in Indian public companies as on 31st March, 2021 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 11th August, 2020	No. of Directorships held in other Indian Companies	No. of Committee Memberships/ Chairmanship held in other Indian Public companies*	
					As Chairman	As Member
Mr. Pradip P Shah	4	4	Yes	14	2	5
Mr. S B Ghia	4	4	Yes	2	1	4
Mr. Viren Raheja	4	4	No	18	0	3
Mr. P Srikar Reddy	4	4	Yes	3	0	2
Ms. Radhika Rajan	4	4	Yes	2	1	3
Mr. Sanjay K Asher	4	4	Yes	13	4	6

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

Due to the exceptional circumstances caused by the COVID-19 pandemic and travel restrictions all Board meetings in FY 2021 were held through Video Conferencing.

List of Directorship held in other Listed Companies and the category of directorships

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

Board Skill Matrix

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

These attributes primarily and broadly are:

i. General Management of Corporate Affairs, Corporate Governance

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

iii. Law, Taxation, Finance, Foreign Exchange related

iv. Behavioural science

v. Strategy Management

vi. Leadership abilities

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

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

III. AUDIT COMMITTEE

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

- **Terms of Reference**

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

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

20. To Review the functioning of the Whistle Blower mechanism;
21. Approval of appointment of CFO (i.e., Chief Financial Officer or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
22. Review the financial statements, internal audit reports, related party transactions and such other information as required under the Act or the Listing Regulations.

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

During the Financial Year under review, the Audit Committee met Four times on 11th May, 2020, 10th August, 2020, 6th November, 2020 and 4th February, 2021.

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

All the recommendations of the Audit Committee have been accepted by the Board of Directors.

Details of Composition and Attendance of the Audit Committee Meetings:

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

IV. NOMINATION AND REMUNERATION COMMITTEE

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

- **Terms of Reference**

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

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

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

During the Financial Year under review, the Nomination and Remuneration Committee met three times on 11th May, 2020, 6th November, 2020 and 4th February, 2021.

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

Name of the Director	Category	Position	Number of Nomination and Remuneration Committee Meetings	
			Held during the tenure	Attended
Mr. Sanjay Asher	Independent Director	Chairman	3	3
Mr. S B Ghia	Non-Executive Director	Member	3	3
Mr. Viren Raheja	Promoter, Non-Executive Director	Member	3	3
Mr. Pradip P Shah	Independent Director	Member	3	3

- **Performance evaluation criteria**

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

- **Details of remuneration paid/payable to all the Directors during the Financial Year ended 31st March, 2021**

(₹ in Lakhs)

Name	Salary & Perquisites	Commission & Sitting fees	Shares issued under ESOP	Details of service contracts, notice period & severance fees
Mr. Pradip P Shah	Nil	43	Nil	-
Mr. P Srikar Reddy	329	176	Nil	A new contract dated 25.11.2019 has been signed effective 14.02.2020 for a period of three years. The ESOPs will be granted as per the employment agreement dated 25.11.2019 Further the notice period is of six month's and severance fees of ₹ 102 Lakhs spread over a period of 1 year 6 months.
Mr. S B Ghia	Nil	43	Nil	-
Mr. Viren Raheja	Nil	Nil	Nil	-
Ms. Radhika Rajan	Nil	43	Nil	-
Mr. Sanjay Asher	Nil	42	Nil	-

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

The Shareholders at their meeting held on 13th August, 2018 had, by way of Special Resolution authorised the Board of Directors of the Company to pay commission to Non-Executive Directors in such amounts or proportions which cumulatively shall not exceed 1% of the net profits of the Company in any Financial Year.

Further, as authorized by the Board in the meeting held on 14th February 2012, all Non-Executive Directors are also being paid a sitting fee of Rs. 20,000/- for each meeting of the Board and Committee attended by them from Financial Year 2012-13 onwards.

V. STAKEHOLDERS RELATIONSHIP COMMITTEE

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

- **Terms of Reference**

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

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

During the Financial Year under review, the Stakeholders' Relationship Committee met four times on 11th May, 2020, 7th August, 2020, 5th November, 2020 and 3rd February, 2021.

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

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

- During the Financial Year under review 61 investor grievances were received and all of them were successfully resolved.

The Board has appointed Ms. Mangal Kulkarni, Company Secretary, as the Compliance Officer, as required under the Listing Regulations and the Nodal Officer to ensure compliance with the IEPF rules.

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 2020-21 i.e. on 11th May, 2020 and 4th February, 2021.

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

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

VII. RISK MANAGEMENT COMMITTEE

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

- **Terms of Reference**

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

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

The Risk Management Committee met once during the Financial Year 2020-21 i.e. on 4th February, 2021.

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

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

Due to the exceptional circumstances caused by the COVID-19 pandemic and travel restrictions all Committee meetings in FY 2021 were held through Video Conferencing.

VIII. SHAREHOLDERS MEETINGS

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

Financial Year	Date	Venue	Time
2017-18	**13.08.2018**	M.C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, KaikhushruDubash Marg, Mumbai – 400 001	4.00 p.m.
2018-19	**07.08.2019**	M.C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, KaikhushruDubash Marg, Mumbai – 400 001	4.00 p.m.
2019-20	**11.08.2020**	Held through Videoconferencing / other Audio visual means	4.00 p.m.

- **Special Resolutions passed in the previous three AGMs**

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

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

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

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

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

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

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

c) Financial year 2019-20 – Yes, following Special Resolutions were passed:

   i. Approval of appointment of Mr. Sanjay Asher as an Independent Director

   ii. Approval of Re-appointment of Mr. P Srikar Reddy as the Managing Director and Chief Executive Officer of the Company

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

IX. MEANS OF COMMUNICATION

- Quarterly results / other information

- The half yearly/ quarterly results are generally published in Business Standard (all India edition) and in Navshakti (Mumbai edition).
- The quarterly financial statements, press releases, shareholding pattern and presentations made to analysts/ institutional investors are posted on Company's website http://www.sonata-software.com.
- Presentations made to the institutional investors and financial analysts on the Company's financial results are uploaded on the Company's website.
- Your Company also sends quarterly financial updates to all the Shareholders whose e-mail IDs/addresses are registered/ available with the RTA and the Company.
- Frequently Asked Questions (FAQs) giving details about the Company and its shares is uploaded on the Company's website at https://www.sonata-software.com/about-us/ investor-relations

X. GENERAL SHAREHOLDER INFORMATION

1. Annual General Meeting

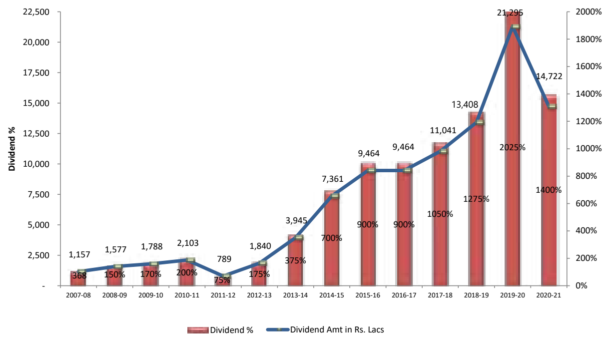
The ensuing Annual General Meeting of the Company will be held on Monday, 16th day of August, 2021 at 4.00 p.m. through Video Conferencing (VC) /Other Audio Visual Means (OAVM). Pursuant to the MCA Circular dated May 5, 2020 read with circulars dated April 8, 2020, April 13, 2020 and January 13, 2021 and SEBI Circular dated May 12, 2020 which dispensed the requirement to conduct AGM at a venue for meetings scheduled in the calendar year 2021. For details of VC/ OAVM please refer to the Notice of this AGM.

2. Financial Year

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

3. Payment of Dividend

The Company paid interim dividend of ₹ 4.00/- per equity share (400%) on 26th November, 2020 The Company has recommended final dividend of ₹ 10 /- per equity share (1,000%) 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 and 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, 5th Floor, Plot No. C/1
G Block, Bandra-Kurla Complex, Bandra (E)
Mumbai – 400 051
Stock Code: SONATSOFTW

(b) Listing fees for the financial year 2021-22 has been paid to the above-mentioned stock exchanges.

(c) As on 31st March, 2021 your Company had 72,678 shareholders.

5. Stock Market Data

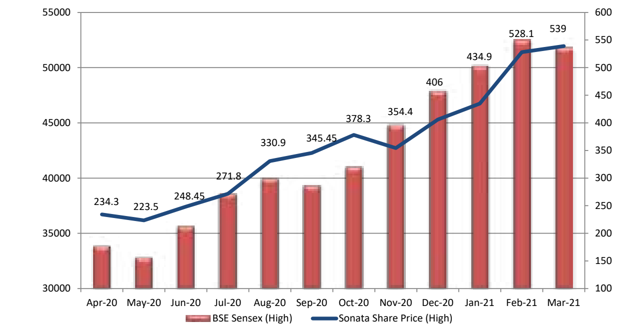
(a) Market Capitalization as on 31st March, 2021:
₹ 5,356.29 Crores (Based on closing price in BSE)

(b) Number of shares traded during FY 2020-21:
BSE: 97 Lakhs & NSE: 1327 Lakhs

(c) The monthly high and low quotations of shares traded at BSE and NSE during financial year 2020-21 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-20	234.3	161	234.3	160	33887.25	27500.79
May-20	223.5	184.85	223.65	185	32845.48	29968.45
Jun-20	248.45	203.4	248.7	203	35706.55	32348.1
Jul-20	271.8	227.05	271.8	228	38617.03	34927.2
Aug-20	330.9	265	331	264	40010.17	36911.23
Sep-20	345.45	300.9	346	301.2	39359.51	36495.98
Oct-20	378.3	310	378.7	310.2	41048.05	38410.2
Nov-20	354.4	300.8	354.9	299.75	44825.37	39334.92
Dec-20	406	336	405.35	340	47896.97	44118.1
Jan-21	434.9	381.35	435	381.2	50184.01	46160.46
Feb-21	528.1	353.95	527.8	355.55	52516.76	46433.65
Mar-21	539	452.2	539	452.6	51821.84	48236.35



6. Share Transfer System / Investor Service

As the Company's shares are traded in dematerialized form, transfer requests are processed and approved in electronic form by NSDL/CDSL through their depository participants.

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

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

31, 2021 as the cut-off date for re-lodgement of transfer deeds and the shares that are re-lodged for transfer shall be issued only in demat mode. Members holding shares in physical form are requested to consider converting their holdings to dematerialized form. Transfers of equity shares in electronic form are effected through the depositories with no involvement of the Company.

Details of complaints received and resolved from 1st April, 2020 to 31st March, 2021:

Complaints	Received	Attended to	Pending
Non-receipt of dividend	58	58	0
Non-receipt of Annual Report	2	2	0
Others	1	1	0
Total	**61**	**61**	**0**

7. **Distribution of shareholding**

(a) **Distribution Schedule**

Range of equity shares held	As on 31st March, 2021				As on 31st March, 2020			
	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	65111	89.59	4706370	4.48	42288	87.18	4044928	3.90
501-1000	3598	4.95	2941333	2.80	3022	6.23	2520075	2.40
1001-5000	3078	4.24	6597174	6.27	2391	4.93	5302897	5.04
5001-10000	395	0.54	2851660	2.71	321	0.66	2342308	2.23
Over 10001	496	0.68	88062769	83.74	483	1.00	90949098	86.49
Total	**72678**	**100.00**	**105159306**	**100.00**	**48505**	**100.00**	**105159306**	**100.00**

(b) **Shareholding Pattern**

Category	As on 31st March, 2021				As on 31st March, 2020			
	No.of share holders	% to total holders	No. of shares	% to total holders	No. of share holders	% to total holders	No. of shares	% to total holders
Promoters	7	0.01	29623450	28.17	7	0.01	29623450	28.20
Bodies Corporate	426	0.59	3191468	3.03	369	0.78	5059648	4.81
FIIs / NRIs	1839	2.53	16023022	15.24	1446	3.0	13547847	12.88
IFIs/Mutual Funds/ Banks	23	23.00	13726998	13.05	15	0.03	14343075	13.64
Trusts	6	0.01	1286286	1.22	4	0.01	1265984	1.20
Clearing Members	204	0.28	230589	0.22	71	0.15	134471	0.13
Public	70173	96.55	41077493	39.06	45524	95.97	41184831	39.16
Total	**72678**	**100.00**	**105159306**	**100.00**	**47436**	**100.00**	**105159306**	**100.00**

8. **Dematerialization of shares and liquidity**

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

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

Details of Shares held in Physical and Electronic form:

Particulars	As on 31st March, 2021		As on 31st March, 2020	
	No. of Shares	% of holding	No. of Shares	% of holding
Physical	796856	0.76	822281	0.78
Electronic	104362450	99.24	104337025	99.22
Total	**105159306**	**100.00**	**105159306**	**100.00**

Number of Shares dematerialized during FY 2020-21: 4875 Shares.

Number of Shares rematerialized during FY 2020-21: 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. The details of credit rating of the Company as at March, 31, 2021 is given below:

Instrument details	Amount (in Crore)	Rating
Working Capital Facility	50 Cr	CRISIL A+/Stable

12. Tentative financial calendar for FY 2021-22

Financial results for the first quarter ending 30th June, 2021	August, 2021
Financial results for the second quarter ending 30th September, 2021	October, 2021
Financial results for the third quarter ending 31st December, 2021	January, 2022
Financial results for the financial year ending 31st March, 2022	May, 2022
Annual General Meeting for the year ending 31st March, 2022	August, 2022

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

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

XI. OTHER DISCLOSURES

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

None

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

None

C. Vigil Mechanism

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

The said policy has been communicated to the employees and is also available on the Company's website. https://www.sonata-software.com/sites/default/files/financial-reports/2019-09/Sonata_Vigil_Mechanism.pdf

The Company affirms that no employee has been denied access to the Audit Committee during the Financial Year 2020-21.

D. Mandatory/Non-Mandatory Requirements

During the Financial Year 2020-21, the Company –

(a) has duly complied with all mandatory requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

(b) 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 allows a direct reporting of Internal Auditor to the Audit Committee.

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

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

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

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

G. Disclosure of Commodity Price Risk and Commodity Hedging Activities

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

H. Details of Utilisation of Fund

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

I. Certificate from Company Secretary in Practice

The Company has obtained a certificate from Mr. Parameshwar G Hegde. a Company Secretary in practice, as required under Schedule V, Part C, Clause 10(i) of SEBI (Listing Obligations and Disclosure Requirement) (Amendment) Regulations, 2018, that none of the

Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/ Ministry of Corporate Affairs or any such statutory authority. A certificate to this effect, duly signed by the Practising Company Secretary is annexed to this Report.

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

None.

K. Auditors Remuneration :

The details of total fees for all services paid by the Company and its subsidiaries, on a consolidated basis, to the statutory auditor and all entities in the network firm / network entity of which the statutory auditor is a part, are as follows:

₹ in Lakhs

Particulars	Amount
Remuneration for audit of the Company and its subsidiaries	114
Remuneration for other services	11
Re-imbursement of out- of pocket expenses	
Total	**125**

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

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

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

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

XII. NON-COMPLIANCE OF ANY REQUIREMENT OF THE CORPORATE GOVERNANCE REPORT OF SUB- PARAS (2) TO (10) OF PART C OF SCHEDULE V OF 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 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

XIII COMPLIANCE WITH THE CORPORATE GOVERNANCE CODES

The Company has complied with the Corporate Governance requirements specified in regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015,

XIV. 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 Boards and Senior Management Personnel have affirmed compliance with the Code of Conduct for the Financial Year ended 31st March, 2021.

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

Pursuant to the applicable provisions of the Companies Act, 2013 read with the IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ('the Rules'), all unpaid or unclaimed dividends are required to be transferred by the Company to the IEPF established by the Central Government, after the completion of seven years. Further, according to the Rules, the shares in respect of which dividend has not been paid or claimed by the shareholders for seven consecutive years or more shall also require to be transferred to the demat account created by the IEPF Authority. Accordingly, the Company has transferred the unclaimed and unpaid dividends. Further, the corresponding shares are transferred as per the requirement of the rules, details of which are provided on our website, at www.sonata-software.com. Members who have not yet encashed their dividend warrant(s) pertaining to the final dividend for the financial year 2013-14 and onwards are requested to make their claims without any delay.

The members who have a claim on above dividends and shares may claim the same from IEPF Authority by submitting an online application in web Form No. IEPF-5 available on the website www.iepf.gov.in and sending a physical copy of the same, duly signed to the Company, along with requisite documents enumerated in the Form No. IEPF-5. No claims shall lie against the Company in respect of the dividend / shares so transferred.

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

CEO/CFO Certification

To
The Board of Directors
Sonata Software Limited
Mumbai

We, P Srikar Reddy, Managing Director & CEO and Jagannathan C N, CFO of Sonata Software Limited, to the best of our knowledge and belief, certify that:

(a) We have reviewed Financial Statements and the Cash Flow Statement for the year ended 31st March, 2021 and:

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

  (ii) These Financial Statements together present a true and fair view of the company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations;

(b) There is, to the best of our knowledge and belief, no transaction entered into by the Company during the year ended 31st March, 2021 which is fraudulent, illegal or violative of the Company's code of conduct.

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

(d) We have indicated to the Auditors and Audit committee that for the year ended 31st March, 2021, there were;

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

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

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

P Srikar Reddy
Managing Director & CEO
DIN: 00001401

Jagannathan C N
Chief Financial Officer

Place: Bengaluru
Date: 12 May, 2021

Corporate Governance Compliance Certificate

(Pursuant to Schedule V (C) to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To,
The Members,
Sonata Software Limited,
208 T V Indl Estate, 2nd Floor, S. K. Ahire Marg,
Worli, Mumbai- 400030
Maharashtra, India

I have examined the compliance of conditions of Corporate Governance by **Sonata Software Limited** (CIN: L72200MH1994PLC082110) ("the Company"), as stipulated under Regulations 17 to 27, clauses (b) to (i) of sub regulation (2) of Regulation 46 and para C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") for the financial year ended March 31, 2021.

The compliance of the conditions of Corporate Governance is the responsibility of the Management. My examination was limited to the review of procedures and implementation thereof adopted by the Company for ensuring compliance of the conditions of Corporate Governance as stipulated in the said Regulations. This certificate 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.

On the basis of my findings from the examination of the records produced and explanations and information furnished to me and the representation made by the Management, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the SEBI Listing Regulations for the financial year ended **March 31, 2021**.

P G Hegde
Hegde & Hegde
Company Secretaries
FCS:1325 / C.P.No: 640
UDIN: F001325C000254512

Place: Bengaluru
Date: 12 May, 2021

Certificate of Non-Disqualification of Directors

(Pursuant to clause 10 of Part C of Schedule V of LODR)

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

In pursuance of sub clause (i) of clause 10 of Part C of Schedule V of The Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR"); in respect of **SONATA SOFTWARE LIMITED** (CIN:L72200MH1994PLC082110) I hereby certify that:

On the basis of the written representation/declaration received from the directors and taken on record by the Board of Directors, as on March 31, 2021, none of the directors on the Board of the Company has been debarred or disqualified from being appointed or continuing as director of companies by the SEBI/Ministry of Corporate Affairs or any such Statutory Authority.

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P G Hegde
Hegde & Hegde
Company Secretaries
FCS:1325 / C.P.No: 640
UDIN: F001325C000254512

Place: Bengaluru
Date: 12 May, 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SONATA SOFTWARE LIMITED

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of **SONATA SOFTWARE LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2021, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

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

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

Management's Responsibility for the Standalone Financial Statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of

the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

   b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

   c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

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

   e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164(2) of the Act.

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

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

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

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

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

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

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

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

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

Gurvinder Singh
Partner
(Membership No. 110128)
UDIN: 21110128AAAABX9693

Place: Bengaluru
Date: May 12, 2021

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, 2021 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, 2021, based on the criteria for internal financial control over financial reporting established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

Gurvinder Singh
Partner
(Membership No. 110128)
UDIN: 21110128AAAABX9693

Place: Bengaluru
Date: May 12, 2021

ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT

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

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

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

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

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

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

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

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

(vii) According to the information and explanations given to us, in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Goods and Service Tax, Customs Duty, cess and other material statutory dues applicable to it with the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Goods and Service Tax, Customs Duty, cess and other material statutory dues in arrears as at March 31, 2021 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, 2021 on account of disputes are given below:

Name of Statute	Nature of Dues	Forum where Dispute is Pending	Period to which the Amount Relates	Amount Involved (₹ in lakhs)
Income Tax Act, 1961	Income Tax	High Court	AY 2006-07 and 2007-08	4,570
		Appellate Authority upto ITAT Level	AY 2011-2012	2,275
Finance Act, 1994	Service Tax, Penalty and Interest thereon	Central Excise and Service Tax Appellate Tribunal	FY 2006-07 to 2012-13	1,028

(viii) The Company has not taken any loans or borrowings from financial institutions, banks and government or has not issued any debentures. Hence reporting under clause 3 (viii) of the Order is not applicable to the Company.

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

(x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.

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

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

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

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

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

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

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

Gurvinder Singh
Partner
(Membership No. 110128)
UDIN: 21110128AAAABX9693

Place: Bengaluru
Date: May 12, 2021

BALANCE SHEET as at March 31, 2021

₹ in Lakhs

	Note No.	As at March 31, 2021	As at March 31, 2020
ASSETS			
Non-current assets			
Property, plant and equipment	3	1,074	1,621
Right-of-use assets	38	7,049	8,387
Capital work-in-progress		11	-
Goodwill		282	282
Financial assets	4		
Investments	4.1	5,285	5,108
Other financial assets	4.2	289	323
Deferred tax assets (net)	16	1,699	1,998
Other non-current assets	5	6,227	5,204
Total non-current assets		**21,916**	**22,923**
Current assets			
Financial assets	6		
Investments	6.1	4,507	480
Trade receivables	6.2	19,158	23,009
Cash and cash equivalents	6.3	26,040	13,762
Bank balances other than above	6.4	2,047	1,856
Loans	6.5	180	220
Other financial assets	6.6	3,429	2,095
Other current assets	7	977	890
Total current assets		**56,338**	**42,312**
Total assets		**78,254**	**65,235**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	8	1,039	1,039
Other equity	9	51,913	36,289
Total Equity		**52,952**	**37,328**
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Other financial liabilities	10	6,423	7,382
Total non-current liabilities		**6,423**	**7,382**
Current liabilities			
Financial liabilities			
Trade payables	11		
Total outstanding dues of micro enterprises and small enterprises	24	37	14
Total outstanding dues of creditors other than micro enterprises and small enterprises		9,283	7,789
Other financial liabilities	12	2,605	5,669
Other current liabilities	13	3,426	3,384
Provisions	14	1,433	1,598
Current tax liabilities (net)	15	2,095	2,071
Total current liabilities		**18,879**	**20,525**
Total equity and liabilities		**78,254**	**65,235**

See accompanying notes to the financial statements

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

Gurvinder Singh
Partner
(Membership No. 110128)

Place : Bengaluru
Date : May 12, 2021

For and on behalf of the Board of Directors

Pradip P Shah
Chairman
Mumbai

P Srikar Reddy
Managing Director & Chief Executive Officer
Bengaluru

Jagannathan C N
Chief Financial Officer
Bengaluru

R Sathyanarayana
VP - Finance & Accounts
Bengaluru

Mangal Krishnarao Kulkarni
Company Secretary
Bengaluru

STATEMENT OF PROFIT & LOSS for the year ended March 31, 2021

₹ in Lakhs

	Note No.	For the year ended March 31, 2021	For the year ended March 31, 2020
REVENUE			
Revenue from operations	17.1	78,141	87,684
Other income	17.2	4,480	9,713
Total Income		**82,621**	**97,397**
EXPENSES			
Purchase of stock-in-trade (traded goods)		6,074	6,352
Employee benefit expense	18	41,333	46,706
Finance costs	19	972	1,090
Depreciation and amortization expense	3	1,890	2,060
Other expenses	20	7,323	14,314
Total expenses		**57,592**	**70,522**
Profit before tax		**25,029**	**26,875**
Tax expense			
Current tax expense	15	5,904	6,001
Provision for tax relating to prior years	15	1,485	-
Deferred tax	16	(263)	(252)
Net tax expense		**7,126**	**5,749**
Profit for the year		**17,903**	**21,126**
Other Comprehensive Income			
1 (a) Items that will not be reclassified to profit/(loss)		(66)	(846)
(b) Income tax relating to items that will not be reclassified to profit/(loss)		15	180
		(51)	**(666)**
2 Items that will be reclassified to profit/(loss)			
(a) Exchange differences in translating the financial statements of foreign operations		131	34
(b) Fair value changes on derivatives designated as cash flow hedge, net		2,423	(3,513)
(c) Income tax relating to Items that will be reclassified to profit/(loss)		(576)	741
		1,978	**(2,738)**
Total		**1,927**	**(3,404)**
Total Comprehensive Income		**19,830**	**17,722**
Earnings per share (on ₹ 1 per share)			
Basic (₹)	34	17.23	20.33
Diluted (₹)		17.23	20.33

See accompanying notes to the financial statements

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

Gurvinder Singh
Partner
(Membership No. 110128)

Place : Bengaluru
Date : May 12, 2021

For and on behalf of the Board of Directors

Pradip P Shah
Chairman
Mumbai

P Srikar Reddy
Managing Director & Chief Executive Officer
Bengaluru

Jagannathan C N
Chief Financial Officer
Bengaluru

R Sathyanarayana
VP - Finance & Accounts
Bengaluru

Mangal Krishnarao Kulkarni
Company Secretary
Bengaluru

CASH FLOW STATEMENT for the year ended March 31, 2021

₹ in Lakhs

		For the year ended March 31, 2021	For the year ended March 31, 2020
A. CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		**25,029**	**26,875**
Adjustments for :			
Depreciation and amortization expense		1,890	2,060
Finance costs		972	1,081
Impairment loss recognised on trade receivables and bad debts written off		389	(90)
Lease payment concessions		(124)	-
Interest on financial assets at amortized cost		(57)	(58)
Interest from fixed deposits/margin money with banks		(794)	(432)
Interest from inter-corporate deposits		(13)	(75)
Dividend income from long-term investments in subsidiaries		(2,894)	(5,506)
(Gain) / loss on sale of fixed assets / scrapped		22	1
Net gain on valuation of current investments		(205)	(267)
Expenses on employee stock based compensation		(53)	58
Exchange (gain)/loss on revaluation of investments		(178)	(72)
Unrealized foreign exchange gain (net)		(1,016)	(790)
Operating profit before working capital changes		**22,968**	**22,785**
Adjustments for :			
Decrease/(increase) in trade receivables		3,335	7,889
Decrease/(increase) in other financial assets-current		185	510
Decrease/(increase) in other financial assets non-current		25	36
Decrease/(increase) in other non-current assets		(230)	(87)
Decrease/(increase) in other current assets		(88)	(48)
(Decrease)/increase in other financial liabilities non-current		(924)	(57)
(Decrease)/increase in trade payables		1,602	2,807
(Decrease)/increase in other financial liabilities		270	17
(Decrease)/increase in other current liabilities		(23)	901
(Decrease)/increase in provisions		(165)	370
Cash generated from operations		**26,955**	**35,123**
Direct taxes/advance tax paid (net)		(8,158)	(7,000)
Net cash from operating activities	**(A)**	**18,797**	**28,123**

CASH FLOW STATEMENT for the year ended March 31, 2021

₹ in Lakhs

		For the year ended March 31, 2021	For the year ended March 31, 2020
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets, including intangible assets, capital work-in-			
progress and capital advances		(92)	(756)
Proceeds from sale of fixed assets		4	3
Investment in subsidiary		-	(1)
Purchase of investments		(21,999)	(24,400)
Proceeds from sale of investments		18,180	34,087
Bank balances not considered as Cash and cash equivalents		(191)	(420)
Interest received		415	522
Dividend received from subsidiary		2,894	5,506
Inter corporate deposit paid to subsidiary		(505)	(25,965)
Inter corporate deposit payment received from subsidiary		546	25,990
Net cash flow from / (used in) investing activities	**(B)**	**(748)**	**14,566**
C. CASH FLOW FROM FINANCING ACTIVITIES			
Payment on lease liabilities		(1,621)	(1,759)
Dividends paid on equity shares		(4,065)	(29,303)
Dividend taxes paid on equity shares		-	(4,975)
Finance costs.		(15)	-
Net cash flow used in financing activities	**(C)**	**(5,701)**	**(36,037)**
Net increase/(decrease) in Cash and cash equivalents	**(A+B+C)**	**12,348**	**6,652**
Opening Cash and cash equivalents		13,762	7,174
Exchange difference on translation of foreign currency Cash and cash equivalents.		(70)	(64)
Closing Cash and cash equivalents		**26,040**	**13,762**
Cash and cash equivalents at the end of the year comprises:			
In current accounts		1,000	2,095
In EEFC accounts		350	8,543
In demand deposit accounts		24,690	3,124
		26,040	**13,762**

See accompanying notes to the financial statements

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

Gurvinder Singh
Partner
(Membership No. 110128)

Place : Bengaluru
Date : May 12, 2021

For and on behalf of the Board of Directors

Pradip P Shah
Chairman
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Managing Director & Chief Executive Officer
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Chief Financial Officer
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R Sathyanarayana
VP - Finance & Accounts
Bengaluru

Mangal Krishnarao Kulkarni
Company Secretary
Bengaluru

STATEMENT OF CHANGES IN EQUITY

for the year ended March 31, 2021

(a) Equity share capital

₹ in Lakhs

Balance as at April 1, 2019	**1,039**
Add: Shares issued on exercise of employee stock options	-
Balance as at March 31, 2020	**1,039**
Balance as at April 1, 2020	**1,039**
Add: Shares issued on exercise of employee stock options	-
Balance as at March 31, 2021	**1,039**

(b) Other equity

₹ in Lakhs

	Reserves and Surplus (Refer note 9)				Items of Other Comprehensive Income (Refer note 9)			Total Other Equity
	Securities premium Reserve	General reserve	ESOP Reserve	Retained Earnings	Remeasurement of the defined benefit plans	Effective Portion of cash flow hedges	Foreign Currency translation reserve	
Balance as at April 1, 2019	4,493	8,292	225	38,319	(88)	1,133	(98)	52,276
Profit for the year				21,126				21,126
Other comprehensive income (net of tax)					(666)	(2,765)	27	(3,404)
Total comprehensive income for the year				**21,126**	**(666)**	**(2,765)**	**27**	**17,722**
Impact on account of adoption of Ind AS 116				558				558
Employee share based payments			59					59
Payment of cash dividends				(29,351)				(29,351)
Dividend distribution tax				(4,975)				(4,975)
Balance as at March 31, 2020	**4,493**	**8,292**	**284**	**25,677**	**(754)**	**(1,632)**	**(71)**	**36,289**
Balance as at April 1, 2020	**4,493**	**8,292**	**284**	**25,677**	**(754)**	**(1,632)**	**(71)**	**36,289**
Profit for the year				17,903				17,903
Other comprehensive income (net of tax)					(51)	1,877	101	1,927
Total comprehensive income for the year				**17,903**	**(51)**	**1,877**	**101**	**19,830**
Employee share based payments	3		(53)					(50)
Payment of cash dividends				(4,156)				(4,156)
Balance as at March 31, 2021	**4,496**	**8,292**	**231**	**39,424**	**(805)**	**245**	**30**	**51,913**

See accompanying notes to the financial statements

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

Gurvinder Singh
Partner
(Membership No. 110128)

Place : Bengaluru
Date : May 12, 2021

For and on behalf of the Board of Directors

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VP - Finance & Accounts
Bengaluru

Mangal Krishnarao Kulkarni
Company Secretary
Bengaluru

Notes forming part of financial statements

1 COMPANY OVERVIEW

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

The Company is a public limited company incorporated and domiciled in India with its registered office at Mumbai and operationally headquartered at Bengaluru. The Company is listed on The National Stock Exchange of India Limited and BSE Limited. The financial statements are approved for issue by the Company's Board of Directors on May 12, 2021.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION & PRESENTATION OF FINANCIAL STATEMENTS

a. Statement of compliance

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

b. Basis of measurement

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

c. Use of judgement, estimates and assumptions

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

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

i) Income taxes

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

ii) Liability towards acquisition of businesses

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

iii) Impairment testing

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

iv) Depreciation and amortisation

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

v) Other estimates

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

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

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

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

The management has considered the possible effects that may result from COVID-19 in the preparation of these financial statements including the recoverability of carrying amounts of financial and non-financial assets. In developing the assumptions relating to the recoverability of these assets, the management has considered the global economic conditions prevailing at the date of approval of these financial statements and has used internal and external sources of Information including credit reports to the extent determined by it. The eventual outcome of impact of the global health pandemic may be different from those estimated as on the date of approval of these financial statements.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Functional and presentation currency

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

b. Investment in subsidiaries

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

c. Property, plant and equipment

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

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

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

d. Capital work-in-progress

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

e. Depreciation/ Amortisation

Depreciable amount for assets is the cost of asset less its estimated residual value. Depreciation has been provided on buildings and plant and equipments on the straight line method and on furniture and fixtures, vehicles and office equipments on the written down method, as per the useful life prescribed in Schedule II of the Companies Act, 2013.

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

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

f. Leases

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

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

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

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

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

g. Financial Instruments

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

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

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

Non-derivative financial assets

i. Financial assets at amortised cost

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

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

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

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

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

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

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

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

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

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

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

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

Non-derivative financial liabilities

Financial liabilities at amortised cost

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

Financial liabilities at FVTPL

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

Derivative financial instruments and hedging activities

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

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

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

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

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

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

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

Offsetting financial instruments

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

Fair value measurement

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

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

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

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

h. Employee Benefits

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

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

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

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

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

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

Short-term employee benefits

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

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

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

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

Long-term employee benefits

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

i. Provisions

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

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

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

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

j. Income Taxes

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

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

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

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

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

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

k. Cash flow Statement:

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

l. Revenue Recognition

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

a) Time and materials contracts

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

b) Fixed-price contracts

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

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

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

c) Hardware/software products and licenses

Revenues from sale of product and licenses are recognised when customer obtains control of the specified asset. In case of customization the same is recognised over the life of the contract using the proportionate completion method, with contract costs determining the degree of completion. Foreseeable losses on such contracts are recognised when probable.

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

d) Maintenance Contracts

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

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

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

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

m. Government grants:

Grants from the Government are recognised by the company when there is reasonable assurance that the conditions attached to the grant will be complied and it will be received.

Government grants related to revenue are recognised on a systematic basis in the statement of profit and loss over the periods necessary to match them with the related costs which they are intended to compensate. Such grants are deducted in reporting the related expense. The grant pertaining to an asset is recognized as income over the expected useful life of the asset.

n. **Dividend and dividend distribution tax:**

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

The Finance Act 2020 has abolished the Dividend Distribution Tax (DDT) and has shifted the tax liability on dividends to the shareholders. Accordingly, the Company distributes the dividend after deducting the taxes at applicable rates.

o. **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.

p. **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.

q. **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.

r. **Impairment**

a) **Financial assets :**

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

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

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

b) **Non-financial assets**

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

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

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

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

s. Earnings per share

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

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

t. Contingent Liabilities

Contingent liabilities exist when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the 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.

u. Contingent Assets

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

v. Events after the reporting period

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

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

Notes forming part of financial statements

3. Property, Plant and Equipment

₹ in Lakhs

	Land leasehold	Buildings	Office equipments	Leasehold improvements	Furniture and fixtures	Plant and equipments	Vehicles	Total
Gross carrying value (Deemed cost)								
As at April 1, 2019	**276**	**115**	**388**	**620**	**300**	**1,204**	**175**	**3,078**
Additions	-	-	45	22	17	693	-	777
Disposals	-	-	-	-	(3)	(149)	(7)	(159)
Translation adjustments	-	-	1	-	-	9	-	10
Reclassified on account of adoption of Ind AS 116 (Refer Note 38)	(276)	-	-	-	-	-	-	(276)
As at March 31, 2020	**-**	**115**	**434**	**642**	**314**	**1,757**	**168**	**3,430**
As at April 1, 2020	**-**	**115**	**434**	**642**	**314**	**1,757**	**168**	**3,430**
Additions	-	-	2	8	3	21	-	34
Disposals	-	-	(34)	(242)	(156)	(17)	(7)	(456)
Translation adjustments	-	-	1	-	-	(3)	-	(2)
As at March 31, 2021	**-**	**115**	**403**	**408**	**161**	**1,758**	**161**	**3,006**
Accumulated Depreciation								
As at April 1, 2019	**34**	**7**	**210**	**410**	**132**	**501**	**73**	**1,367**
Charge for the year	-	3	73	120	40	363	31	630
Depreciation on disposals	-	-	-	-	(3)	(144)	(6)	(153)
Translation adjustments	-	-	(1)	-	-	-	-	(1)
Reclassified on account of adoption of Ind AS 116 (Refer note 38)	(34)	-	-	-	-	-	-	(34)
As at March 31, 2020	**-**	**10**	**282**	**530**	**169**	**720**	**98**	**1,809**
As at April 1, 2020	**-**	**10**	**282**	**530**	**169**	**720**	**98**	**1,809**
Charge for the year	-	2	51	27	29	421	22	552
Depreciation on disposals	-	-	(32)	(233)	(143)	(17)	(6)	(431)
Translation adjustments	-	-	1	-	-	1	-	2
As at March 31, 2021	**-**	**12**	**302**	**324**	**55**	**1,125**	**114**	**1,932**
Net carrying value								
As at March 31, 2021	**-**	**103**	**101**	**84**	**106**	**633**	**47**	**1,074**
As at March 31, 2020	**-**	**105**	**152**	**112**	**145**	**1,037**	**70**	**1,621**

4.1. Investments

₹ in Lakhs

	As at March 31, 2021	As at March 31, 2020
Trade, Long-term, unquoted and at cost		
In subsidiary companies		
Investment in equity instruments (Unquoted)		
3,375,394 Equity shares of ₹ 10/- each in Sonata Information Technology Limited (fully paid)	338	338
(As at March 31, 2020 - 3,375,394 Equity shares of ₹ 10/- each (fully paid))		
300,000 Equity shares of 1 US Dollar each in Sonata Software North America Inc., (fully paid)	122	122
(As at March 31, 2020 - 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
(As at March 31, 2020 - 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
(As at March 31, 2020 - 800 Equity shares of 1 Pound each (fully paid))		
500 Equity shares in Sonata Software FZ LLC of 1,000 AED each (fully paid)	66	66
(As at March 31, 2020 - 500 Equity shares of 1,000 AED each (fully paid))		
98 Equity shares in Sonata Software (Qatar) LLC of 1,000 QAR each (fully paid)	12	12
(As at March 31, 2020 - 98 Equity shares of 1,000 QAR each (fully paid))		

₹ in Lakhs

	As at March 31, 2021	As at March 31, 2020
2 Equity shares in Scalable Data Systems Pty. Ltd. of 1 AUD each (fully paid)	2,237	2,237
(As at March 31, 2020 - 2 Equity shares of 1 AUD each (fully paid))		
10000 Equity shares in Sonata Software Solutions Ltd. of 10 INR each (fully paid)	1	1
(As at March 31, 2020 - 10000 Equity shares of 10 INR each (fully paid))		
Investment in preference shares (Unquoted)		
2,459,560 - 2% non-cumulative convertible redeemable preference	2,476	2,299
shares of 1 Pound each in Sonata Europe Limited, UK (fully paid)		
(As at March 31, 2020 - 2,459,560 shares of 1 Pound each (fully paid))		
Total	**5,285**	**5,108**
Aggregate carrying amount of unquoted investments	5,285	5,108
Investments carried at cost	2,809	2,809
Investments carried at fair value through profit & loss	2,476	2,299

4.2. Other financial assets

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Unsecured, considered good unless otherwise stated		
Net investment in Sub-lease of ROU asset (Refer note 38)	289	322
Balance held as margin money or security against guarantees	-	1
Total	**289**	**323**

5. Other non-current assets

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Unsecured, considered good unless otherwise stated		
Security deposits	1,407	1,482
Other deposits	132	132
Prepaid expenses	394	89
Advance Tax	4,290	3,498
Other recoverables	4	3
Total	**6,227**	**5,204**

6.1 Investments

Other current investments

Non-trade

Investments in Mutual Fund (Quoted)

	As at March 31, 2021		As at March 31, 2020	
	No. of units	₹ in Lakhs	No. of units	₹ in Lakhs
Aditya Birla Sunlife Money Manager Fund	719,350	2,066	-	-
ICICI Prudential Money Market Fund	649,908	1,919	-	-
ICICI Prudential Short term fund - Growth Option	1,137,375	522	1,137,375	480
Total		**4,507**		**480**
Aggregate cost of quoted investments		4,507		480
Market value of quoted investments		4,507		480
Investments carried at fair value though profit or loss		4,507		480

6.2. Trade receivables

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Unsecured		
Considered good*	19,158	23,009
Considered doubtful	736	323
	19,894	**23,332**
Less : Allowances for credit losses	736	323
Total	**19,158**	**23,009**

* Include dues from related parties (Refer note 37)

Movement in expected credit loss allowance

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Balance at the beginning of the year	323	452
Movement in Expected Credit Loss allowance on Trade Receivables calculated at lifetime Expected Credit Loss	413	(129)
Provision at the end of the year	**736**	**323**

Expected Credit Loss

The Company uses a provision matrix to determine impairment loss on portfolio of its trade receivable. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At regular intervals, the historically observed default rates are updated and changes in forward-looking estimates are analysed. The Company estimates the following matrix at the reporting date.

Default rate (in %)	17.5	5.0

6.3. Cash and cash equivalents

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Balances with banks		
In current accounts	1,000	2,095
In EEFC accounts	350	8,543
In demand deposit accounts	24,690	3,124
Total	**26,040**	**13,762**

6.4. Bank balances other than above

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
In fixed deposit accounts	1,514	1,418
In earmarked accounts		
Unpaid dividend accounts	467	375
Balance held as margin money or security against borrowings	66	63
Total	**2,047**	**1,856**

6.5. Loans

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Unsecured, considered good		
Loans and advances to related parties		
Inter-corporate deposits (Refer note 37)	180	220
Total	**180**	**220**

6.6. Other financial assets

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Advances recoverable from related parties (Refer note 37)	324	762
Security deposits	15	14
Interest accrued but not due on bank deposits/margin money	393	1
Interest accrued on inter-corporate deposit (Refer note 37)	3	3
Unbilled revenue	1,568	1,315
Fair value of forward contracts (Refer note 25)	1,126	-
Total	**3,429**	**2,095**

7. Other current assets

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Loans and advances to employees	67	63
Prepaid expenses	244	379
Balances with Government authorities		
VAT credit receivable	119	9
GST credit receivable	223	295
Other recoverables	324	144
Total	**977**	**890**

8. Equity share capital

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Authorized		
150,000,000 equity shares of face value ₹ 1/- each	**1,500**	**1,500**
(As at March 31, 2020 - 150,000,000 equity shares of face value ₹ 1/- each)		
Issued		
105,159,306 equity shares of face value ₹ 1/- each fully paid-up	**1,052**	**1,052**
(As at March 31, 2020 - 105,159,306 equity shares of face value ₹ 1/- each)		
Subscribed and paid-up		
103,908,181 equity shares of face value ₹ 1/- each fully paid-up	**1,039**	**1,039**
(As at March 31, 2020 - 103,908,181 equity shares of face value ₹ 1/- each)		
Out of issued capital, 1,251,125 (As at March 31, 2020 - 1,251,125) shares are held by Sonata Software Limited Employee Welfare Trust		
1,251,125 equity shares held by trust of face value ₹ 1/- each	13	13
(As at March 31, 2020 - 1,251,125 equity shares of face value ₹ 1/- each)		
Total	**1,039**	**1,039**
Refer notes (i) to (v) below		

Notes :

		As at March 31, 2021	As at March 31, 2020
i)	**Reconciliation of number of shares and amount outstanding at the beginning and at the end of the reporting year**		
	Equity shares with voting rights		
	Number of shares outstanding at the beginning of the year	103,908,181	103,859,431
	Add: Share issued on exercise of employee stock options	-	48,750
		103,908,181	**103,908,181**
	Add: Number of shares held by Sonata Software Limited Employee Welfare Trust (Shares issued for consideration other than cash)	1,251,125	1,251,125
	Number of shares outstanding at the end of the year	**105,159,306**	**105,159,306**

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

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

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

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

		March 31, 2021		March 31, 2020	
iii)	**Details of shares held by each shareholder holding more than 5% shares**	**No. of shares**	**% of holding**	**No. of shares**	**% of holding**
	Hemendra M Kothari	10,660,026	10.14	10,660,026	10.14
	Akshay Rajan Raheja	8,250,000	7.85	8,250,000	7.85
	Viren Rajan Raheja	8,250,000	7.85	8,250,000	7.85
	Suman R Raheja	6,900,000	6.56	6,900,000	6.56
	HDFC Trustee Company Limited - A/C HDFC Multi-Aaset Fund	8,892,000	8.46	9,726,600	8.00

			₹ in Lakhs		₹ in Lakhs
(iv)	1,251,125 equity shares held by trust of face value ₹ 1/- each		13		13
	(As at 31.03.2020 : 1,251,125 equity shares of face value ₹ 1/- each)				

(v) During the year ended March 31, 2021 on account of interim dividend for fiscal 2021 the Company has incurred a net cash outflow of Rs. 4,156 lakhs.

9. Other equity

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Securities premium reserve	**4,496**	**4,493**
Amount received on issue of shares in excess of the par value has been classified as security premium, net of utilisation.		
General reserve	**8,292**	**8,292**
This represent appropriation of profit by the company.		
Employee Stock option reserve	**231**	**284**
The ESOP reserve is used to account option granted to employees at a concessional rate.		
Retained earnings		
Opening balance	25,677	38,319
Adjustments during the year		
Impact on account of adoption of Ind AS 116 (Refer Note 38)	-	558
Profit for the year	17,903	21,126
Less :		
Dividend paid	4,156	29,351
Tax on dividend	-	5,044
Set-off of tax on dividend paid by subsidiary	-	(69)
Closing balance	**39,424**	**25,677**
Retained earning comprises of the amounts that can be distributed as dividends to its equity share holders.		
Other Comprehensive Income		
Remeasurement of the defined benefit plans		
Opening balance	(754)	(88)
For the year, (net of tax)	(51)	(666)
Closing balance	**(805)**	**(754)**
Acturial gain or losses on gratuity are recognised in other comprehensive income.		
Effective portion of cash flow hedges		
Opening balance	(1,632)	1,133
Exchange differences on cash flow hedges, (net of tax)	1,877	(2,765)
Closing balance	**245**	**(1,632)**
The effective portion of changes in the fair value of dervatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income.		
Exchange difference on foreign currency translation		
Opening balance	(71)	(98)
For the year (net of tax)	101	27
Closing balance	**30**	**(71)**
Exchange difference relating to the translation of the result and net assets of the company's foreign operations from their functional currencies to the group's presentation currency are recognised directly in other comprehensive income.		
Total	**51,913**	**36,289**

10. Other financial liabilities

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Lease Liability (Refer note 38)	6,423	7,382
Total	**6,423**	**7,382**

11. Trade payables

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Total outstanding dues of micro enterprises and small enterprises (Refer Note 24)	37	37
Total outstanding dues of creditors other than micro enterprises and small enterprises	9,283	7,766
Total	**9,320**	**7,803**

* Include dues from related parties (Refer note 37)

12. Other financial liabilities

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Lease Liability (Refer Note 38)	1,788	1,709
Unpaid dividends	467	375
Payable on purchase of fixed assets	5	52
Other liabilities	2	2
Reimbursable expenses payable to related party (Refer note 37)	343	73
Fair value of forward contracts (Refer note 25)	-	2,560
Payable for purchase of investment - contingent consideration	-	898
Total	**2,605**	**5,669**

13. Other current liabilities

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Income received in advance (Unearned revenue)	10	-
Gratuity payable (net) (Refer note 29)	915	737
Other payables		
Statutory remittances	772	1,139
Advances from customers	38	24
Other liabilities	1,691	1,484
Total	**3,426**	**3,384**

14. Provisions

(₹in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Provision for employee benefits - Compensated absences	1,433	1,598
Total	**1,433**	**1,598**

15. Current tax liabilities (net)

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Provision for tax	2,095	2,071
Total	**2,095**	**2,071**

Income Tax

(₹ in Lakhs)

		For the year ended March 31, 2021	For the year ended March 31, 2020
(a)	**Income tax expense in the statement of profit and loss consists of:**		
	Current Tax:		
	In respect of current year	5,904	6,001
	In respect of prior years	1,485	-
	Deferred Tax:		
	In respect of current year	(263)	(252)
	Total Income tax expense recognised in the statement of profit and loss	**7,126**	**5,749**
(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	(15)	(180)
	Net loss / (gain) on measurement of Effective portion of cash flow hedges	546	(748)
	Net loss / (gain) on measurement on other items	30	7
	Total	**561**	**(921)**
	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	25,029	26,875
	Enacted income tax rate in India	25.17%	25.17%
	Computed expected tax expense	6,299	6,764
	Effect of:		
	Income exempt from tax	(728)	(1,404)
	Expenses that are not deductible in determining taxable profit	95	87
	Items that are deductible in determining taxable profit	13	(45)
	Provision for tax relating to prior years	1,485	393
	Others	(38)	(46)
	Income tax expense recognised in the statement of profit and loss	**7,126**	**5,749**

The applicable Indian corporate statutory tax rate for the year ended March 31, 2021 and March 31, 2020 is 25.17% and 25.17% respectively.

On September 20, 2019, the Government of India, vide the Taxation Laws (Amendment) Ordinance 2019, inserted Section 115BAA in the Income Tax Act, 1961, which provides domestic companies an option to pay Corporate Tax at reduced rate effective April 01, 2019, subject to certain conditions. The Company had opted to pay tax at the reduced rate.

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.

16. Deferred Tax

Deferred Tax assets / (liabilities) as at March 31, 2021 in relation to:

(₹ in Lakhs)

	As on April 1, 2020	Recognised in Profit & Loss	Recognised in Other Comprehensive Income/ Reserves	As on March 31, 2021
Property, plant and equipment	432	7	-	439
Intangible assets	(7)	(4)	-	(11)
Allowances for credit losses	81	104	-	185
Disallowance u/s 40(a)	109	19	-	128
Disallowance u/s 43B	402	40	-	442
Net gain or loss on Fair value of Mutual Funds	56	(81)	-	(25)
Fair Value through Other Comprehensive Income	587	-	(561)	26
Impairment loss recognised on investments of PF Trust	360	50	-	410
Others	(22)	127	-	105
Total	**1,998**	**262**	**(561)**	**1,699**

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

(₹ in Lakhs)

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

*Deferred tax assets of ₹ 299 has been reversed through retained earnings on account of adoption of Ind AS 116.

Deferred tax assets has not been recognised on accumulated long term capital loss of ₹ 3,578 and ₹ 4,015 as at March 31, 2021 and March 31, 2020 respectively as it is probable that taxable profit will not be available against which the unused tax losses can be utilised in foreseeable future.

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Unused tax losses (long term capital loss) which expire in:		
-AY 2021-22	-	438
-AY 2022-23	2,154	2,154
-AY 2024-25	461	461
-AY 2025-26	962	962
Total	**3,578**	**4,015**

17.1. Revenue from operations

(₹ in Lakhs)

	For the year ended March 31, 2021	For the year ended March 31, 2020
Revenue from software services (Refer note 21)	71,786	80,958
Revenue from software product and licenses	6,340	6,599
Other operating revenues	15	127
Total	**78,141**	**87,684**

17.2. Other income

(₹ in Lakhs)

	For the year ended March 31, 2021	For the year ended March 31, 2020
Interest		
from fixed deposits/margin money with banks	794	432
from inter-corporate deposits (Refer note 37)	13	75
from unwinding of rent deposits discounted	24	23
from rent sub lease (Refer note 38)	33	36
Dividend income from long-term investments in subsidiaries (Refer note 37)	2,894	5,506
Net gain on investments carried at fair value through profit and loss	205	267
Net gain on foreign currency transactions and translations	247	3,217
Other non-operating income		
Commission (Refer note 37)	98	66
Miscellaneous income	172	91
Total	**4,480**	**9,713**

18. Employee benefit expense

(₹ in Lakhs)

	For the year ended March 31, 2021	For the year ended March 31, 2020
Salaries including bonus	37,173	42,712
Contributions to provident and other funds	3,290	3,482
Share based payments to employees (Refer note 30)	915	234
Staff welfare expenses	266	671
	41,644	**47,099**
Less: Deputation cost/Service charges recovered from subsidiary (Refer note 37)	311	393
Total	**41,333**	**46,706**

19. Finance costs

(₹ in Lakhs)

	For the year ended March 31, 2021	For the year ended March 31, 2020
Interest expense on:		
Lease rentals discounted (Refer note 38)	930	1,040
Contingent consideration	27	41
Others	-	9
Other borrowing costs	15	-
Total	**972**	**1,090**

20. Other expenses

(₹ in Lakhs)

	For the year ended March 31, 2021	For the year ended March 31, 2020
Power and fuel	268	563
Rent (includes related parties - refer note 37)	480	928
Repairs and maintenance - Buildings	3	7
Repairs and maintenance - Machinery	39	97
Insurance	488	502
Rates and taxes	62	185
Communication cost	435	394
Facility maintenance	348	631
Travelling and conveyance expenses	309	3,358
Sales commission	219	15
Professional and technical fees	677	1,488
Software project fees	732	192
Legal fees	37	25
Insourcing professional fees	1,020	1,901
Software license fees	789	523
Expenditure on Corporate Social Responsibility (Refer note 33)	377	335
Payments to auditors	91	110
Net loss on fixed assets sold / scrapped	22	1
Impairment loss recognised on trade receivables and bad written off	390	(90)
Impairment loss recognised on investments of PF trust	-	2,224
Miscellaneous expenses	592	1,007
	7,378	**14,396**
Less: Service charges recovered from subsidiary (Refer note 37)	55	82
Total	**7,323**	**14,314**
Note - Payments to auditors comprises (net of input tax credit):		
Statutory audit	80	80
Other services	11	27
Reimbursement of expenses	-	3
	91	**110**

21. Revenue from software services

Disaggregate revenue information

The table below presents disaggregated revenues from contracts with customers for the year ended March 31, 2021 by contract type. The Company believes that this disaggregation best depicts how the nature, amount, timing and uncertainity of our revenues and cashflows are affected by industry, market and other economic factors.

(₹ in Lakhs)

	For the year ended March 31, 2021	For the year ended March 31, 2020
Time & Material	61,003	71,474
Fixed Price	10,783	9,484
	71,786	**80,958**

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

Trade receivables and Contract Balances

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

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

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

Invoicing in excess of earnings are classified as unearned revenue.

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

During the year ended March 31, 2021, ₹ 1,315 Lakhs of unbilled revenue as of April 1, 2020 has been reclassified to Trade receivables upon billing to customers on completion of milestones.

During the year ended March 31, 2021, the company recognized revenue of Nil arising from opening unearned revenue as of April 1, 2020

Performance obligations and remaining performance obligations

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

The aggregate value of performance obligations that are completely or partially unsatisfied as at March 31, 2021, other than those meeting the exclusion criteria mentioned above, is ₹ 387 Lakhs. The Company expects to recognize the revenue within the next one year. This includes contracts that can be terminated for convenience without a substantive penalty since, based on current assessment, the occurrence of the same is expected to be remote.

22. Contingent Liabilities

(₹ in Lakhs)

		As at March 31, 2021	As at March 31, 200
a)	**Guarantees**		
	The Company has given corporate guarantees to certain suppliers of Sonata Information Technology Limited (SITL) and Sonata Software North America (SSNA), its wholly owned subsidiaries.	16,950	20,172
b)	**Disputed demand of Service tax**		
	The demand for payment of service tax for the period from FY 2006-07 to FY 2012-13 on services received and consumed by UK branch of the company and a subsidiary company at USA, treating it as import of service, wrong availment of cenvat credit and usage of software services provided to subsidiary. The company had filed appeal before the Commissioner of Appeals and is confident of getting favorable outcome based on legal precedents which support its stand.	1,028	1,028
c)	**Other claims against the Company not acknowledged as debt**	**2,799**	**2,799**
d)	**Disputed demands of Income-tax**	**6,845**	**13,554**

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

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

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

For the financial year 2005-06 and 2006-07 ₹ 4,570 (As at March 31, 2020 - ₹ 4,570), the Company has received favorable order from Income-tax Appellate Tribunal (ITAT) and the Department has preferred an appeal before the Honorable High Court of Mumbai.

For the financial year 2001-02, ITAT had given a favorable order on the ground of income accrued under Section 10A of the Act against which the department had filed an appeal before the Honorable High Court of Mumbai Nil (As at March 31, 2020 - ₹ 149). The Company has opted to apply for settlement of these disputes under Direct Tax Vivad Se Vishwas Act, 2020, the necessary applications were filed and liability has been settled by the company during the year.

For the financial year 2013-14, Nil (As at March 31, 2020 -₹ 43), the Company has preferred an appeal before Commissioner of Income-tax (Appeals) on the ground of income accrued under Section 10A of the Act. The Company has opted to apply for settlement of these disputes under Direct Tax Vivad Se Vishwas Act, 2020, the necessary applications were filed and liability has been settled by the company during the year.

For financial year 2010-11 ₹ 2,275 (As at March 31, 2020 ₹ 2,275), Assessing Officer has re-opened the Assessment under section 148 of the Act and disallowed 10A benefit. The company has preferred an appeal before Commissioner of Income-tax (Appeals).

For the financial year 2015-16, Nil (As at March 31, 2020 - ₹ 67), the Company has preferred an appeal before Commissioner of Income-tax (Appeals) on the ground of income accrued under Section 10A of the Act. Company has availed the scheme of Vivad Se Vishwas during the year and and settled the tax due as per scheme.

(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 Nil (As at March 31, 2020 - ₹ 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. Company has availed the scheme of Vivad Se Vishwas during the year and and settled the tax due as per scheme.

Nil (As at March 31, 2020- ₹ 116) for the financial year 2010-11. The Company had filed an appeal before the Commissioner of Income-tax (Appeals). The Company has received favorable orders and the Department had preferred an appeal before ITAT which was heard during the previous year and dismissed. Department has filed appeal before High Court. High Court has admitted the appeal pending hearing. The Company has opted to apply for settlement of these disputes under Direct Tax Vivad Se Vishwas Act, 2020, the necessary applications were filed and liability has been settled by the company during the year.

(iii) Transfer Pricing Adjustment

Nil (As at March 31, 2020 – ₹ 1,072) for the financial year 2011-12 and financial year 2013-14. The Income-tax department has recommended the upward adjustment in the value of Investment in subsidiary and sale of services to associated enterprises as Transfer Pricing Adjustment in the International transactions in order to consider them to be at arm's length price. The Company had preferred an appeal before Commissioner of Income-tax (Appeals) heard and partly allowed. For the financial year 2011-12, the Company has preferred an appeal before Income-tax Appellate Tribunal (ITAT) and for the financial year 2013-14, the company has preferred an appeal before Commissioner of Income-tax (Appeals). The Company has opted to apply for settlement of these disputes under Direct Tax Vivad Se Vishwas Act, 2020, the necessary applications were filed and liability has been settled by the company during the year.

(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 Nil (As at March 31, 2020 - ₹ 2,842) for the financial years 1999-00, 2000-01 and 2001-02. The Company's contention has been that the payments were made for purchase of 'Goods' and hence was under no obligation to withhold Income-tax on the same. The Company had received favorable orders from the ITAT which were reversed by the Honorable High Court of Karnataka. The Company had preferred a Special Leave Petition Appeal on the said order to the Honorable Supreme Court of India. During the year the company had received a favorable judgement from Honourable Supreme Court of India on purchase of software products from non-resident is not taxable as 'Royalty' and withholding tax is not applicable as per the Income-tax Act, 1961. Consequently on account of this favorable judgement, there is no liability on the company in this respect.

(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 Nil (As at March 31, 2020 - ₹ 83) for the financial year 1994-95. The Company had received favorable orders from Income-tax Appellate Tribunal. The department had preferred an appeal on the said order before the Honorable High Court of Mumbai. The Company has opted to apply for settlement of these disputes under Direct Tax Vivad Se Vishwas Act, 2020, the necessary applications were filed and liability has been settled by the company during the year.

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, 2021	As at March 31, 2020
Estimated amount of contracts remaining to be executed on capital account and not provided for	7	19

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

(₹ in Lakhs)

		As at March 31, 2021	As at March 31, 2020
(i)	Principal amount remaining unpaid to any supplier as at the end of the accounting year	37	14
(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.

25. Financial instruments

The carrying value and fair value of financial instruments by categories as at March 31, 2021 and March 31, 2020 is as follows:

(₹ in Lakhs)

	Note No.	Carrying Value		Fair Value	
		As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
Amortised Cost					
Loans - Inter-corporate deposits	6.5	180	220	180	220
Security Deposits	5 & 6.6	1,421	1,496	1,421	1,496
Trade receivable	6.2	19,158	23,009	19,158	23,009
Cash and cash equivalents	6.3	26,040	13,762	26,040	13,762
Bank balances other than Cash & cash equivalents	6.4	2,047	1,856	2,047	1,856
Other financial assets	4.2 & 6.6	2,576	2,404	2,576	2,404
FVTPL					
Investment in Mutual Fund (quoted)	6.1	4,506	480	4,506	480
Forward Contracts	6.6	636	-	636	-
Investment in Preference Shares (unquoted)	4.1	2,476	2,299	2,476	2,299
FVTOCI					
Forward Contracts	6.6	490	-	490	-
Total Assets		**59,530**	**45,526**	**59,530**	**45,526**
Financial liabilities					
Amortised Cost					
Trade payables	11	9,320	7,803	9,320	7,803
Other financial liabilities	10 & 12	9,028	502	9,028	502
FVTPL					
Forward Contracts	10	-	627	-	627
Payable for acquisition of business - contingent consideration	10	-	898	-	898
FVTOCI					
Forward Contracts		-	1,933	-	1,933
Total Liabilities		**18,348**	**11,763**	**18,348**	**11,763**

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

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

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

1. The fair value of the quoted mutual funds are based on price quotations at reporting date. The fair value of other financial liabilities and other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. In addition to being sensitive to a reasonably possible change in the forecast cash flows or discount rate, the fair value of the equity instruments is also sensitive to a reasonably possible change in the growth rates.

2. The fair values of the unquoted equity and preference shares have been estimated using a discounted cash flow model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, discount rate, credit risk and volatility, the probabilities of the various estimates whose range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

3. The Company enters into derivative financial instruments with Banks. Foreign exchange forward contracts are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing model, using present value calculations. The models incorporate various inputs including the credit quality of banks, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves etc. As at March 31, 2021, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative bank default risk. The changes in bank credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

26. 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, 2021 and March 31, 2020.

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

(₹ in Lakhs)

	Fair value as at		Fair value hierarchy	Valuation technique and Key inputs
	As at March 31, 2021	As at March 31, 2020		
Investment in Mutual funds	4,506	480	Level 1	Fair value is determined based on the Net asset value published by respective funds.
Foreign currency forward contracts	1,126	2,560	Level 2	The fair value of forward foreign contracts are determined using forward exchange rates at the reporting date.
Other financial liabilities	-	898	Level 3	Payable for acquisition of subsidiary is a financial liability.

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

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

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Opening balance	2,299	2,226
Remeasurement recognised	177	73
Purchases	-	-
Sales	-	-
Closing balance	2,476	2,299

Derivative financial instruments

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

For movement in cash flow hedge reserve gain or loss - Refer note 9

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

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Designated derivative instruments (Sell):		
In USD	595	735
in GBP	105	151
in EUR	29	43

The foreign exchange forward contracts mature anywhere between 0-1.5 year. The table below analyzes the derivative financial instruments into relevant maturity groupings based on the remaining period as at the reporting date:

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Designated derivative instruments (Sell):		
Less than 3 months		
In USD	167	153
in GBP	26	29
in EUR	8	8
More than 3 months		
In USD	428	582
in GBP	78	122
in EUR	21	35

Average rate of coverage

	As at March 31, 2021		As at March 31, 2020	
	₹ in Lakhs	Weighted Average Rate (₹)	₹ in Lakhs	Weighted Average Rate (₹)
USD	595	77.47	735	74.29
GBP	105	101.35	151	94.98
EUR	29	90.88	43	84.52

27. Financial risk management

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

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

Credit risk

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

Trade and other receivables

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

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

(₹ in Lakhs)

	For the year ended	
	March 31, 2021	March 31, 2020
Revenue from top customer	8,600	21,275
Revenue from top 5 customers	14,447	30,731

One customer accounted for more than 10% of the revenue for the year ended March 31, 2021 and two of the customer accounted for more than 10% of the receivables for the year ended March 31, 2021. One customer accounted for more than 10% of the revenue for the year ended March 31, 2020 and one of the customer accounted for more than 10% of the receivables for the year ended March 31, 2020.

Investments

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

Liquidity risk

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

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

The working capital position of the Company is given below:

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Cash and cash equivalents	26,040	13,762
Bank balances other than Cash & cash equivalents	2,047	1,418
Investments in mutual funds (quoted)	4,506	480
Inter Corporate deposits with subsidiary	180	220
Trade receivables	19,158	23,009
Other financial assets	3,428	2,095
Other current assets	978	890

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2021 and March 31, 2020:

	As at March 31, 2021		
	Less than 1 year	1-2 years	2 years & above
Trade payables	9,320	-	-
Other financial liabilities	9,028	-	-
Lease liabilities	1,788	1,674	4,749

	As at March 31, 2020		
	Less than 1 year	1-2 years	2 years & above
Trade payables	7,803	-	-
Other financial liabilities	1,400	-	-
Lease liabilities	1,709	1,608	5,774

Foreign Currency risk

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

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

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

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

a) an approximately ₹ 592 lakhs increase and decrease in the Company's net profit as at March 31, 2021;

b) an approximately ₹ 270 lakhs increase and decrease in the Company's net profit as at March 31, 2020.

The following table presents foreign currency risk from non-derivative financial instruments as of March 31, 2021 and March 31, 2020.

(₹ in Lakhs)

Exposure currency	USD	GBP	EUR	Other Currencies*
As at March 31, 2021				
Assets				
Trade receivables	14,111	2,749	649	636
Cash and Cash equivalents	427	307	13	524
Other assets	14	164	15	19
Liabilities				
Trade Payable	(1,484)	(364)	(4)	(198)
Net assets/liabilities	**13,068**	**2,856**	**673**	**981**
As at March 31, 2020				
Assets				
Trade receivables	15,124	5,530	1,492	179
Cash and Cash equivalents	9,077	774	14	195
Other non-current assets	46	236	14	(1)
Liabilities				
Trade Payable	3,224	81	32	127
Other non-current liabilities	-	-	-	915
Net assets/liabilities	**27,471**	**6,621**	**1,552**	**1,415**

*Others include currencies such as Singapore Dollar, Australian Dollar, Swiss Franc, etc.

For the year ended March 31, 2021, every 1% increase/decrease of the respective foreign currencies compared to functional currency of the Company would impact operating margins by 0.11%/ (0.11)%. For the year ended March 31, 2020, the impact on operating margins would be 0.41%/ (0.41)%.

28. Capital management

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

The capital structure of the company consists of the following:

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Total equity attributable to the equity share holders of the Company	53,184	37,328
As percentage of total capital	100%	100%
Current borrowings	-	-
As a percentage of total capital	-	-
Total capital (borrowings and equity)	**53,184**	**37,328**

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.

29. Employee benefit plans

i) Defined contribution plans

Provident fund

a) Eligible employees of Sonata Software Limited receive benefits from a provident fund, which is a defined benefit plan. Both the eligible employee and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. The Company contributes a portion to the Sonata Software Provident Fund. The trust invests in specific designated instruments as permitted by Indian law. The remaining portion is contributed to the government administered pension fund. The rate at which the annual interest is payable to the beneficiaries by the trust is being administered by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate.

The Sonata Software Limited Provident Fund Trust had applied to the Employee Provident Fund Organisation (EPFO) for surrender of exemption granted under Section 17(1)(a) of The Employee Provident Fund and Miscellaneous provision Act, 1952. The EPFO had agreed vide thier letter dated March 12, 2021 for surrender of exemption granted and Sonata Sofware Limited to comply as unexempted establishment w.e.f May 01, 2021. The Sonata Software Limited Provident Fund Trust is in the process of submission of documents for surrender of exemption .

Provident fund contributions amounting to ₹ 1,447 lakhs (for the year ended March 31, 2020 ₹ 1,571 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)

	Year ended March 31, 2021	Year ended March 31, 2020
Employee's State Insurance (as part of Staff welfare expenses in Note 18 Employee benefits expense)	10	16
Superannuation (as part of Contribution to Provident Fund and other Funds in Note 18 Employee benefits expense)	781	792
National Pension Scheme (as part of Contribution to Provident Fund and other Funds in Note 18 Employee benefits expense)	45	43
National Insurance Contribution (as part of Contribution to Provident Fund and other Funds in Note 18 Employee benefits expense)	324	598

ii) **Defined benefit plans - Gratuity**

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

	March 31, 2021	March 31, 2020
Discount rate(s)	6.26%	6.82%
Expected rate(s) of salary increase	5.00%	5.00%
Mortality Rate	Indian Assured Lives Mortality 2006-08	Indian Assured Lives Mortality 2006-08

Amounts recognised in Statement of Profit and Loss in respect of these defined benefit plans are as follows:

(₹ in Lakhs)

	Year ended March 31, 2021	Year ended March 31, 2020
Service Cost:		
Current Service Cost	623	457
Net Interest Expense	50	2
Components of defined benefit costs recognised in profit or loss	**673**	**459**
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	(640)	291
Actuarial (gains) / losses arising from changes in financial assumptions	170	478
Actuarial (gains) / losses arising from experience adjustments	309	77
Actuarial (gains) / losses arising from Demographic adjustments	227	-
Components of defined benefit costs recognised in other comprehensive income	**66**	**846**

The current service cost and the net interest expense for the year are included in the 'Employee benefit expense' line item in the Statement of Profit and Loss.

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

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

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Present value of funded defined benefit obligation	(5,291)	(4,136)
Fair value of plan assets	4,376	3,399
Net (liability) / Assets arising from defined benefit obligation	**(915)**	**(737)**
Movements in the present value of the defined benefit obligation are as follows.		
Opening defined benefit obligation	4,136	3,176
Current service cost	623	457
Interest cost	282	252
Remeasurement (gains)/losses:		
Actuarial gains and losses arising from changes in financial assumptions	170	478
Actuarial gains and losses arising from experience adjustments	309	77
Actuarial (gains) / losses arising from Demographic adjustments	227	-
Benefits paid	(456)	(304)
Closing defined benefit obligation	**5,291**	**4,136**
Movements in the fair value of the plan assets are as follows.		
Opening fair value of plan assets	3,399	3,150
Interest income	232	250
Return on plan assets (excluding amounts included in net interest expense)	640	(291)
Contributions from the employer	561	594
Benefits paid	(456)	(305)
Closing fair value of plan assets	**4,376**	**3,399**

The major categories of plan assets as a percentage of total plan

	As at March 31, 2021	As at March 31, 2020
Insurer Managed Funds	100%	100%
Category of funds :		
Secure Fund	18.02%	16.08%
Defensive Fund	34.40%	39.88%
Balanced Fund	47.49%	43.92%
Stable Fund	0.09%	0.12%

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

(₹ in Lakhs)

	As at March 31, 2021		As at March 31, 2020	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	332	295	516	431
Future salary growth (1% movement)	333	301	521	442

The Company expects to contribute ₹ 1,152 lakhs to its defined benefit plans during the next fiscal year.

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

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

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

Experience adjustments (₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Present value of defined benefit obligation	5,291	4,136	3,176	2,709	2,320
Fair value of plan assets	4,376	3,399	3,150	2,628	2,488
Surplus / (deficit)	(915)	(737)	(26)	(81)	168
Experience adjustments on plan liabilities - (gain)/losses	309	77	73	145	(74)
Experience adjustments on plan assets - (losses)/gain	640	(291)	27	(15)	91

Maturity profile of defined benefit obligation: (₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Within 1 year	580	422
1-2 years	554	122
2-3 years	772	162
3-4 years	490	150
4-5 years	541	152
5 years and Above	5,385	9,882

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.

30. Share-based payments

a) Employee share option plan of the Company

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

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

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

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

Number of Shares	Grant date	Expiry date	Exercise price (₹)	Fair Value at grant date (₹)
375,000	Apr 1, 2012	Apr 1, 2017	18.10	4.45 - 6.55
120,000	May 20, 2015	May 20, 2020	165.75	53.35 - 68.45
160,000	Aug 8, 2016	Aug 9, 2021	154.45	55.21 - 68.60
60,000	May 29, 2017	May 29, 2022	149.65	43.49 - 55.86
75,000	Nov 13, 2017	Nov 14, 2022	191.95	54.78 - 79.62
120,000	May 31, 2019	May 30, 2024	354.50	115.54-137.75
60,000	May 29, 2020	May 28, 2025	206.50	54.22 - 62.63

ii) Fair value of share options outstanding at the year end

Options are priced using Black - Scholes pricing model.

Inputs into the model

Grant date	Apr 1, 2012	May 20, 2015	Aug 8, 2016	May 29, 2017	Nov 13, 2017	May 31, 2019	May 29, 2020
Grant date share price (₹)	13.74	148.98	150.09	142.17	188.51	356.70	202.90
Exercise price (₹)	18.10	165.75	154.45	149.65	191.95	354.50	206.50
Expected volatility (%)	49.84 - 51.82	46.52 - 47.05	43.18 - 44.24	36.47 - 40.61	31.78 - 40.86	53-26	40
Option life (in years)	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Dividend yield (%)	-	-	-	-	-	2.50	2.50
Risk-free interest rate (%)	8.18 - 8.60	7.79 - 7.86	6.91 - 7.08	6.66 - 6.79	6.52 - 6.81	6.71 - 7.03	4.76-5.26

iii) Movements in share options during the year

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

	For the year ended March 31, 2021		For the year ended March 31, 2020	
	Number of Options	Weighted average exercise price (₹)	Number of Options	Weighted average exercise price (₹)
Balance at beginning of year	320,000	228.87	305,000	164.15
Granted during the year	60,000	206.50	120,000	354.50
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	48,750	175.83
Cancelled during the year	178,000	68.33	56,250	191.95
Balance at end of year	**202,000**	**92.17**	**320,000**	**228.87**
Exercisable at the end of the year	65,500	77.82	140,000	153.76

iv) Stock options exercised during the year

No share options were exercised during the year

The following share options were exercised during 2019-20:

Granted on	Number Exercised	Exercised Date	Share price at exercise Date (₹)
May 20, 2015	30,000	May 20, 2019	332.45
November 13, 2017	18,750	Aug 1, 2019	321.05
Total	**48,750**		

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 ₹ 269.98 (as at March 31, 2020 ₹ 228.87)

During the year, the amount recognised as reversal of expense for employee Stock Options is ₹ 53 lakhs

b) Other Stock Based Compensation Arrangements

Stock Appreciation Rights Plan provides the certain employee with the right to receive cash that is equal to the increase in the value of the company's shares from the date the right was granted and the right was exercised. They are not entitled to any shares or dividend. Plan 1 and 2 of 2018 has been approved by the Board vide Board Meeting dated May 29, 2017 subsequently amended dated August 13, 2018. Plan of 2019 has been approved by the Board vide Board meeting dated August 13, 2018.

The Company has also granted stock appreciation rights plan to certain employees during the year which is subject to certain vesting conditions. Details of the grant/issue as at March 31, 2021 are given below:

	For the year ended March 31, 2021							
	As per plan 1 (2018)	As per plan 2(2018)	As per plan1 (2019)	As per plan 3 (2018)	As per plan 4 (2018)	As per plan 2(2019)	As per plan 2 (2020)	As per plan 3(2020)
Outstanding units as at the beginning of the year	225,000	348,000	62,000	144,000	180,000	93,000	-	-
Number of units granted under letter of intent during the year		-					165,000	55,500
Exercised units	5,000	23,000	32,500			34,500	-	-
Lapsed units	-	128,000		99,000	-	-	-	-
Forfeited units	-	-	-	-	-		-	-
Cancelled units		-	-	-	-	-		-
Outstanding units as at the end of the year	220,000	197,000	29,500	45,000	180,000	58,500	165,000	55,500
Contractual life (in years)	3	3	1	3	3	1	3	1
Date of grant	May 29, 2017	Dec 18, 2018	Sep 30, 2018	May 31, 2019	Oct 30, 2019	Oct 1, 2019	May 29, 2020	Jan 1, 2021
Grant price per unit (₹)	149.65	315.30	200.00	354.50	317.40	224.00	206.05	251.00
Number of units exercisable at the end of the year	220,000	127,000	29,500	15,000	60,000	58,500	-	-
Weighted average exercise price (₹)	169.21	335.66	200.00	354.50	317.40	224.00	-	-
Weighted average exercise price for options exercisable at the end of the year (₹)	169.21	356.60	200.00	398.74	357.01	224.00	231.77	251.00

	For the year ended March 31, 2020					
	As per plan 1 (2018)	As per plan 2(2018)	As per plan1 (2019)	As per plan 3 (2018)	As per plan 4 (2018)	As per plan 2(2019)
Outstanding units as at the beginning of the year	23,000	348000	101,500	-	-	-
Number of units granted under letter of intent during the year		-		144,000	180,000	93,000
Vested units	5,000	-	39,500			-
Lapsed units	-	-	-	-	-	-
Forfeited units	-	-	-	-	-	-
Cancelled units		-	-	-	-	-
Outstanding units as at the end of the year	225,000	348,000	62,000	144,000	180,000	93,000
Contractual life (in years)	3	3	1	3	3	1
Date of grant	May 29, 2017	Dec 18, 2018	Sep 30, 2018	May 31, 2019	Oct 30, 2019	Oct 1, 2019
Grant price per unit (₹)	149.65	315.30	200.00	354.50	317.40	224.00
Number of units exercisable at the end of the year	145,000	116,000	62,000	-	-	-
Weighted average exercise price (₹)	161.28	354.65	200.00	398.74	357.01	224.00
Weighted average exercise price for options exercisable at the end of the year (₹)	148.00	315.30	200.00	-	-	-

The weighted average fair value of each unit for the above mentioned stock appreciation rights plan has been calculated using the Black - Scholes pricing model with the following assumptions:

	For the year ended March 31, 2021							
	As per plan 1 (2018)	As per plan 2(2018)	As per plan1 (2019)	As per plan 3 (2018)	As per plan 4 (2018)	As per plan 2 (2019)	As per plan 2 (2020)	As per plan 3 (2020)
Grant date	May 29, 2017	Dec 18, 2018	Sep 30, 2018	May 31, 2019	Oct 30, 2019	Oct 1, 2019	May 29, 2020	Jan 1, 2021
Exercise price (₹)	149.65-187.72	315.3-395.52	200.00	354.9-444.68	317.4-398.15	224.00	206.05-258.47	251.00
Dividend yield	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Expected life (in years)	3	3	1	3	3	1	3	1
Risk free interest rate	3.86%	3.86%-4.25%	3.86%	3.86%-5.18%	3.86%-5.18%	3.86%	4.25%-5.58%	4.25%
Volatility	40%	40%	40%	40%	40%	40%	40%	40%

	For the year ended March 31, 2020					
	As per plan 1 (2018)	As per plan 2(2018)	As per plan1 (2019)	As per plan 3 (2018)	As per plan 4 (2018)	As per plan 2(2019)
Grant date	May 29, 2017	Dec 18, 2018	Sep 30, 2018	May 31, 2019	Oct 30, 2019	Oct 1, 2019
Exercise price (₹)	163.34-177.71	86.02-94.65	149.42	354.5-444.68	317.40-398.15	224
Dividend yield	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Expected life (in years)	3	3	1	3	3	1
Risk free interest rate	4.87-5.76%	4.87-5.76%	4.87-5.76%	4.87-5.76%	4.87-5.76%	4.87-5.76%
Volatility	45%	45%	45%	45%	45%	45%

During the year, the expense recognised for Stock appreciation rights is ₹ 967 lakhs and the related liability accounted is ₹ 1439 lakhs

31. Segment reporting

The Company publishes this financial statement along with the consolidated financial statements. In accordance with Ind AS 108, Operating Segments, the Company has disclosed the segment information in the consolidated financial statements.

32. Consolidation of Employee Welfare Trust

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

33. Corporate Social Responsibility

As per Section 135 of Companies Act, 2013 a company meeting the applicability threshold, needs to spend atleast 2% of its average net profit of the immediately preceding three financial years on Corporate Social Responsibility (CSR) activities. A CSR committee has been formed by the Company as per the Companies Act, 2013. The CSR initiatives are focused towards those programme directly or indirectly, benefit the community and society at large.

(i) Gross amount required to be spent by the Company during the year is ₹ 374 lakhs (Previous year is ₹ 348 lakhs).

(ii) Amount spent during the year is ₹ 377 lakhs (Previous year is ₹ 335 lakhs).

(₹ in Lakhs)

	In Cash	Yet to be paid in Cash	Total
1. Construction / acquisition of any asset	-	-	-
2. On purposes other than (1) above	-	377	377
Total	**-**	**377**	**377**

(iii) Amount unspent is ₹ Nil lakhs (Previous year is ₹ 13 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:

	For the year ended March 31, 2021		For the year ended March 31, 2020	
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
Weighted average number of equity shares outstanding during the period	105,159,306	105,159,306	105,110,556	105,110,556
Weighted average number of Potential equity shares exercised by Sonata Employee Welfare Trust	(1,251,125)	(1,251,125)	(1,251,125)	(1,251,125)
Weighted average number of equity shares resulting from assumed exercise of employee stock options	-	35,013	31,654	31,654
Weighted average number of equity shares for calculation of earning per share	103,908,181	103,943,194	103,891,085	103,891,085

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 Board of Directors at their meeting held on November 06, 2020 had declared an interim dividend of 400% (₹ 4 per equity share of par value of ₹ 1 each). Further, the Board of Directors at its meeting held on May 12, 2021 have recommended a final dividend of 1,000% (₹ 10 per equity share of par value ₹ 1 each), which is subject to approval of shareholders.

The Board of Directors at their meeting held on October 30, 2019 had declared an interim dividend of 575% (₹ 5.75 per equity share of par value of ₹ 1 each). Further, the Board of Directors at its meeting held on Feb 26, 2020 have recommended a second interim of 1450% (₹ 14.5 per equity share of par value ₹ 1 each).

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
	Sonata Software Solutions Limited*
	Sonata Software North America Inc.**
	Sonata Software GmbH
	Sonata Europe Limited
	Sonata Software FZ LLC
	Scalable Data Systems Pty Ltd.
(b) Subsidiary	Interactive Business Information Systems Inc. (subsidiary of Sonata Software North America Inc.)
	Sopris Systems LLC (subsidiary of Sonata Software North America Inc.)
	Sonata Software (Qatar) LLC
	GAPbuster Limited ***
	Gapbuster Europe Limited ***
	Gapbuster Inc ***
	Gapbuster Worldwide Pty Limited ***
	Gapbuster China Co. Limited ***
	Kabushiki Kaisha Gapbuster Japan ***
	Gapbuster Worldwide Malaysia Sdn Bh ***
(c) Entity with common Key Management Personnel (KMPE)	Palred Technology Services Private Limited
(d) Post-employment benefit plan (Refer Note 29)	Sonata Software Limited Gratuity Fund
	Sonata Software Officers' Superannuation Fund
	Sonata Software Provident Fund
(e) Key Management Personnel (KMP)	Mr. P Srikar Reddy, Managing Director & Chief Executive Officer
	Mr. Pradip P Shah, Chairman & Independent Director
	Mr. B K Syngal, Independent Director (upto August 10, 2019)
	Mr. S N Talwar, Independent Director (upto August 10, 2019)
	Ms. Radhika Rajan, Independent Director
	Mr. Viren Raheja, Non Executive Director
	Mr. S B Ghia, Non Executive Director
	Mr. Sanjay K Asher - (w.e.f. August 8, 2019)
	Mr. Prasanna Oke, Chief Financial Officer (upto June 30, 2019)
	Mr. Jagannathan C N, Chief Financial Officer (w.e.f. October 30, 2019)
	Ms. Mangal Krishnarao Kulkarni, Company Secretary (w.e.f. July 1, 2019)

ii) Transactions with related parties :

(₹ in Lakhs)

	WOS, Subsidiary and KMPE		KMP	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Rendering of services				
Sonata Software North America Inc.	36,040	32,727		
Sonata Europe Limited	6,120	7,929		
Sonata Software FZ LLC	153	136		
Rezopia Inc.	-	15		
Sonata Information Technology Limited	1,295	1,681		
Interactive Business Information Systems Inc.	935	1,218		
Scalable Data Systems Pty Ltd	1,091	345		
Sopris Systems LLC	44	139		
Sonata Software Solutions Limited	25	-		

(₹ in Lakhs)

	WOS, Subsidiary and KMPE		KMP	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Purchase of Software products and licenses				
Sonata Information Technology Limited	5,028	6,647		
Sonata Software Solutions Limited	553	-		
Interactive Business Information Systems Inc.	37	38		
Sonata Software (Qatar) LLC	61	106		
Sopris Systems LLC	-	18		
Commission on Sales				
Palred Technology Services Private Limited	6	-		
Service charges recovered				
Sonata Information Technology Limited	366	474		
Inter corporate deposits given				
Sonata Information Technology Limited	100	23,245		
Sonata Software Solutions Limited	505	220		
Inter corporate deposits recovered				
Sonata Information Technology Limited	100	23,245		
Sonata Software Solutions Limited	546	-		
Interest income on inter corporate deposits				
Sonata Information Technology Limited	-	66		
Scalable Data Systems Pty Ltd	-	5		
Sonata Software Solutions Limited	13	2		
Interest income from rent on sub lease				
Sonata Information Technology Limited	33	36		
Recovery of rent				
Sonata Information Technology Limited	72	81		
Dividend received				
Sonata Europe Limited	541	-		
Scalable Data Systems Pty Ltd	2,015	-		
Sonata Information Technology Limited	338	5,506		
Commission received on guarantees given on behalf of subsidiary				
Sonata Information Technology Limited	58	56		
Sonata Software North America Inc.	40	10		
Compensation of key management personnel of the Company				
Short-term employee benefits****			453	327
Share-based payment transactions			548	153
Others			347	245
Total compensation paid to key management personnel			**1,348**	**725**
Balances outstanding at the end of the year				
Inter corporate deposit				
Sonata Software Solutions Limited	180	220		

(₹ in Lakhs)

	WOS, Subsidiary and KMPE		KMP	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Interest accrued on Inter corporate deposit				
Sonata Information Technology Limited	3	-		
Sonata Software Solutions Limited	-	2		
Trade receivables				
Sonata Software North America Inc.	11,466	9,500		
Sonata Europe Limited	326	1,965		
Sonata Software FZ LLC	39	45		
Interactive Business Information Systems Inc.	191	157		
Sonata Information Technology Limited	380	246		
Sopris Systems, LLC	8	148		
Scalable Data Systems Pty Ltd	242	24		
Sonata Software Solutions Limited	25			
Advances recoverable				
Sonata Information Technology Limited	89	631		
Sonata Europe Limited	11	72		
Sonata Software North America Inc.	10	46		
Sonata Software GmbH	11	10		
Sonata Software Solutions Limited	160	2		
Trade payables				
Sonata Information Technology Limited	697	3,169		
Sonata Software (Qatar) LLC	33	37		
Scalable Data Systems Pty Ltd	119	40		
Sopris Systems, LLC	18	19		
Sonata Software Solutions Limited	465	-		
Interactive Business Information Systems Inc.	33	-		
Reimbursement of expenses payable				
Sonata Software North America Inc.	344	45		
Sonata Europe Limited	-	28		
Reimbursement of expenses receivable				
Sonata Europe Limited	1	-		
Guarantees given on behalf of Subsidiary				
Sonata Software North America Inc.	5,483	8,323		
Sonata Information Technology Limited	11,467	11,849		
Payable to key management personnel of the Company				
Short-term employee benefits****			205	100
Share-based payment transactions			786	218
Others			336	230

*Incorporated on February 24, 2020

**Rezopia Inc. and Halosys Technologies Inc. merged with Sonata Software North America (SSNA) w.e.f June 14, 2019.

***Sonata Europe Limited has acquired 100% stake in GAPbuster Ltd, a UK registered Company and its subsidiaries on April 20,2020.

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

38. Leases

The Company has adopted Ind AS 116 'Leases' with the date of initial application being April 1, 2020. Ind AS 116 replaces Ind AS 17 – Leases and related interpretation and guidance. The Company has applied Ind AS 116 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at April 1, 2020.

In adopting Ind AS 116, the Company has applied the below practical expedients :

a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics

b) leases of low value assets (assets of less than ₹ 500,000 in value) has not been considered for application of Ind AS 116

c) exclusion of the initial direct costs from measurement of the right-of-use asset at the date of transition

d) application of hindsight, in determining the lease term if the contract contains options to extend or terminate the lease.

e) applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.

The aggregate depreciation expense of ₹ 1325 lakhs (March 31, 2020 ₹ 1,431 lakhs) on ROU assets is included under depreciation and amortization expense in the statement of Profit and Loss.

Following are the changes in the carrying value of right of use assets:

(₹ in Lakhs)

	Category of ROU Asset		
	Land	**Buildings**	**Total**
Balance as at April 1, 2020	229	8,158	8,387
Reclassified on account of adoption of Ind AS 116	-	-	-
Additions	-	-	-
Deletion	-	-	-
Depreciation	(13)	(1,325)	(1,338)
Translation difference	-	-	-
Balance as at March 31, 2021	**216**	**6,833**	**7,049**

	Category of ROU Asset		
	Land	**Buildings**	**Total**
Balance as at April 1, 2019	-	9,789	9,789
Reclassified on account of adoption of Ind AS 116	242	-	242
Additions	-	-	-
Deletion	-	(213)	(213)
Depreciation	(13)	(1,418)	(1,431)
Translation difference	-	-	-
Balance as at March 31, 2020	**229**	**8,158**	**8,387**

Rental expense recorded for short-term leases was ₹ 480 lakhs (March 31, 2020 ₹ 928 lakhs) for the year ended March 31, 2021.

The following is the movement in lease liabilities:

	For the year ended March 31, 2021	For the year ended March 31, 2020
Balance at the beginning of the year	9,091	10,081
Additions	-	-
Finance cost accrued during the year	930	1,040
Deletions	-	(213)
Payment of lease liabilities	(1,810)	(1,818)
Translation Difference	-	1
Balance at the end of the year	**8,211**	**9,091**

The following is the break-up of lease liabilities based on their maturities:

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Current lease liabilities	1,788	1,709
Non-current lease liabilities	6,423	7,382
Total	**8,211**	**9,091**

The following is the movement in the net investment in sublease in ROU asset:

	For the year ended March 31, 2021	For the year ended March 31, 2020
Balance at the beginning of the year	322	345
Interest income accrued during the year	33	36
Lease receipts	(66)	(59)
Balance at the end of the year	**289**	**322**

Contractual maturities of lease liabilities

The table below provides details regarding the contractual maturities of net investment in sublease of ROU asset on an undiscounted basis:

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Not later than one year	1,894	1,810
Later than one year and not later than 5 years	7,229	7,806
Later than 5 years	2,169	3,486
Total	**11,292**	**13,102**

The table below provides details regarding the contractual maturities of net investment in sublease of ROU asset on an undiscounted basis:

	As at March 31, 2021	As at March 31, 2020
Not later than one year	67	66
Later than one year and not later than 5 years	269	265
Later than 5 years	56	127
Total	**392**	**458**

39. During the year the Company has received ₹ 937 lakhs from governments of various countries on compliance of certain conditions consequent to the outbreak of COVID-19 pandemic and accordingly, accounted as a credit to employee benefits expense (refer note 18).

40. The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified. The Group will assess the impact of the Code when it comes into effect and will record any related impact in the period when the Code becomes effective.

For and on behalf of the Board of Directors

Pradip P Shah
Chairman
Mumbai

P Srikar Reddy
Managing Director & Chief Executive Officer
Bengaluru

Jagannathan C N
Chief Financial Officer
Bengaluru

R Sathyanarayana
VP - Finance & Accounts
Bengaluru

Mangal Krishnarao Kulkarni
Company Secretary
Bengaluru

Date : May 12, 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SONATA SOFTWARE LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of **SONATA SOFTWARE LIMITED** ("the Parent") and its subsidiaries, (the Parent and its subsidiaries together referred to as "the Group"), which comprise the Consolidated Balance Sheet as at March 31, 2021, and the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements).

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of the other auditors on separate financial statements of the subsidiaries referred to in the Other Matters section below, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ('Ind AS'), and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2021, and their consolidated profit, their consolidated total comprehensive income, their consolidated cash flows and their consolidated changes in equity for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

S. No.	Key Audit Matter	Auditor's Response
1	**Evaluation of Impairment Assessment of Goodwill** As at March 31, 2021 Goodwill of ₹ 17,591 lakhs pertains to businesses acquired by the Company. Goodwill is tested by management for impairment at least on an annual basis and whenever there is an indication that goodwill maybe impaired. The recoverable amount of the CGU is determined based on value in use calculations. Value in use is the present value of future cash flows expected to be derived from the CGU. The key inputs used in the present value calculations includes the expected future growth in operating revenues and margins in the forecast period, long term growth rates and discount rates which are based on significant management assumptions and judgements. Refer to Notes 2.1(c)(iii), 2.3(q)(b) and 4 to the Consolidated Financial Statements.	**Principal audit procedure performed** 1. Obtained an understanding of and assessed the impairment testing process implemented by Management. 2. Evaluated and tested the design, implementation and operating effectiveness of the controls implemented around the impairment testing process. 3. Verified the appropriateness of the model used to calculate value in use. 4. Evaluated key assumptions relating to business projections and other inputs used in computing the value in use to determine the recoverable amounts. 5. Involved Internal valuation specialists on the valuation assumptions used by the management to assess its reasonableness. 6. Considered the sensitivity of value in use to a change in the key assumptions and inputs used by Management

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

- The Parent's Board of Directors is responsible for the other information. The other information comprises the information included in the Board's report, Management discussion and analysis and Report on corporate governance, but does not include the consolidated financial statements, standalone financial statements and our auditor's report thereon.
- Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
- In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, compare with the financial statements of the subsidiaries audited by other auditors, to the extent it relates to these entities and, in doing so, place reliance on the work of the other auditors and consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. Other information so far as it relates to the subsidiaries is traced from their financial statements audited by the other auditors.

- If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the respective entities to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Board of Directors either intends to liquidate their respective entities or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

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

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

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

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

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

We communicate with those charged with governance of the Parent and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Other Matters

(a) We did not audit the financial statements of three subsidiaries, whose financial statements reflect total assets of Rs. 15,330 lakhs as at March 31, 2021 and total revenues of Rs. 12,505 lakhs and net cash outflows of Rs. 2,231 lakhs for the year ended March 31, 2021 as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of subsection (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) We did not audit the financial statements of eight subsidiaries whose financial statements reflect total assets of Rs. 1,888 lakhs as at March 31, 2021, total revenues of Rs. 4,600 lakhs and net cash inflows of Rs. 382 lakhs for the year ended on that date, as considered in the consolidated financial statements. These financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

Our opinion on the consolidated 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 the other auditors and the financial statements certified by the Management.

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 other auditors on the separate financial statements of the subsidiaries referred to in the Other Matters section above, we report, to the extent applicable that:

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

   b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

   c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including Other Comprehensive Income, the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

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

   e) On the basis of the written representations received from the directors of the Parent as on March 31, 2021 taken on record by the Board of Directors of the Company and the report of the statutory auditor of its subsidiary companies incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act.

   f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" which is based on the auditors' reports of the Company and its subsidiary companies incorporated in India. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of internal financial controls over financial reporting of those companies.

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

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

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

      i) The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group.

      ii) The Group did not have any material foreseeable losses on long-term contracts including derivative contracts.

      iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Parent. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by its subsidiary companies incorporated in India.

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

Gurvinder Singh
Partner
(Membership No. 110128)
UDIN: 21110128AAAABY5169

Place: Bengaluru
Date: May 12, 2021

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 Parent as of and for the year ended March 31, 2021, we have audited the internal financial controls over financial reporting of Sonata Software Limited (hereinafter referred to as "the Parent") and its subsidiary companies, which are companies 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 companies, which are companies 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 and its subsidiary companies, which are companies incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Company and its subsidiary companies which are companies 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 and its subsidiary Companies, which are companies 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, 2021, based on the criteria for internal financial control over financial reporting established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

Gurvinder Singh
Partner
(Membership No. 110128)
UDIN: 21110128AAAABY5169

Place: Bengaluru
Date: May 12, 2021

CONSOLIDATED BALANCE SHEET as at March 31, 2021

₹ in Lakhs

	Note No.	As at March 31, 2021	As at March 31, 2020
ASSETS			
Non-current assets			
Property, plant and equipment	3	1,512	2,130
Right-of-use assets	35	8,491	9,729
Capital work-in-progress		12	-
Goodwill	4	17,591	15,578
Other intangible assets	5	4,769	2,377
Financial assets	6		
Investments	6.1	1,055	873
Other financial assets	6.2	1,951	2,067
Deferred tax assets (net)	17	1,894	2,439
Other non-current assets	7	10,498	7,494
Total non-current assets		**47,773**	**42,687**
Current assets			
Financial assets	8		
Investments	8.1	6,542	480
Trade receivables	8.2	61,579	70,000
Cash and cash equivalents	8.3	64,066	37,220
Bank balances other than above	8.4	3,643	2,424
Other financial assets	8.5	7,261	4,326
Other current assets	9	3,828	4,509
Total current assets		**146,919**	**118,959**
Total assets		**194,692**	**161,646**
EQUITY AND LIABILITIES			
Equity			
Equity Share capital	10	1,039	1,039
Other equity	11	89,508	65,928
Total Equity		**90,547**	**66,967**
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Other financial liabilities	12	10,207	11,574
Total non-current liabilities		**10,207**	**11,574**
Current liabilities			
Financial liabilities	13		
Borrowings	13.1	8,973	8,600
Trade payables		65,097	56,186
Other financial liabilities	13.2	2,821	5,600
Other current liabilities	14	9,902	6,833
Provisions	15	2,715	2,293
Current tax liabilities (net)	16	4,430	3,593
Total current liabilities		**93,938**	**83,105**
Total equity and liabilities		**194,692**	**161,646**

See accompanying notes to the consolidated financial statements

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

Gurvinder Singh
Partner
(Membership No. 110128)

For and on behalf of the Board of Directors

Pradip P Shah
Chairman
Mumbai

P Srikar Reddy
Managing Director
& Chief Executive Officer
Bengaluru

JAGANNATHAN C N
Chief Financial Officer
Bengaluru

R Sathyanarayana
VP - Finance & Accounts
Bengaluru

Place : Bengaluru
Date : May 12, 2021

Mangal Krishnarao Kulkarni
Company Secretary
Bengaluru

CONSOLIDATED STATEMENT OF PROFIT AND LOSS for the year ended March 31, 2021

₹ in Lakhs

	Note No.	For the year ended March 31, 2021	For the year ended March 31, 2020
REVENUE			
Revenue	18.1	422,808	374,326
Other income	18.2	2,775	5,840
Total Income		**425,583**	**380,166**
EXPENSES			
Purchase of stock-in-trade (traded goods)	19	299,158	241,579
Employee benefit expense	20	62,548	66,031
Finance costs	21	1,539	1,518
Depreciation and amortization expense	3	3,957	3,654
Other expenses	22	23,167	29,435
Total expenses		**390,369**	**342,217**
Profit before tax		**35,214**	**37,949**
Tax Expense			
Current tax	16	10,203	10,590
Provision for tax relating to prior years	16	2,099	13
Deferred tax	17	(1,484)	(347)
Net tax expense		**10,818**	**10,256**
Profit for the year		**24,396**	**27,693**
Other Comprehensive Income			
1 (a) Items that will not be reclassified to profit/(loss)		(69)	(865)
(b) Income tax relating to Items that will not be reclassified to profit/(loss)		17	232
		(52)	**(633)**
2 Items that will be reclassified to profit/(loss)			
(a) Exchange differences in translating the financial statements of foreign operations		1,040	323
(b) Fair value changes on derivatives designated as cash flow hedge, net		3,535	(3,511)
(c) Income tax relating to Items that will be reclassified to profit/(loss)		(1,134)	854
		3,441	**(2,334)**
Total		**3,389**	**(2,967)**
Total Comprehensive Income for the year		**27,785**	**24,726**
Total comprehensive income attributable to:		27,785	24,726
Non-controlling interest		-	-
		27,785	24,726
Profit for the year attributable to:			
Owners of the company		24,396	27,693
Non - controlling interest		-	-
		24,396	**27,693**
Other Comprehensive Income for the year attributable to:			
Owners of the company		3,389	(2,967)
Non - controlling interest		-	-
		3,389	**(2,967)**
Earnings per share (on ₹ 1 per share)	38		
Basic (₹)		23.48	26.66
Diluted (₹)		23.48	26.66

See accompanying notes to the consolidated financial statements

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

Gurvinder Singh
Partner
(Membership No. 110128)

Place : Bengaluru
Date : May 12, 2021

For and on behalf of the Board of Directors

Pradip P Shah
Chairman
Mumbai

P Srikar Reddy
Managing Director
& Chief Executive Officer
Bengaluru

Jagannathan C N
Chief Financial Officer
Bengaluru

R Sathyanarayana
VP - Finance & Accounts
Bengaluru

Mangal Krishnarao Kulkarni
Company Secretary
Bengaluru

CONSOLIDATED CASH FLOW STATEMENT for the year ended March 31, 2021

₹ in Lakhs

		For the year ended March 31, 2021	For the year ended March 31, 2020
A. CASH FLOW FROM OPERATING ACTIVITIES:			
Profit before tax		**35,214**	**37,949**
Adjustments for :			
Depreciation and amortization expense		3,957	3,654
Finance costs		1,463	1,491
Impairment loss recognised on trade receivables and bad debts written off		1,034	871
Interest others		(27)	34
Lease payment concessions		(128)	-
Interest from fixed deposits/margin money with banks		(1,645)	(850)
Net (gain) / loss on sale of property, plant and equipment / scrapped		26	2
Net gain on investments carried at fair value through profit and loss		(340)	(541)
Expenses on employee stock based compensation		(53)	58
Net unrealized foreign exchange (gain) / loss		(316)	(2,683)
Operating profit before working capital changes		**39,185**	**39,985**
Changes in operating assets and liabilities:			
Decrease/(Increase) in trade receivables		3,852	13,680
Decrease/(increase) in other financial assets non-current		143	(1,692)
Decrease/(increase) in other financial assets-current		461	236
Decrease/(increase) in other non-current assets		(238)	(82)
Decrease/(increase) in other current assets		680	(1,730)
(Decrease)/Increase in trade payables		10,734	(2,433)
(Decrease)/increase in other financial liabilities non-current		(646)	162
(Decrease)/increase in other financial liabilities		-	(1)
(Decrease)/increase in other current liabilities		2,991	1,181
(Decrease)/increase in provisions		422	443
Net cash flow from operating activities before taxes		**57,584**	**49,749**
Income taxes paid, net of refunds		(13,321)	(12,893)
Net cash flow from / (used in) operating activities	**(A)**	**44,263**	**36,856**
B. CASH FLOW FROM INVESTING ACTIVITIES			
Expenditure on property, plant and equipment		(188)	(847)
Proceeds from disposal of property, plant and equipment		4	3
Purchase of current investments		(95,295)	(88,447)
Purchase of non-current investments		(188)	(246)
Acquisition of Subsidiaries		(5,047)	-
Proceeds from sale of current investments		89,573	102,511
Bank balances not considered as Cash and cash equivalents		(1,218)	65
Interest received		949	868
Net cash flow from investing activities	**(B)**	**(11,410)**	**13,907**

SONATA SONATA SOFTWARE

CONSOLIDATED CASH FLOW STATEMENT for the year ended March 31, 2021

₹ in Lakhs

		For the year ended March 31, 2021	For the year ended March 31, 2020
C. CASH FLOW FROM FINANCING ACTIVITIES			
Payment of lease liabilities		(2,178)	(2,389)
Proceeds from short-term borrowings		9,199	10,625
Repayment of short-term borrowings		(8,826)	(3,586)
Payment of dividend		(4,065)	(29,304)
Payment of taxes on dividend		-	(6,107)
Finance costs		(340)	(221)
Net cash flow used in financing activities	**(C)**	**(6,210)**	**(30,982)**
Net increase/(decrease) in cash and cash equivalents	**(A+B+C)**	**26,643**	**19,781**
Opening cash and cash equivalents		37,220	17,432
Exchange difference on translation of foreign currency cash and cash equivalents		203	7
Closing Cash and cash equivalents		**64,066**	**37,220**
Cash and Cash equivalents:			
Cash & Cash equivalents consist of cash on hand and balances with banks. Cash & cash equivalents			
Cash and cash equivalents at the end of the year comprises:			
Cash on hand		1	1
Balances with banks			
In Current accounts		9,505	6,366
In EEFC accounts		603	8,979
In demand deposit accounts		53,957	21,874
		64,066	**37,220**

See accompanying notes to the consolidated financial statements

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

Gurvinder Singh
Partner
(Membership No. 110128)

Place : Bengaluru
Date : May 12, 2021

For and on behalf of the Board of Directors

Pradip P Shah
Chairman
Mumbai

P Srikar Reddy
Managing Director
& Chief Executive Officer
Bengaluru

Jagannathan C N
Chief Financial Officer
Bengaluru

R Sathyanarayana
VP - Finance & Accounts
Bengaluru

Mangal Krishnarao Kulkarni
Company Secretary
Bengaluru

STATEMENT OF CHANGES IN EQUITY

for the year ended March 31, 2021

(a) Equity Share capital	₹ in Lakhs
Balance as at April 1, 2019	**1,039**
Add: Shares issued on exercise of employee stock options	-
Balance as at March 31, 2020	**1,039**
Balance as at April 1, 2020	1,039
Add: Shares issued on exercise of employee stock options	-
Balance as at March 31, 2021	**1,039**

(b) Other equity

₹ in Lakhs

Particulars	Reserves and Surplus (Refer Note 11)					Items of Other comprehensive income (Refer Note 11)			
	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	Total Other Equity
Balance as at April 1, 2019	4,493	2,787	8,742	225	59,013	(97)	1,120	(496)	75,787
Profit for the year					27,693				27,693
Other comprehensive income, (net of tax)						(633)	(2,571)	237	(2,967)
Total comprehensive income for the year					**27,693**	**(633)**	**(2,571)**	**237**	**24,726**
Impact on account of adoption of Ind AS 116 (Refer Note 35)					814				814
Employee share based payments				59					59
Payment of Cash dividends					(29,352)				(29,352)
Dividend distribution tax					(6,106)				(6,106)
Balance as at March 31, 2020	**4,493**	**2,787**	**8,742**	**284**	**52,062**	**(730)**	**(1,451)**	**(259)**	**65,928**
Balance as at April 1, 2020	4,493	2,787	8,742	284	52,062	(730)	(1,451)	(259)	65,928
Profit for the year					24,396				24,396
Other comprehensive income, (net of tax)						(52)	2,659	782	3,389
Total comprehensive income for the year					**24,396**	**(52)**	**2,659**	**782**	**27,785**
Employee share based payments	3			(52)					(49)
Payment of Cash dividends					(4,156)				(4,156)
Balance as at March 31, 2021	**4,496**	**2,787**	**8,742**	**232**	**72,302**	**(782)**	**1,208**	**523**	**89,508**

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

Gurvinder Singh
Partner
(Membership No. 110128)

Place : Bengaluru
Date : May 12, 2021

For and on behalf of the Board of Directors

Pradip P Shah
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Chief Financial Officer
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VP - Finance & Accounts
Bengaluru

Mangal Krishnarao Kulkarni
Company Secretary
Bengaluru

Notes forming part of Consolidated financial statements

1 COMPANY OVERVIEW

The Consolidated financial statements of Sonata Software Limited (Sonata or the Company) is made up of the Sonata Software Limited together with its subsidiaries Sonata Information Technology Limited, Sonata Software Solutions Limited, Sonata Software North America Inc., Sonata Software GmbH, Sonata Europe Limited, Sonata Software FZ-LLC, Sonata Software (Qatar) LLC, Interactive Business Information Systems, Inc, Scalable Data Systems Pty Ltd., Sopris Systems LLC, , GAPbuster China Co. Ltd, GAPbuster Europe Limited, GAPbuster Inc., Gapbuster Limited, GAPbuster Worldwide Malaysia Sdn Bhd, GAPbuster worldwide Pty Limited, and Kabushiki Kaisha GAPbuster Japan (collectively referred to as the Group).

The Company is primarily engaged in the business of providing Information Technology Services and Solutions to its customers in the United States of America, Europe, Middle East, Australia and India. The Company is a public limited company incorporated and domiciled in India with its registered office at Mumbai and operationally headquartered at Bengaluru. The Company is listed on The National Stock Exchange of India Limited and BSE Limited. The financial statements were approved for issue by the Company's Board of Directors on May 12, 2021.

Material subsidiaries of the Company are:

a) Sonata Information Technology Limited, in India through which it delivers both software development and consulting services and re-selling of product licenses of leading international software companies such as Microsoft, IBM, Oracle etc.; and

b) Sonata Software North America Inc., in USA through which it delivers software development and consulting services to its clients in North America.

c) Sonata Europe Limited, in UK through which it delivers software development and consulting services to its clients in Europe.

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

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION & PRESENTATION OF FINANCIAL STATEMENTS

a. Statement of compliance

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

b. Basis of measurement

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

c. Use of judgement, estimates and assumptions

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

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

i) Income taxes

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

ii) Liability towards acquisition of businesses

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

iii) **Impairment testing**

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

iv) **Depreciation and amortisation**

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

v) **Other estimates**

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

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

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

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

The management has considered the possible effects that may result from COVID-19 in the preparation of these financial statements including the recoverability of carrying amounts of financial and non-financial assets. In developing the assumptions relating to the recoverability of these assets, the management has considered the global economic conditions prevailing at the date of approval of these financial statements and has used internal and external sources of Information including credit reports to the extent determined by it. The eventual outcome of impact of the global health pandemic may be different from those estimated as on the date of approval of these financial statements.

2.2 BASIS OF CONSOLIDATION

Sonata consolidates entities which it owns or controls. The consolidated financial statements comprise the financial statements of the Company, its controlled trusts and its group companies. Control exists when the parent has power over the entity, is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns by using its power over the entity. Power is demonstrated through existing rights that give the ability to direct relevant activities, those which significantly affect the entity's returns. Subsidiaries are consolidated from the date control commences until the date control ceases.

The financial statements of the Group Companies are consolidated on a line-by-line basis and intra group balances and transactions including unrealized gain/loss from such transactions are eliminated upon consolidation. These Consolidated financial statements are prepared by applying uniform accounting policies in use at the Group. On controlling interests which represent part of the net profit or loss and net assets of subsidiaries that are not, directly or indirectly, owned or controlled by the Company, are excluded.

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

Name of the Entity	Country of Incorporation	% of ownership held as on March 31, 2021	% of ownership held as on March 31, 2020
Sonata Information Technology Limited	India	100%	100%
Sonata Software Solutions Limited (Refer Note ii below)	India	100%	100%
Sonata Software North America Inc. (Refer Note iii below)	USA	100%	100%
Sonata Europe Limited	UK	100%	100%
Sonata Software GmbH	Germany	100%	100%
Sonata Software FZ LLC	UAE	100%	100%
Sonata Software (Qatar) LLC	Qatar	49%	49%
Interactive Business Information Systems Inc.	USA	100%	100%
Scalable Data Systems Pty Ltd	Australia	100%	100%
Sopris Systems LLC	USA	100%	100%
GAPbuster Limited (Refer Note iv below)	UK	100%	-
Gapbuster Europe Limited (Refer Note iv below)	UK	100%	-
Gapbuster Inc (Refer Note iv below)	USA	100%	-

Name of the Entity	Country of Incorporation	% of ownership held as on March 31, 2021	% of ownership held as on March 31, 2020
Gapbuster Worldwide Pty Limited (Refer Note iv below)	Malaysia	100%	-
Gapbuster China Co. Limited (Refer Note iv below)	China	100%	-
Kabushiki Kaisha Gapbuster Japan (Refer Note iv below)	Japan	100%	-
Gapbuster Worldwide Malaysia Sdn Bhd (Refer Note iv below)	Malaysia	100%	-

Notes:

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

ii) Sonata Software Solutions Limited, a wholly- owned subsidiary was incorporated on February 24, 2020

iii) Rezopia Inc. and Halosys Technologies Inc. merged with Sonata Software North America (SSNA) w.e.f June 14, 2019.

iv) Sonata Europe Limited has acquired 100% stake in GAPbuster Ltd, a UK registered Company and its subsidiaries on April 20,2020.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Functional and presentation currency

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

b. Property, plant and equipment

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

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

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

c. Capital work-in-progress

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

d. Depreciation/ Amortisation

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

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

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

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

e. Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment. Intangible assets are amortized over their respective estimated useful lives on a straightline basis, from the date that they are available for use. The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, demand, competition and other economic factors (such as the stability of the industry and known technological advances) and the level of maintenance expenditures required to obtain the expected future cash flows from the asset.

The estimated useful lives of intangible assets for the current and comparative period are as follows:

Category	Useful Life
Computer Software	3 years
Internally generated - Software	2 years
Intellectual property acquired through business combinations	5 years
Non Compete	4 years
Vendor relation	7 years
Customer Relation	7 years

f. **Financial Instruments**

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

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

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

Non-derivative financial assets

i. **Financial assets at amortised cost**

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

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

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

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

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

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

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

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

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

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

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

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

Non-derivative financial liabilities

Financial liabilities at amortised cost

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

Financial liabilities at FVTPL

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

Derivative financial instruments and hedging activities

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

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

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

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

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

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

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

Offsetting financial instruments

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

Fair value measurement

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

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

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

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

g. Employee Benefits

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

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

In case of Sonata Software Solutions Limited, employees receive benefits from government adminstered provident fund. The employer and employees each make periodic contributions to the government adminstered provident fund. A portion of the contribution is made to the government adminstered provident fund while the remainder of the contribution is made to the pension fund.

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

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

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

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

Short-term employee benefits

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

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

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

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

Long-term employee benefits

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

h. Provisions

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

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

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

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

i. Income Taxes

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

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

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

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

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

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

j. Leases

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

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

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

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

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

k. Cash flow Statement:

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

l. Revenue Recognition

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

a) Time and materials contracts

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

b) Fixed-price contracts

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

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

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

c) Hardware/software products and licenses

Revenues from sale of product and licenses are recognised when customer obtains control of the specified asset. In case of customization the same is recognised over the life of the contract using the proportionate completion method, with contract costs determining the degree of completion. Foreseeable losses on such contracts are recognised when probable.

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

d) Maintenance Contracts

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

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

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

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

m. Government grants:

Grants from the Government are recognised by the group when there is reasonable assurance that the conditions attached to the grant will be complied and it will be received.

Government grants related to revenue are recognised on a systematic basis in the statement of profit and loss over the periods necessary to match them with the related costs which they are intended to compensate. Such grants are deducted in reporting the related expense. The grant pertaining to an asset is recognized as income over the expected useful life of the asset.

n. Dividend :

Final dividends on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors. The Company declares and pays dividends in Indian rupees.

The Finance Act 2020 has abolished the Dividend Distribution Tax (DDT) and has shifted the tax liability on dividends to the shareholders. Accordingly, the Company distributes the dividend after deducting the taxes at applicable rates.

o. Foreign Currency transactions and translations

Transactions in foreign currency are translated into the respective functional currencies using the exchange rates prevailing at the dates of the respective transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the exchange rates prevailing at reporting date of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit and loss and reported within foreign exchange gains/ (losses).

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

For the purposes of presenting the consolidated financial statements assets and liabilities of Group's foreign operations with functional currency different from the Company are translated into Company's functional currency i.e. INR using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used.Exchange differences arising, if any are recognised in other comprehensive income and accumulated in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate in effect at the balance sheet date.

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

p. Finance Income and expense

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

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

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

q. Share based payments

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

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

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

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

r. Impairment

a) Financial assets

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

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

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

b) Non-financial assets

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

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

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

s. Business combination, Goodwill and Intangible assets

Business combinations other than through common control transactions are accounted for using the purchase (acquisition) method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The cost of acquisition also includes the fair value of any contingent consideration. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition.

Business combinations through common control transactions are accounted on a pooling of interests method.

Transaction costs incurred in connection with a business combination are expensed as incurred.

i) Goodwill

The excess of the cost of acquisition over the Company's share in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is recognized as goodwill. If the excess is negative, it is considered as a bargain purchase gain and included under capital reserve.

ii) Intangible assets

Ind AS 103 requires the identifiable intangible assets and contingent consideration to be fair valued in order to ascertain the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. Significant estimates are required to be made in determining the value of contingent consideration and intangible assets. These valuations are conducted by independent valuation experts.

t. Earnings per share

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

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

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.

x. 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.

SONATA SOFTWARE

Notes forming part of financial statements

3 - Property, plant and equipment

₹ in Lakhs

	Buildings	Office equipments	Leasehold improvements	Furniture and fixtures	Plant and equipments	Vehicles	Total
Gross carrying value (Deemed cost)							
As at April 1, 2019	**115**	**535**	**1,183**	**555**	**1,874**	**175**	**4,713**
Additions	-	54	80	19	760	-	913
Disposals	-	-	-	(3)	(152)	(6)	(161)
Translation adjustment	-	11	64	21	107	-	203
Reclassified on account of adoption of Ind AS 116 (Refer note 35)	-	-	-	-	-	-	(276)
As at March 31, 2020	**115**	**600**	**1,327**	**592**	**2,589**	**169**	**5,392**
As at April 1, 2020	115	600	1,327	592	2,589	169	5,392
Acquisitions through business combinations	-	119	53	131	1,206	-	1,509
Additions	-	2	8	3	63	-	76
Disposals	-	(46)	(245)	(185)	(352)	(7)	(835)
Translation adjustment	-	13	(16)	16	22	-	35
As at March 31, 2021	**115**	**688**	**1,127**	**557**	**3,528**	**162**	**6,177**
Accumulated Depreciation							
As at April 1, 2019	**7**	**331**	**741**	**345**	**978**	**74**	**2,510**
Depreciation for the year	3	78	141	49	475	31	777
Depreciation on disposals	-	-	-	(3)	(149)	(6)	(158)
Translation adjustments	-	10	45	24	88	-	167
Reclassified on account of adoption of Ind AS 116 (Refer note 35)	-	-	-	-	-	-	(34)
As at March 31, 2020	**10**	**419**	**927**	**415**	**1,392**	**99**	**3,262**
As at April 1, 2020	**10**	**419**	**927**	**415**	**1,392**	**99**	**3,262**
Acquisitions through business combinations	-	119	53	121	1,167	-	1,460
Depreciation for the year	2	57	58	45	539	22	723
Depreciation on disposals	-	(42)	(234)	(169)	(352)	(7)	(804)
Translation adjustments	-	14	(12)	(1)	23	-	24
As at March 31, 2021	**12**	**567**	**792**	**411**	**2,769**	**114**	**4,665**
Net carrying value							
As at March 31, 2021	**103**	**121**	**335**	**146**	**759**	**48**	**1,512**
As at March 31, 2020	**105**	**181**	**400**	**177**	**1,197**	**70**	**2,130**

4 Goodwill

(i) Reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period:

Goodwill	As at March 31, 2021	As at March 31, 2020
Cost or deemed cost	17,591	15,578
Accumulated impairment losses	-	-
Total	**17,591**	**15,578**

₹ in Lakhs

Cost or deemed cost	As at March 31, 2021	As at March 31, 2020
Balance at beginning of year	15,578	14,519
Additional amounts recognised from business combinations occurring during the year	1,904	-
Effect of foreign currency exchange differences	109	1,059
Balance at end of year	**17,591**	**15,578**

Allocation of goodwill to cash generating units:

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to cash generating units (CGU), to be benefited through the synergies of the acquisition. On each reporting date, the company reviews the goodwill for any impairment, which is represented through CGU's.

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

Cash generating units	As at March 31, 2021	As at March 31, 2020
Xyka	282	282
Rezopia Inc.*	881	912
Halosys Technologies Inc.*	2,245	2,323
Interactive Business Information Systems Inc.	5,620	5,817
Scalable Data System Pty Ltd.	2,062	1,706
Sopris Systems, LLC	4,386	4,538
Gapbuster Ltd	2,115	-
Total	**17,591**	**15,578**

* These entities have got merged with Sonata Software North America, Inc. with effect from 14th June 2019.

At the end of each reporting period presented, the recoverable amount of a CGU is higher of its fair value less cost to sell and its value-in-use. The fair value of a CGU is determined based on the net fair value of the identifiable assets, liabilities and contingent liabilities. The value in use 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 18%(FY 2019-20 -18%) which is arrived after consulting the valuation experts. The Company has considered steady growth rate of 15% YOY from FY 2021-22 onwards (FY 2019-20 - 15% YOY). EBITDA margins considered in the projections are based on international services and for FY 2021-22 onwards it is taken at 22%(FY 2019-20 - 22%) based on financial budgets approved by management.

As at the end of each financial years presented, the estimated recoverable amount of the CGU exceeded its carrying amount, hence impairment is not required.

5. Other intangible assets

₹ in Lakhs

	Computer software - purchased	Internally generated software	Intellectual Property	Non Compete	Vendor relation	Customer Relation	Contracts in Progress	Brand Value	Total of Intangible Assets
Gross carrying value (Deemed cost)									
As at April 1, 2019	**3**	**480**	**655**	**26**	**1,081**	**1,575**	**709**	**-**	**4,529**
Additions	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Translation adjustment	-	-	-	-	-	-	-	-	-
Reclassified on account of adoption of Ind AS 116 (Refer note 35)	-	-	-	-	-	-	-	-	-
As at March 31, 2020	**3**	**480**	**655**	**26**	**1,081**	**1,575**	**709**	**-**	**4,529**
As at April 1, 2020	**3**	**480**	**655**	**26**	**1,081**	**1,575**	**709**	**-**	**4,529**
Acquisitions through business combinations	845	1,596	-	290	-	870	-	387	3,988
Additions	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Translation adjustment	28	-	-	-	-	-	-	-	28
As at March 31, 2021	**876**	**2,076**	**655**	**316**	**1,081**	**2,445**	**709**	**387**	**8,545**
Accumulated Depreciation									
As at April 1, 2019	3	473	132	24	531	70	76	-	1,309
Amortization for the year	-	7	91	2	177	274	405	-	956
Amortization on disposals	-	-	-	-	-	-	-	-	-
Translation adjustments	-	-	(10)	(3)	(21)	(31)	(48)	-	(113)
As at March 31, 2020	**3**	**480**	**213**	**23**	**687**	**313**	**433**	**-**	**2,152**
As at April 1, 2020	**3**	**480**	**213**	**23**	**687**	**313**	**433**	**-**	**2,152**

₹ in Lakhs

	Computer software - purchased	Internally generated software	Intellectual Property	Non Compete	Vendor relation	Customer Relation	Contracts in Progress	Brand Value	Total of Intangible Assets
Acquisitions through business combinations	843	-	-	-	-	-	-	-	843
Amortization for the year	3	285	78	104	182	376	224	41	1,293
Amortization on disposals	-	-	-	-	-	-	-	-	-
Translation adjustments	27	(104)	(32)	(38)	(73)	(147)	(130)	(15)	(512)
As at March 31, 2021	**876**	**661**	**259**	**89**	**796**	**542**	**527**	**26**	**3,776**
Net carrying value									
As at March 31, 2021	**-**	**1,415**	**396**	**227**	**285**	**1,903**	**182**	**361**	**4,769**
As at March 31, 2020	**-**	**-**	**442**	**3**	**394**	**1,262**	**276**	**-**	**2,377**

6.1. Investments

₹ in Lakhs

	As At March 31, 2021	As At March 31, 2020
Non-Trade, Long-term		
In Foreign Holdings		
Equity instruments carried at fair value (Quoted) through profit & loss		
138 shares of US $ 0.01 per share of Principal Financial Group Inc.,	6	3
(As at March 31, 2020 : 138 Shares of US $ 0.01 per share)		
Equity instruments carried at fair value (Unquoted) through OCI		
Investment in simple for future equity - Retail 10X, Inc.	610	605
Investment in SemiCab, Inc.	256	265
Investment - Treeni Sustainability Solutions Inc.	183	-
Total	**1,055**	**873**
Aggregate amount of quoted investments	6	3
Market value of quoted investment	6	3
Aggregate carrying amount of unquoted investments	1,049	870
Investments carried at fair value through other comprehensive income	1,049	870
Investments carried at fair value through profit & loss	6	3

6.2. Other financial assets

₹ in Lakhs

	As At March 31, 2021	As At March 31, 2020
Balance held as margin money or security against borrowings	1,951	2,067
Total	**1,951**	**2,067**

7. Other non-current assets

₹ in Lakhs

	As At March 31, 2021	As At March 31, 2020
Unsecured, considered good unless otherwise stated		
Security deposits	1,516	1,588
Other deposits	151	147
Prepaid expenses	394	89
Advance tax	8,192	5,425
Balances with government authorities		
Receivable from Customs authority	219	219
Receivable from GST authority	2	1
	221	**220**
Other recoverables		
Considered good	24	25
Considered doubtful	125	125
	149	**150**
Less : Allowance for doubtful recoverable	125	125
	24	**25**
Total	**10,498**	**7,494**

8.1. Investments

	As at March 31, 2021		As at March 31, 2020	
	No. of units	₹ in Lakhs	No. of units	₹ in Lakhs
Non-trade				
Investments in mutual funds (Quoted)				
Aditya Birla Sunlife Money Manager Fund - Growth Regular	719,350	2,065		-
ICICI Prudential short term Fund - Growth Option	1,137,375	522	1,137,375	480
ICICI Prudential Money Market Fund	649,908	1,919		-
ICICI Prudential Liquid Fund -Direct Plan Growth	689,451	2,036		-
Total		**6,542**		**480**
Aggregate amount of quoted investments		6,542		480
Market value of quoted investment		6,542		480
Investments carried at fair value though profit or loss		6,542		480

8.2. Trade receivables

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Unsecured		
Considered good	61,579	70,000
Considered doubtful	2,529	1,785
	64,108	**71,785**
Less : Allowances for credit losses	2,529	1,785
Total	**61,579**	**70,000**

Movement in allowances for credit losses

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Balance at the beginning of the year	1,785	1,354
Movement in allowances for credit losses on trade receivables (including expected credit loss allowance on trade receivables calculated at lifetime expected credit loss)	744	431
Provision at the end of the year	**2,529**	**1,785**

Expected Credit Loss

The Company uses a provision matrix to determine impairment loss on portfolio of its trade receivable. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At regular intervals, the historically observed default rates are updated and changes in forward-looking estimates are analysed. The Company estimates the following matrix at the reporting date.

Default rate (in %)	17.5	5.0

8.3. Cash and cash equivalents

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Cash on hand	1	1
Balances with banks		
In current accounts	9,505	6,366
In EEFC accounts	603	8,979
In demand deposit accounts	53,957	21,874
Total	**64,066**	**37,220**

8.4. Bank balances other than above

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
In fixed deposit accounts	1,514	1,418
In earmarked accounts		
Balance held as margin money or security against borrowings	1,662	631
Unpaid dividend account	467	375
Total	**3,643**	**2,424**

8.5. Other financial assets

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Unsecured, considered good		
Security deposits	195	244
Interest accrued but not due on fixed deposits/margin money	699	4
Unbilled revenue	3,666	4,078
Fair value of forward contracts (Refer note 26)	2,701	-
Total	**7,261**	**4,326**

9. Other current assets

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Unsecured, considered good		
Other deposits	103	197
Loans and advances to employees	94	175
Prepaid expenses	446	560
Balances with government authorities		
Receivable from service tax authority	40	40
VAT credit receivable	290	169
GST credit receivable	543	1,039
Other recoverables	2,312	2,329
Total	**3,828**	**4,509**

10. Equity share capital

(₹ in lakhs)

	As at March 31, 2021	As at March 31, 2020
Authorized		
150,000,000 equity shares of face value ₹ 1/- each	**1,500**	**1,500**
(As at March 31, 2020 : 150,000,000 equity shares of face value ₹ 1/- each)		
Issued		
105,159,306 equity shares of face value ₹ 1/- each fully paid-up	**1,052**	**1,052**
(As at March 31, 2020 : 105,159,306 equity shares of face value ₹ 1/- each)		
Subscribed and paid-up		
103,908,181 equity shares of face value ₹ 1/- each fully paid-up	1,039	1,039
(As at March 31, 2020 : 103,908,181 equity shares of face value ₹ 1/- each)		
Out of issued capital, 1,251,125 (As at March 31, 2020 - 1,251,125) shares are held by Sonata Software Limited Employee Welfare Trust		
1,251,125 equity shares held by trust of face value ₹ 1/- each	13	13
(As at March 31, 2020 : 1,251,125 equity shares of face value ₹ 1/- each)		
Total	**1,052**	**1,052**

Refer notes (i) to (v) below

(₹ in Lakhs)

Notes :

	As at March 31, 2021	As at March 31, 2020
i) Reconciliation of number of shares and amount outstanding at the beginning and at the end of the reporting year		
Equity shares with voting rights		
Number of shares outstanding at the beginning of the year	103,908,181	103,859,431
Add: Share issued on exercise of employee stock options	-	48,750
	103,908,181	103,908,181
Add: Number of shares held by Sonata Software Limited Employee Welfare Trust (Shares issued for consideration other than cash)	1,251,125	1,251,125
Number of shares outstanding at the end of the year	105,159,306	105,159,306

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

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

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

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

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

	As at March 31, 2021		As at March 31, 2020	
	No. of shares	% of holding	No. of shares	% of holding
Hemendra M Kothari	10,660,026	10.14	10,660,026	10.14
Akshay Rajan Raheja	8,250,000	7.85	8,250,000	7.85
Viren Rajan Raheja	8,250,000	7.85	8,250,000	7.85
Suman R Raheja	6,900,000	6.56	6,900,000	6.56
HDFC Trustee Company Limited - A/C HDFC Multi-Asset Fund	8,892,000	8.46	9,726,600	9.25

		₹ in Lakhs		₹ in Lakhs
(iv) 1,251,125 equity shares held by trust of face value ₹ 1/- each (As at March 31, 2020 : 1,251,125 equity shares of face value ₹ 1/- each)		13		13

(v) During the year ended March 31, 2021 on account of final dividend for fiscal year 2020, the Company has incurred a net cash outflow of ₹ 4,156 lakhs inclusive of dividend distribution tax.

11. Other equity

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Securities premium reserve	**4,497**	**4,493**
Amount received on issue of shares in excess of the par value has been classified as security premium, net of utilisation.		
Capital redemption reserve	**2,787**	**2,787**
A statutory reserve created to the extent of sum equal to the nominal value of the share capital extinguished on buyback of company's own share pursuant to section 69 of The Companies Act, 2013.		
General reserve	**8,742**	**8,742**
This represents appropriation of profit by the company.		
Employee Stock option reserve	**231**	**284**
This represents value of equity-settled share based payment transaction with employees.		
Retained earnings		
Opening balance	52,062	59,013
Adjustments during the year		
Impact on account of adoption of Ind AS 116 (Refer Note 35)	-	814
Profit for the year	24,396	27,693

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Less :		
Dividend paid	4,156	29,352
Tax on dividend	-	6,141
Set-off of tax on dividend paid by subsidiary	-	(35)
Closing balance	**72,302**	**52,062**
Retained earnings comprises of the amounts that can be distributed by the Company as dividends to its equity share holders.		
Other comprehensive income		
Remeasurement of the defined benefit plans		
Opening balance	(730)	(97)
For the year (net of tax)	(52)	(633)
Closing balance	**(782)**	**(730)**
Actuarial gain or (losses) on gratuity benefit are recognised in other comprehensive income.		
Effective portion of cash flow hedges		
Opening balance	(1,451)	1,120
Exchange difference on cash flow hedges, (net of tax)	2,659	(2,571)
Closing balance	**1,208**	**(1,451)**
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income.		
Exchange difference on foreign currency translation		
Opening balance	(259)	(496)
For the year (net of tax)	782	237
Closing balance	**523**	**(259)**
Exchange difference relating to the translation of the result and net assets of the company's foreign operations from their functional currencies to the company's presentation currency are recognised directly in other comprehensive income and accumulated in foreign currency translation reserve.		
Total	**89,508**	**65,928**

12. Other financial liabilities

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Lease liability (Refer Note 35)	7,189	8,009
Payable for acquisition of business - Contingent consideration	3,018	3,565
Total	**10,207**	**11,574**

13.1. Borrowings

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Loans repayable on demand		
From banks - Secured Working capital loan based on corporate guarantee given by Sonata Software Limited to Citi Bank NA US and which is repayable on demand	5,483	8,322
From banks - Secured	1,015	-
Paycheck protection program loan received from Small Business administration, US Treasury		
From banks - Unsecured	2,475	278
Total	**8,973**	**8,600**

13.2. Other financial liabilities

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Lease Liability (Refer Note 35)	2,339	2,109
Interest accrued but not due on borrowings	-	1
Unpaid dividends	467	375
Payable on acquisition of Property,Plant and Equipment	13	60
Other liabilities	2	2
Fair value of forward contracts (Refer Note 26)	-	3,053
Total	**2,821**	**5,600**

14. Other current liabilities

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Interest accrued and due on borrowings	10	-
Income received in advance (Unearned revenue)	2,683	157
Gratuity payable (net) (Refer Note 29)	885	778
Other payables		
Statutory remittances	3,354	3,771
Advances from customers	1,217	570
Other liabilities	1,753	1,557
Total	**9,902**	**6,833**

15. Provisions

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Provision for employee benefits		
Compensated absences	2,696	2,269
Gratuity	19	24
Total	**2,715**	**2,293**

16. Current tax liabilities (net)

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Provision for tax	4,430	3,593
Total	**4,430**	**3,593**

Income Tax

(₹ in Lakhs)

	For the year ended March 31, 2021	For the year ended March 31, 2020
(a) Income tax expense in the statement of profit and loss consists of:		
Current Tax:		
In respect of current year	10,203	10,590
Short provision for tax relating to prior years	2,099	13
Deferred Tax:		
In respect of current year	(1,484)	(347)
Total Income tax expense recognised in the statement of profit and loss	**10,818**	**10,256**
(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)	(232)
Net loss / (gain) on measurement of exchange difference	1,134	(854)
Total	**1,117**	**(1,086)**
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	35,214	37,949
Enacted income tax rate in India	25.17%	25.17%
Computed expected tax expense	8,863	9,551
Effect of:		
Income exempt from tax	(251)	-
Expenses that are not deductible in determining taxable profit	132	110
Items that are deductible in determining taxable profit	13	(45)
Provision for tax relating to prior years	2,099	554
Different tax rates of Subsidiaries operating in other jurisdictions	(70)	74
Others	32	12
Income tax expense recognised in the statement of profit and loss	**10,818**	**10,256**

The applicable Indian corporate statutory tax rate for the year ended March 31, 2021 and March 31, 2020 is 25.17% and 25.17% respectively.

On September 20, 2019, the Government of India, vide the Taxation Laws (Amendment) Ordinance 2019, inserted Section 115BAA in the Income Tax Act, 1961, which provides domestic companies an option to pay Corporate Tax at reduced rate effective April 01 2019, subject to certain conditions. The Company including its subsidiary incorporated in India has completed it's evaluation and has opted to pay tax at the reduced rate.

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

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

17. Deferred Tax

Deferred Tax assets / (liabilities) as at March 31, 2021 in relation to:

(₹ in Lakhs)

	As at April 1, 2020	Recognised in Profit & Loss	Recognised in Other Comprehensive Income	Others	As at March 31, 2021
Property, plant and equipment	737	19	-	-	756
Intangible Assets*	28	(2)	-	854	(828)
Allowances for credit losses	233	328	-	-	561
Disallowance u/s 40(a)	548	352	-	-	900
Disallowance u/s 43B	610	99	-	-	709
Net gain or loss on fair value of Mutual Funds	(118)	81	-	-	(37)
Fair value through other comprehensive income	926	-	(1,117)	-	(191)
Impairment loss recognised on investments of PF Trust	(80)	220	-	-	140
Others*	(445)	387	-	(58)	(116)
Total	**2,439**	**1,484**	**(1,117)**	**(912)**	**1,894**

* Deferred Tax liabilities on Intangible Assets under Others is due to acquisition during the year. Refer Note 36 for details.

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

	As at April 1, 2019	Recognised in Profit & Loss	Recognised in Other Comprehensive Income	Others	As at March 31, 2020
Property, plant and equipment	579	158	-	-	737
Intangible Assets	47	(19)	-	-	28
Allowances for credit losses	156	77	-	-	233
Disallowance u/s 40(a)	515	33	-	-	548
Disallowance u/s 43B	460	150	-	-	610
Net gain or loss on fair value of Mutual Funds	(31)	(87)	-	-	(118)
Fair value through other comprehensive income	(160)	-	1,086	-	926
Impairment loss recognised on investments of PF Trust	140	(220)	-		(80)
Others*	(516)	255	-	(184)	(445)
Total	**1,190**	**347**	**1,086**	**(184)**	**2,439**

*Deferred tax assets of ₹ 308 has been reversed through retained earnings on account of adoption of Ind AS 116.

Deferred tax assets has not been recognised on accumulated long term capital loss of ₹ 3,578 and ₹ 4,015 as at March 31, 2020 and March 31, 2019 respectively as it is probable that taxable profit will not be available against which the unused tax losses can be utilised in forseable future.

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Unused tax losses (long term capital loss) which expire in:		
-AY 2021-22	-	438
-AY 2022-23	2,154	2,154
-AY 2024-25	461	461
-AY 2025-26	962	962
Total	**3,578**	**4,015**

18.1. Revenue

(₹ in Lakhs)

	For the year ended March 31, 2021	For the year ended March 31, 2020
Revenue from hardware/software product and licenses	3,14,232	2,55,176
Revenue from software services (Refer Note 23)	1,08,522	1,18,753
Other operating revenues	54	397
Total	**4,22,808**	**3,74,326**

18.2. Other income

(₹ in Lakhs)

	For the year ended March 31, 2021	For the year ended March 31, 2020
Interest		
from fixed deposits/margin money with banks	1,645	850
from unwinding of rent deposits discounted (Refer Note 35)	27	25
Net gain on foreign currency transactions and translations	311	4,212
Net gain on investments carried at fair value through profit and loss	340	541
Other non-operating income		
Miscellaneous income	452	212
Total	**2,775**	**5,840**

19. Purchase of stock-in-trade (traded goods)

(₹ in Lakhs)

	For the year ended March 31, 2021	For the year ended March 31, 2020
Purchase of traded items	2,99,158	2,41,579
Total	**2,99,158**	**2,41,579**

20. Employee benefit expense

(₹ in Lakhs)

	For the year ended March 31, 2021	For the year ended March 31, 2020
Salaries including bonus	56,035	60,049
Contribution to provident and other funds	4,005	4,061
Share based payments to employees (Refer Note 30)	1,436	235
Gratuity (Unfunded) (Refer Note 29)	-	6
Staff welfare expenses	1,072	1,680
Total	**62,548**	**66,031**

21. Finance costs

(₹ in Lakhs)

	For the year ended March 31, 2021	For the year ended March 31, 2020
Interest expenses on:		
Borrowings	149	96
Lease liability (Refer Note 35)	1,014	1,158
Contingent consideration	99	119
Others	76	27
Other borrowing costs	201	118
Total	**1,539**	**1,518**

22. Other expenses

(₹ in Lakhs)

	For the year ended March 31, 2021	For the year ended March 31, 2020
Power and Fuel	295	620
Rent	913	1,194
Repairs and maintenance - Buildings	4	7
Repairs and maintenance - Machinery	138	138
Insurance	675	647
Rates and taxes	800	848
Communication cost	686	637
Facility maintenance	493	796
Travelling and conveyance expenses	390	4,100
Sales commission	1,181	770
Professional and technical fees	3,527	3,487
Legal fees	147	163
Insourcing professional fees	9,439	9,311
Expenditure on corporate social responsibility (Refer Note 37)	525	469
Software license fees	1,071	644
Payments to auditors (refer note below)	125	141
Net loss on property, plant and equipment sold / scrapped	25	2
Impairment loss recognised on trade receivables and bad debts written off	1,034	871
Impairment loss recognised on investments of PF Trust	-	2,323
Miscellaneous expenses	1,699	2,267
Total	**23,167**	**29,435**
Note - Payment to auditors comprises (net of input tax credit):		
Remuneration to statutory auditors for audit of Company and its subsidiaries	114	106
Remuneration to statutory auditors for other services	11	32
Reimbursement of expenses	-	3
	125	**141**

23. Revenue from software services

Disaggregate revenue information

The table below presents disaggregated revenues From contracts with customers by geography and contract type. The Group believes that this disaggregation best depicts how the nature, amount, timing and uncertainty of our revenues and cashflows are affected by industry, market and other economic factors.

(₹ in Lakhs)

	For the year ended March 31, 2021		For the year ended March 31, 2020	
	India	Other than India	India	Other than India
Time & Material	7,390	82,890	5,555	97,163
Fixed Price	5,258	12,983	2,027	14,009

Trade receivables and Contract Balances

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

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

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

Invoicing in excess of earnings are classified as unearned revenue.

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

During the year ended March 31, 2021, ₹ 4,078 Lakhs of unbilled revenue as of April 1, 2020 has been reclassified to Trade receivables upon billing to customers on completion of milestones.

During the year ended March 31, 2021 , the company recognized revenue of ₹ 157 Lakhs arising from opening unearned revenue as of April 1, 2020.

Performance obligations and remaining performance obligations

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

The aggregate value of performance obligations that are completely or partially unsatisfied as at March 31, 2021, other than those meeting the exclusion criteria mentioned above, is ₹ 2,371 Lakhs. The Company expects to recognize the revenue within the next one year. This includes contracts that can be terminated for convenience without a substantive penalty since, based on current assessment, the occurrence of the same is expected to be remote.

24. Contingent Liabilities

(₹ in Lakhs)

		As at March 31, 2021	As at March 31, 2020
a)	**Guarantees**		
	The Group has given corporate guarantees to certain suppliers of Sonata Information Technology Limited (SITL) and Sonata Software North America (SSNA).	16,950	20,172
b)	**Disputed demand of Service tax**		
	(i) 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. Disputed demand of service taxes has been settled through Sabka Vishwas Scheme, 2019 during the current year.	1,028	1,028
c)	**Other claims against the Company not acknowledged as debt**	2,864	2,864
d)	**Disputed demands of Income-tax**	38,817	51,356

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

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

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

The Income-tax department in its assessments has been denying or limiting the benefits of Section 10A of the Act to the multiple undertakings of the Company on the ground that they were in fact one single unit and thus the benefits claimed were in excess of permissible limits, and had raised a demand of Nil, (As at March 31, 2020 - ₹ Nil) for financial years 2007-08 to 2009-10. The company received favourable order from CIT(A) and the Department has preferred an appeal before Income-tax Appellate Tribunal (ITAT) and the Department has preferred an appeal before Mumbai High Court for Financial Year 2007-08 and 2008-09 which is in pre admission stage.

For the financial year 2005-06 and 2006-07 , ₹ 4,570 (As at March 31, 2020- ₹ 4,570), the Company has received favorable order from Income-tax Appellate Tribunal (ITAT) and the Department has preferred an appeal before the Honorable High Court of Mumbai.

For the financial year 2001-02, ITAT had given a favorable order on the ground of income accrued under Section 10A of the Act against which the department had filed an appeal before the Honorable High Court of MumbaiNil (As at March 31, 2020 - ₹ 149). The Company has opted to apply for settlement of these disputes under Direct Tax Vivad Se Vishwas Act, 2020, the necessary applications were filed and liability has been settled by the company during the year.

For the financial year 2013-14, Nil (As at March 31, 2020 - ₹ 43), the Company has preferred an appeal before Commissioner of Income-tax (Appeals) on the ground of income accrued under Section 10A of the Act. The Company has opted to apply for settlement of these disputes under Direct Tax Vivad Se Vishwas Act, 2020, the necessary applications were filed and liability has been settled by the company during the year.

For financial year 2010-11 ₹ 2,275 (As at March 31, 2020 ₹ 2,275), Assessing Officer has re-opened the Assessment under section 148 of the Act and disallowed 10A benefit. The company has preferred an appeal before Commissioner of Income-tax (Appeals).

For the financial year 2015-16, Nil (As at March 31, 2020 ₹ 67), the Company has preferred an appeal before Commissioner of Income-tax (Appeals) on the ground of income accrued under Section 10A of the Act. The Company has opted to apply for settlement of these disputes under Direct Tax Vivad Se Vishwas Act, 2020, the necessary applications were filed and liability has been settled by the company during the year.

(ii) Disallowance of Inter-Company Service Charges

a) The Company charges Sonata Information Technology Limited (SITL), its wholly owned subsidiary, for certain support services rendered. During assessments, the Income-tax department denied benefits under Section 10A of the Income Tax Act on such support services and assessed the same as normal business income and raised demand of Nil (As at March 31, 2020 - ₹ 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. The Company has opted to apply for settlement of these disputes under Direct Tax Vivad Se Vishwas Act, 2020, the necessary applications were filed and liability has been settled by the company during the year.

NIl (As at March 31, 2020 - ₹ 116) for the financial year 2010-11. The Company had filed an appeal before the Commissioner of Income-tax (Appeals). The Company has received favorable orders and the Department had preferred an appeal before ITAT which was heard during the year and dismissed. Department has filed appeal before High Court. High Court has admitted the appeal pending hearing. The Company has opted to apply for settlement of these disputes under Direct Tax Vivad Se Vishwas Act, 2020, the necessary applications were filed and liability has been settled by the company during the year.

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. ₹ 4,402 (As at March 31, 2020 ₹ 5,933) for the financial years 2001-02, 2003-04 to 2009-10. SITL has received favorable orders from the Income-tax Appellate Tribunal (Income Tax Appellate Tribunal). The Income-tax department has preferred an appeal to the Honorable High Court of Mumbai. The company has opted to apply for settlement for FY 2003-04, 2004-05 & 2005-06 of these disputes under Direct Tax Vivad Se Vishwas Act, 2020, the necessary applications were filed and liability has been settled by the company during the year.

ii. ₹ 447 (As at March 31, 2020 ₹ 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, 2020 ₹ 2,944) for the financial years 2012-13 and 2013-14. SITL has received favorable order from Commissioner of Income-tax (Appeals) (CIT(A)). Department has filed appeal before ITAT.The income tax department has preferred an appeal to Income Tax Appellate Tribunal which is dismissed during the year.

iv. ₹ 3,407 (As at March 31, 2020 ₹ 2,453) for financial year 2014-15, 2015-16 and 2016-17. The assessing officer has disallowed the intercompany service charges and cost for deputation of personnel. SITL has filed appeal before Commissioner of Income-tax (Appeals).

(iii) Withholding tax demand

The Income-tax department has been contending that amounts paid by the Company for buying the software products is in the nature of 'Royalty' and hence had to withhold Income-tax on the same as per the Income Tax Act and had raised demand of Nil (As at March 31, 2020 ₹ 2,842) for the financial years 1999-00, 2000-01 and 2001-02. The Company's contention has been that the payments were made for purchase of 'Goods' and hence was under no obligation to withhold Income-tax on the same. The Company had received favorable orders from the ITAT which were reversed by the Honorable High Court of Karnataka. The Company had preferred a Special Leave Petition Appeal on the said order to the Honorable Supreme Court of India. During the year the company had received a favorable judgement from Honourable Supreme Court of India on purchase of software products from non-resident is not taxable as 'Royalty' and withholding tax is not applicable as per the Income-tax Act, 1961. Consequently on account of this favorable judgement, there is no liability on the company in this respect.

SITL is engaged in the business of buying and selling packaged software in India. The Income Tax department has been contending that amounts paid by SITL for buying the software products is in the nature of 'Royalty' and hence had to withhold Income-tax on the same as per the Income-tax Act, 1961, and had raised demands of Nil (As at March 31, 2020 - ₹ 2,182) for the financial years 2000-01 and 2001-02. SITL's contention has been that the payments were made for purchase of 'Goods' and hence was under no obligation to withhold Income-tax on the same. SITL had received favorable orders from the Income-tax Appellate Tribunal which were reversed by the Honorable High Court of Karnataka. SITL had preferred a Special Leave Petition on the said order to the Honorable Supreme Court of India. During the year the company had received a favorable judgement from Honourable Supreme Court of India on purchase of software products from non-resident is not taxable as 'Royalty' and withholding tax is not applicable as per the Income-tax Act, 1961. Consequently on account of this favorable judgement, contingent liability of the company has reduced.

(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 Nil (As at March 31, 2020 - ₹ 83) for the financial year 1994-95. The Company had received favorable orders from Income-tax Appellate Tribunal. The department had preferred an appeal on the said order before the Honorable High Court of Mumbai.

(v) Disallowance of payments made for purchase of software on which Income-tax was not withheld.

Payment in the nature of Royalty on which Income-tax have not been deducted at source are subject to disallowance as an 'expense' as per Sections 40(a)(i) and 40(a)(ia) while computing taxable profits of SITL. Consequent to issue described in (ii) above, the Income-tax department, holding payments for purchase of software as "Royalty" disallowed the same while computing taxable profits of the SITL.

The Honorable High Court of Karnataka had given an unfavorable decision on the issue covered in (ii) above. However, the said demands which are consequential and penal in nature do not arise automatically and there are multiple legal precedents in favor of SITL. Based on supreme court favorable order with respect to witholding tax demand mentioned above, 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, 2020 ₹ 23,644) of tax demand for the financial years 2001-02, 2002-2003, 2006-07 and 2007-08. The Company had received a favorable order from ITAT. The Income-tax department had preferred an appeal to the Honorable High Court of Mumbai.

ii. Nil (As at March 31, 2020 Nil) for the financial year 2014-15. The Department has filed an appeal before the ITAT.

iii. Nil (As at March 31, 2020 ₹ 127) for the financial years 2012-13 and 2013-14. SITL had received a favorable order from CIT(A). The Income-tax department had preferred an appeal before ITAT. During Year ITAT dismissed the Department Appeal.

iv. ₹ 72 (As at March 31, 2020 ₹ 72) for the financial year 2014-15, 2015-16 and 2016-17. The assessing officer has disallowed payments made for purchase of software on non-deduction of tax. SITL has preferred an appeal before CIT(A).

(vi) Transfer Pricing Adjustment

Nil (As at March 31, 2020 ₹ 1,072) for the financial year 2011-12 and financial year 2013-14. The Income-tax department has recommended the upward adjustment in the value of Investment in subsidiary and sale of services to associated enterprises as Transfer Pricing Adjustment in the International transactions in order to consider them to be at arm's length price. The Company had preferred an appeal before Commissioner of Income-tax (Appeals) heard and partly allowed. For the financial year 2011-12, the Company has preferred an appeal before Income-tax Appellate Tribunal (ITAT) and for the financial year 2013-14, the company has preferred an appeal before Commissioner of Income-tax (Appeals). The company has opted to apply for settlement for FY 2003-04, 2004-05 & 2005-06 of these disputes under Direct Tax Vivad Se Vishwas Act, 2020, the necessary applications were filed and liability has been settled by the company during the year.

e) In addition, the Group in the ordinary course of business receives various claims from its customers and other business partners. Based on review of such matters and the information available at this time, the Group does not anticipate that any of these will result in a settlement that will have a material impact on its Consolidated financial statements.

25. Commitments

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Estimated amount of contracts remaining to be executed on capital account and not provided for	7	19

26. Financial instruments

The carrying value and fair value of financial instruments by categories as at March 31, 2020 and March 31, 2019 is as follows:

(₹ in Lakhs)

	Note No.	Carrying Value		Fair Value	
		As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
Financial assets					
Amortised Cost					
Security Deposits	7 & 8.5	1,711	1,832	1,711	1,832
Trade receivable	8.2	61,579	70,000	61,579	70,000
Cash and cash equivalents	8.3	63,335	37,220	63,335	37,220
Bank balances other than Cash & cash equivalents	8.4	4,374	2,424	4,374	2,424
Other financial assets	6.2 & 8.5	5,813	6,149	5,813	6,149
FVTPL					
Investment in Mutual Fund	8.1	6,542	480	6,542	480
Investment in Equity instruments (Quoted)	6.1	6	3	6	3
Forward Contracts	8.5	2,211	-	2,211	-
FVTOCI					
Investment in Equity instruments (Unquoted)	6.1	1,048	870	1,048	870
Forward Contracts	8.5	490	-	490	-
Total Assets		**1,47,109**	**1,18,978**	**1,47,109**	**1,18,978**
Financial liabilities					
Amortised Cost					
Borrowings	13.1	8,973	8,600	8,973	8,600
Trade payables	13.2	65,066	56,186	65,066	56,186
Other financial liabilities	12	10,127	10,270	10,127	10,270
FVTPL					
Payable for acquisition of subsidiary	12	3,018	3,421	3,018	3,421
Non-current other financial liabilities	15	-	144	-	144
Forward Contracts	14.2	-	1,120	-	1,120
FVTOCI					
Forward Contracts	14.2	-	1,933	-	1,933
Total Liabilities		**87,184**	**81,674**	**87,184**	**81,674**

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

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

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

1. The fair value of the quoted mutual funds are based on price quotations at reporting date. The fair value of other financial liabilities and other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. In addition to being sensitive to a reasonably possible change in the forecast cash flows or discount rate, the fair value of the equity instruments is also sensitive to a reasonably possible change in the growth rates.
2. The fair values of the unquoted equity have been estimated using a discounted cash flow model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, discount rate, credit risk and volatility, the probabilities of the various estimates whose range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.
3. The Group enters into derivative financial instruments with Banks. Foreign exchange forward contracts are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing model, using present value calculations. The models incorporate various inputs including the credit quality of banks, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves etc.

   As at March 31, 2020, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative bank default risk. The changes in bank credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

Fair value hierarchy

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

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

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

The following table presents the fair value measurement hierarchy of financial assets and liabilities measured at fair value on recurring basis as at March 31, 2021 and March 31, 2020.

Quantitative disclosures of fair value measurement hierarchy for financial assets and financial liabilities are as under:

(₹ in Lakhs)

	Fair Value		Fair value hierarchy	Valuation technique and Key inputs
	As at March 31, 2021	As at March 31, 2020		
Investment in Equity instruments - Principal Share Group (Quoted)	6	3	Level 1	Fair value is determined based on the share price quoted in exchange.
Investment in Mutual funds (Quoted)	6,542	480	Level 1	Fair value is determined based on the Net asset value published by respective funds.
Foreign currency forward contracts	2,701	(3,053)	Level 2	The fair value of forward foreign contracts are determined using forward exchange rates at the reporting date.
Investment in Equity instruments - Retain 10x Inc.	610	605	Level 3	Investment in associate is a financial asset.
Investment in Equity instruments - Semicab Inc.	256	265	Level 3	Investment in associate is a financial asset.
Investment in Equity instruments - Treeni Sustainability Solutions Inc.	183	-	Level 3	Investment in associate is a financial asset.
Other financial liabilities	3,018	3,565	Level 3	Payable for acquisition of subsidiary is a financial liability.

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

i) Reconciliation of fair value measurement of investment in Unquoted equity instrument classified as FVTOCI (Level 3):

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Opening balance	873	617
Remeasurement recognised in OCI	(8)	54
Purchases	183	265
Sales	-	(63)
Closing balance	**1,048**	**873**

ii) Reconciliation of fair value measurement of payables for acquisition of subsidiary classified as FVTPL (Level 3):

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Opening balance	3,421	3,145
Additions during the year	396	-
Remeasurement recognised in Statement of Profit and Loss	99	276
Payout / reversals during the year	(898)	-
Closing balance	**3,018**	**3,421**

Derivative financial instruments

The Group is exposed to foreign currency fluctuations on foreign currency assets/ liabilities and forecasted cash flows denominated in foreign currency. The Group follows established risk management policies, including the use of derivatives to hedge foreign currency assets/ liabilities and foreign currency forecasted cash flows. The counter party in these derivative instruments is a bank and the Group considers the risks of non-performance by the counterparty as non-material.

For movement in cash flow hedge reserve gain or loss - Refer note 11

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

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Designated derivative instruments (Sell):		
In USD	1,099	936
in GBP	105	151
in EUR	80	43

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

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Designated derivative instruments (Sell):		
Less than 3 months		
In USD	360	354
in GBP	26	29
in EUR	59	8
More than 3 months		
In USD	738	582
in GBP	78	122
in EUR	21	35

Average rate of coverage

	As at March 31, 2021		As at March 31, 2020	
	₹ in Lakhs	Weighted Average Rate (₹)	₹ in Lakhs	Weighted Average Rate (₹)
USD	1,099	79.40	936	74.29
GBP	105	101.35	151	94.98
EUR	80	88.00	43	84.52

27. Financial risk management

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

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

Credit risk

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

Trade and other receivables

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

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

(₹ in Lakhs)

	For the year ended	
	March 31, 2021	March 31, 2020
Revenue from top customer	55,976	50,390
Revenue from top 5 customers	1,67,307	1,20,583

One customer accounted for more than 10% of the revenue for the year ended March 31, 2021 and two of the customers accounted for more than 10% of the receivables for the year ended March 31, 2020. One customer accounted for more than 10% of the revenue for the year ended March 31, 2021, however none of the customers accounted for more than 10% of the receivables for the year ended March 31, 2020.

Investments

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

Liquidity risk

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

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

The working capital position of the Group is given below:

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Cash and cash equivalents	63,335	37,220
Bank balances other than cash & cash equivalents	1,505	1,418
Investments in mutual funds (quoted)	6,542	480
Trade receivables	61,579	70,000
Other financial assets	7,261	4,326
Other current assets	3,828	4,509

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2021 and March 31, 2020 :

(₹ in Lakhs)

	As at March 31, 2021		
	Less than 1 year	1-2 years	2 years & above
Borrowings	8,973	-	-
Trade payables	65,066	-	-
Other financial liabilities	2,649	369	-
Lease liabilities	2,339	2,047	5,142

(₹ in Lakhs)

	As at March 31, 2020		
	Less than 1 year	1-2 years	2 years & above
Borrowings	8,600	-	-
Trade payables	56,186	-	-
Other financial liabilities	4,389	2,667	-
Lease liabilities	2,109	1,833	6,176

Foreign Currency risk

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

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

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

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

a) an approximately ₹ 1,033 lakhs increase and decrease in the Group's net profit as at March 31, 2021;

b) an approximately ₹ 423 lakhs increase and decrease in the Group's net profit as at March 31, 2020.

The following table presents foreign currency risk from non-derivative financial instruments as of March 31, 2021 and March 31, 2020.

(₹ in Lakhs)

Exposure currency	USD	GBP	EUR	Other Currencies*
As at March 31, 2021				
Assets				
Trade receivables	14,825	1,765	1,173	2,877
Cash and Cash equivalents	7,913	665	62	808
Other assets	1,393	1,399	60	1,243
Liabilities				
Trade Payable	(6,979)	(659)	(121)	(43)
Other non-current liabilities	(8,228)	(108)	-	(2,386)
Net assets/liabilities	**8,924**	**3,062**	**1,174**	**2,499**
As at March 31, 2020				
Assets				
Trade receivables	18,078	-	3,120	673
Cash and Cash equivalents	16,606	962	151	709
Other assets	3,138	457	162	9
Liabilities				
Trade Payable	(3,991)	(887)	(146)	(261)
Other non-current liabilities	(11,156)	-	-	(838)
Net assets/liabilities	**22,675**	**532**	**3,287**	**292**

*Others include currencies such as Canadian Dollar, Singapore Dollar, Australian Dollar, Swiss Franc, Danish Krone, United Arab Emirates Dirham, Saudi Riyal, etc.

For the year ended March 31, 2021, 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, 2020, the impact on operating margins would be 0.14%/ (0.14)%.

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.

28. Capital management

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

The capital structure of the company consists of the following:

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Total equity attributable to the equity share holders of the Group	90,547	66,967
As percentage of total capital	91%	89%
Current borrowings	8,973	8,600
Total Borrowings	8,973	8,600
As a percentage of total capital	9%	11%
Total capital (borrowings and equity)	**99,520**	**75,567**

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.

29. 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.

Sonata Software Limited Provident Fund Trust had applied to the Employee Provident Fund Organisation (EPFO) for surrender of exemption granted under Section 17(1)(a) of The Employee Provident Fund and Miscellaneous provision Act, 1952. The EPFO had agreed vide letter dated March 12, 2021 for surrender of exemption granted to the Trust and Sonata Software Limited & Sonata Information Technology Limited to comply as unexempted establishments w.e.f May 01, 2021. The Sonata Software Limited Provident Fund Trust is in the process of submission of documents for surrender of exemption .

Sonata Software Solutions Limited employees receive benefits from government adminstered provident fund. The employer and employees each make periodic contributions to the government adminstered provident fund. A portion of the contribution is made to the government adminstered provident fund while the remainder of the contribution is made to the pension fund.

Provident fund contributions amounting to ₹ 1,583 lakhs (for the year ended March 31, 2020 ₹ 1,647 lakhs) has been charged to the Statement of Profit and Loss (as part of Contribution to Provident Fund and other Funds in Note 20 Employee benefit expense).

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

(₹ in Lakhs)

	Year ended March 31, 2021	Year ended March 31, 2020
Employee's State Insurance (as part of Staff welfare expenses in Note 20 Employee benefits expense)	11	16
Superannuation (as part of Contribution to Provident Fund and other Funds in Note 20 Employee benefits expense)	1,048	963
National Pension Scheme (as part of Contribution to Provident Fund and other Funds in Note 20 Employee benefits expense)	47	45
National Insurance Contribution (as part of Contribution to Provident Fund and other Funds in Note 20 Employee benefits expense)	417	740

ii) Defined benefit plans - Gratuity

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

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Discount rate(s)	6.26%	6.82%
Expected rate(s) of salary increase	5.00%	5.00%
Mortality Rate	Indian Assured Lives Mortality 2006-08	" Indian Assured Lives Mortality 2006-08 "

Amounts recognised in Statement of Profit and Loss in respect of these defined benefit plans are as follows:

(₹ in Lakhs)

	Year ended March 31, 2021	Year ended March 31, 2020
Service Cost:		
Current Service Cost	659	484
Net Interest Expense	54	2
Components of defined benefit costs recognised in profit or loss	713	486
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	(677)	311
Actuarial (gains) / losses arising from changes in financial assumptions	182	508
Actuarial (gains) / losses arising from experience adjustments	324	46
Components of defined benefit costs recognised in other comprehensive income	**(170)**	**865**

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

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

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Present value of funded defined benefit obligation	(5,701)	(4,448)
Fair value of plan assets	4,815	3,670
Net (liability) / Assets arising from defined benefit obligation	**(885)**	**(778)**
Movements in the present value of the defined benefit obligation are as follows.		
Opening defined benefit obligation	4,448	3,445
Current service cost	659	484
Interest cost	303	273
Remeasurement (gains)/losses:		
Actuarial gains and losses arising from changes in financial assumptions	182	509
Actuarial gains and losses arising from experience adjustments	324	46
Actuarial (gains) / losses arising from Demographic adjustments	241	-
Benefits paid	(460)	(309)
Closing defined benefit obligation	**5,697**	**4,448**

	As at March 31, 2021	As at March 31, 2020
Movements in the fair value of the plan assets are as follows.		
Opening fair value of plan assets	3,670	3,423
Interest income	251	272
Return on plan assets (excluding amounts included in net interest expense)	681	(310)
Contributions from the employer	675	594
Benefits paid	(459)	(309)
Closing fair value of plan assets	**4,816**	**3,670**

The major categories of plan assets as a percentage of total plan

	As at March 31, 2021	As at March 31, 2020
Insurer Managed Funds	100%	100%
Category of funds :		
Secure Fund	19.03%	16.82%
Defensive Fund	34.30%	39.62%
Balanced Fund	46.59%	43.46%
Stable Fund	0.08%	0.11%

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

(₹ in Lakhs)

	As at March 31, 2021		As at March 31, 2020	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	376	338	548	459
Future salary growth (1% movement)	379	343	553	471

The Group expects to contribute ₹ 1,238 lakhs to its defined benefit plans during the next fiscal year.

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

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

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

Experience adjustments (₹ in Lakhs)

	As at				
	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
Present value of defined benefit obligation	5,701	4,449	3,446	2,941	2,496
Fair value of plan assets	4,815	3,670	3,424	2,843	2,692
Surplus / (deficit)	(885)	(779)	(22)	(98)	196
Experience adjustments on plan liabilities - (gain)/losses	326	46	75	178	(84)
Experience adjustments on plan assets - (losses)/gain	681	(310)	28	(17)	104

Maturity profile of defined benefit obligation: (₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Within 1 year	625	430
1-2 years	596	131
2-3 years	812	173
3-4 years	529	160
4-5 years	578	162
5 and Above	5,789	10,501

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.

30. Share-based payments

(a) Employee share option plan of the Group

i) Details of the employee share option plan of the Group

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

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

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

Number of Shares	Grant date	Expiry date	Exercise price (₹)	Fair Value at grant date (₹)
3,75,000	April 1, 2012	April 1, 2017	18.10	4.45 - 6.55
1,20,000	May 20, 2015	May 20, 2020	165.75	53.35 - 68.45
1,60,000	August 8, 2016	August 9, 2021	154.45	55.21 - 68.60
60,000	May 29, 2017	May 29, 2022	149.65	43.49 - 55.86
75,000	November 13, 2017	November 14, 2022	191.95	54.78 - 79.62
1,20,000	May 31, 2019	May 30, 2024	354.50	115.54-137.75
60,000	May 29, 2020	May 28, 2025	206.50	54.22 - 62.63

ii) Fair value of share options outstanding at the year end

Options are priced using Black - Scholes pricing model.

Inputs into the model

Grant date	April 1, 2012	May 20, 2015	August 8, 2016	May 29, 2017	November 13, 2017	May 31, 2019	May 29, 2020
Grant date share price (₹)	13.74	148.98	150.09	142.17	188.51	356.70	202.90
Exercise price (₹)	18.10	165.75	154.45	149.65	191.95	354.50	206.50
Expected volatility (%)	49.84 - 51.82	46.52 - 47.05	43.18 - 44.24	36.47 - 40.61	31.78 - 40.86	53-26	40
Option life (in years)	5	5	5	5	5	5	5.00
Dividend yield (%)	-	-	-	-	-	2.50	2.50
Risk-free interest rate (%)	8.18 - 8.60	7.79 - 7.86	6.91 - 7.08	6.66 - 6.79	6.52 - 6.81	6.71 - 7.03	4.76-5.26

(iii) Movements in share options during the year

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

	2020-21		2019-20	
	Number of Options	Weighted average exercise price (₹)	Number of Options	Weighted average exercise price (₹)
Balance at beginning of year	3,20,000	228.87	3,05,000	164.15
Granted during the year	60,000	206.50	1,20,000	354.50
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	48,750	175.83
Expired during the year	1,78,000	68.33	56,250	191.95
Balance at end of year	**2,02,000**	**92.17**	**3,20,000**	**228.87**
Exercisable at the end of the year	65,500	77.82	1,40,000	153.76

(iv) Stock options exercised during the year

The following share options were exercised during the year:

No share options were exercised during the year

The following share options were exercised during FY 2019-20:

Granted on	Number Exercised	Exercised Date	Share price at exercise Date (₹)
May 20, 2015	30,000	May 20, 2019	332.45
November 13, 2017	18,750	August 1, 2019	321.05
Total	**48,750**		

(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 ₹ 269.98 (as at March 31, 2020 ₹ 228.87)

During the year, the amount recognised as reversal of expense for employee Stock Options is ₹ 53 lakhs.

(b) Other Stock Based Compensation Arrangements

Stock Appreciation Rights Plan provides the certain employee with the right to receive cash that is equal to the increase in the value of the company's shares from the date the right was granted and the right was exercised. They are not entitled to any shares or dividend. Plan 1 and 2 of 2018 has been approved by the Board vide Board Meeting dated May 29, 2017 subsequently amended dated August 13th , 2018. Plan of 2019 has been approved by the Board vide Board meeting dated August 13th, 2018.

The Company has also granted stock appreciation rights plan to certain employees during the year which is subject to certain vesting conditions. Details of the grant/issue as at March 31, 2020 are given below:

	For the year ended March 31, 2021								
	As per plan 1 (2018)	As per plan (2019)	As per plan2 (2018)	As per plan 3 (2018)	As per plan 2 (2019)	As per plan 4 (2018)	As per plan 1 (2020)	As per plan 2 (2020)	As per plan 3(2020)
Outstanding units as at the beginning of the year	2,85,000	81,500	4,35,000	1,80,000	1,18,500	3,60,000			
Number of units granted under letter of intent during the year	-		-			-	1,60,000	1,65,000	84,000
Exercised units	65,000	35,000	23,000	-	-	-	40,000		
Lapsed units	-	-	1,49,000	99,000	44,500	-	-	-	-
Forfeited units	-	-	-	-	-	-	-	-	-
Cancelled units		-	-	-	-	-	-	-	-
Outstanding units as at the end of the year	2,20,000	46,500	2,63,000	81,000	74,000	3,60,000	1,20,000	1,65,000	84,000
Contractual life (in years)	3	1	3	3	1	3	3	3	1
Date of grant	May 29, 2017	September 30, 2018	December 18, 2018	May 31, 2019	October 1, 2019	October 30, 2019	May 1, 2020	May 29, 2020	January 1, 2021
Grant price per unit (₹)	149.65	200.00	315.30	354.50	224.00	317.40	155.00	206.05	251.00
Number of units exercisable at the end of the year	2,20,000	46,500	1,71,000	27,000	74,000	1,20,000	-	-	-
Weighted average remaining contractual life (in years)	1.21	1.50	2.77	3.17	2.50	3.58	4.09	4.16	3.76
Weighted average exercise price (₹)	169.21	200.00	335.66	354.50	224.00	317.40		-	-
Weighted average exercise price for options exercisable at the end of the year (₹)	169.21	200.00	356.60	398.74	224.00	357.01	195.26	231.77	251.00

	For the year ended March 31, 2020						
	As per plan 1 (2018)		As per plan (2019)	As per plan2 (2018)	As per plan 3 (2018)	As per plan 2 (2019)	As per plan 4 (2018)
Outstanding units as at the beginning of the year	2,90,000	1,05,000	1,27,500	4,35,000	-	-	-
Number of units granted under letter of intent during the year	-	-		-	1,80,000	1,18,500	3,60,000
Exercised units	5,000	35,000	46,000	-	-	-	-
Lapsed units	-	-	-	-	-	-	-
Forfeited units	-	-	-	-	-	-	-
Cancelled units		70,000	-	-	-	-	-
Outstanding units as at the end of the year	2,85,000	-	81,500	4,35,000	1,80,000	1,18,500	3,60,000
Contractual life (in years)	3	3	1	3	3	1	3
Date of grant	May 29, 2017	November 13, 2017	September 30, 2018	December 18, 2018	May 31, 2019	October 1, 2019	October 30, 2019
Grant price per unit (₹)	149.65	191.95	200	315.30	354.50	224.00	317.40
Number of units exercisable at the end of the year	2,15,000	-	81,500.00	1,45,000.00	-	-	-
Weighted average remaining contractual life (in years)	2.56	-	3.00	3.71	4.17	3.00	4.59
Weighted average exercise price (₹)	198.20	-	200.00	354.65	398.74	224.00	357.01
Weighted average exercise price for options exercisable at the end of the year (₹)	162.32	-	200.00	315.30	-	-	-

The weighted average fair value of each unit for the above mentioned stock appreciation rights plan has been calculated using the Black - Scholes pricing model with the following assumptions:

	For the year ended March 31, 2021								
	As per plan 1 (2018)	As per plan (2019)	As per plan2 (2018)	As per plan 3 (2018)	As per plan 2 (2019)	As per plan 4 (2018)	As per plan 1 (2020)	As per plan 2 (2020)	As per plan 3(2020)
Grant date	May 29, 2017	September 30, 2018	December 18, 2018	May 31, 2019	October 1, 2019	October 30, 2019	May 1, 2020	May 29, 2020	January 1, 2021
Exercise price (₹)	149.65-187.72	200.00	315.30-395.52	354.5-444.68	224.00	317.4-398.15	155-217.76	206.05-258.47	251.00
Dividend yield (%)	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Expected life (in years)	3	1	3	3	1	3	3	3	1
Risk free interest rate (%)	3.86%	3.86%	3.86%-4.25%	3.86%-5.18%	3.86%	3.86%-5.18%	3.86%-5.58%	4.25%-5.58%	4.25%
Volatility (%)	40%	40%	40%	40%	40%	40%	40%	40%	40%

	For the year ended March 31, 2020					
	As per plan 1 (2018)	As per plan (2019)	As per plan 2 (2018)	As per plan 3 (2018)	As per plan 2 (2019)	As per plan 4 (2018)
Grant date	May 29, 2017	September 30, 2018	December 18, 2018	May 31, 2019	October 1, 2019	October 30, 2019
Exercise price (₹)	163.34-177.71	149.42	86.02-94.65	354.5-444.68	224.00	317.4-398.15
Dividend yield (%)	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Expected life (in years)	3	1	3	3	1	3
Risk free interest rate (%)	4.87-5.76%	4.87-5.76%	4.87-5.76%	4.87-5.76%	4.87-5.76%	4.87-5.76%
Volatility (%)	45%	45%	45%	45%	45%	45%

During the year, the expense recognised for Stock appreciation rights is ₹ 1488 lakhs and the related liability accounted is ₹ 1981 lakhs

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. Related party disclosure

i) Details of related parties :

Description of relationship	Names of related parties
(a) Post-employment benefit plan (Refer Note 30)	Sonata Software Limited Gratuity Fund Sonata Software Officers' Superannuation Fund Sonata Software Provident Fund Trust
(b) Entity with common Key Management Personnel (KMPE)	Palred Technology Services Private Limited
(c) Key Management Personnel (KMP)	Mr. P Srikar Reddy, Managing Director & Chief Executive Officer Mr. Pradip P Shah, Chairman & Independent Director Mr. B K Syngal, Independent Director (upto August 10, 2019) Mr. S N Talwar, Independent Director (upto August 10, 2019) Ms. Radhika Rajan, Independent Director Mr. Viren Raheja, Non Executive Director Mr. S B Ghia, Non Executive Director Mr. Sanjay K Asher (w.e.f August 8, 2019) Mr. Prasanna Oke, Chief Financial Officer (upto June 30, 2019) Mr. Jagannathan C N, Chief Financial Officer (w.e.f. October 30, 2019) Ms. Mangal Krishnarao Kulkarni, Company Secretary (w.e.f. July 1, 2019)

ii) Transactions with related parties :

(₹ in Lakhs)

	KMPE	
	As at March 31, 2021	As at March 31, 2020
Commission on Sales		
Palred Technology Services Private Limited	6	-

(₹ in Lakhs)

	KMP	
	As at March 31, 2021	As at March 31, 2020
Compensation of key management personnel of the Company		
Short-term employee benefits*	453	327
Share-based payment transactions	548	153
Others	347	245
Total compensation paid to key management personnel	**1,348**	**725**
Balances outstanding at the end of the year		
Payable to key management personnel of the Company		
Short-term employee benefits*	205	100
Share-based payment transactions	786	245
Others	336	230

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

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33. Segment Reporting

The CEO & MD of the Company has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS 108, Operating Segments. Information reported to the CODM for the purposes of resource allocation and assessment of segment performance focuses on geographical territory; Accordingly, the reportable segments are "India" and "Other than India".

The Group's operation comprises of software development, technical services and product marketing. Primary segmental reporting is based on geographical areas based on location of customer, viz., Domestic (India) and International (Rest of the world). Secondary segment comprises business segment viz., products & services.

In primary segment, revenue and all expenses, which relate to a particular geographical segment based on location of customer, are reported. Secondary segment is reported based on the Group's business viz., products and services. Revenue is identified based on the business operations.

Revenues and expenses directly attributable to segments are reported under each reportable segment. Expenses which are not directly identifiable to each reportable segment have been allocated on the basis of associated revenues of the segment and manpower efforts. All other expenses which are not attributable or allocable to segments have been disclosed as unallocable expenses. Assets and liabilities that are directly attributable or allocable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed as unallocable.

Primary disclosure

Geographical Segment based on location of customers (₹ in Lakhs)

	India		Other than India		Unallocable		Consolidated	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Revenue								
Segment revenue	2,57,614	2,23,491	1,67,331	1,52,997	-	-	4,24,945	3,76,488
Inter segment revenue							(2,137)	(2,162)
Revenue from operations							4,22,808	3,74,326
Segment result								
Profit before tax and interest	8,303	7,166	25,986	30,673	2,464	1,628	36,753	39,467
Finance costs							1,539	1,518
Profit before tax and exceptional item							35,214	37,949
Exceptional item - Interest income on Income Tax refund							-	-
Profit before tax							35,214	37,949
Tax expense							(10,818)	(10,256)
Profit after tax							24,396	27,693
Segment assets	75,727	63,425	84,745	74,779	34,220	23,442	1,94,692	1,61,646
Segment liabilities	56,652	52,474	34,091	30,010	13,402	12,195	1,04,145	94,679

Secondary disclosure

Business Segment (₹ in Lakhs)

	Products		Services		Unallocable		Consolidated	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Revenue	3,14,232	2,55,176	1,08,576	1,19,150	-	-	4,22,808	3,74,326
Assets	75,727	63,425	84,745	74,779	34,220	23,442	1,94,692	1,61,646
Capital expenditure	-	52	76	861	-	-	76	913

34. 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, 2021

Name of the entity	Net Assets, i.e. total assets minus total liabilities		Share of profit / (loss)		Share in other comprehensive income		Share in Total Comprehensive income	
	As % of consolidated net assets	Amount (₹ in lakhs)	As % of consolidated profit / (loss)	Amount (₹ in lakhs)	As % of consolidated other comprehensive income	Amount (₹ in lakhs)	As % of consolidated profit / (loss)	Amount (₹ in lakhs)
Parent :	40.25%	36,443	61.03%	14,889	55.39%	1,877	60.34%	16,766
Subsidiaries :								
Indian								
Sonata Information Technology Limited	29.37%	26,597	24.85%	6,062	24.55%	832	24.81%	6,894
Sonata Software Solutions Limited*	0.08%	70	4.11%	1,002	-	-	3.61%	1,002
Foreign								
Sonata Software North America Inc**	2.99%	2,706	-8.06%	(1,966)	5.38%	182	-6.42%	(1,784)
Interactive Business Information Systems Inc.	8.79%	7,960	6.39%	1,558	-0.77%	(26)	5.51%	1,532
Sonata Software FZ LLC (Dubai)	0.79%	712	-0.37%	(90)	0.65%	22	-0.24%	(68)
Sonata Software Qatar	-0.27%	(241)	-0.11%	(26)	0.36%	12	-0.05%	(14)
Sonata Europe Limited	3.82%	3,463	12.03%	2,936	70.20%	2,379	19.13%	5,315
Gapbuster Limited	4.82%	4,363	-0.72%	(176)	-59.51%	(2,017)	-7.89%	(2,193)
Sonata Software GmbH	0.20%	180	-0.03%	(8)	0.12%	4	-0.01%	(4)
Scalable Data Systems	3.27%	2,965	1.72%	420	2.80%	95	1.85%	515
Sopris Systems LLC	5.89%	5,329	-0.84%	(205)	0.83%	28	-0.64%	(177)
Total	**100%**	**90,546**	**100%**	**24,396**	**100%**	**3,389**	**100%**	**27,785**

*Sonata Software Solutions Limited, a wholly- owned subsidiary was incorporated on February 24, 2020
** Rezopia Inc. and Halosys Technologies Inc. merged with Sonata Software North America (SSNA) w.e.f June 14, 2019.

(b) As at and for the year ended March 31, 2020

Name of the entity	Net Assets, i.e. total assets minus total liabilities		Share of profit / (loss)		Share in other comprehensive income		Share in Total Comprehensive income	
	As % of consolidated net assets	Amount (₹ in Lakhs)	As % of consolidated profit or loss	Amount (₹ in Lakhs)	As % of consolidated other comprehensive income	Amount (₹ in Lakhs)	As % of consolidated profit or loss	Amount (₹ in Lakhs)
Parent :	33.67%	22,546	55.95%	15,493	106.68%	(3,165)	49.86%	12,328
Subsidiaries :								
Indian								
Sonata Information Technology Limited	25.90%	17,342	23.64%	6,546	0.42%	(12)	26.43%	6,534
Sonata Software Solutions Limited*	0.28%	189	-0.09%	(26)	-	-	-0.10%	(26)
Foreign								
Sonata Software North America Inc**	4.32%	2,895	9.58%	2,654	15.85%	(470)	8.83%	2,184
Interactive Business Information Systems Inc.	11.31%	7,571	5.83%	1,614	-4.69%	139	7.09%	1,753
Sonata Software FZ LLC (Dubai)	1.43%	960	-0.29%	(80)	1.45%	(43)	-0.50%	(123)
Sonata Software Qatar	-0.18%	(122)	-0.13%	(37)	0.98%	(29)	-0.27%	(66)
Sonata Europe Limited	10.59%	7,090	7.57%	2,096	-22.39%	664	11.16%	2,760
Sonata Software GmbH	-0.01%	(4)	-0.61%	(168)	-0.40%	12	-0.63%	(156)
Scalable Data Systems	3.61%	2,419	0.75%	207	0.20%	(6)	0.81%	201
Sopris Systems LLC	9.08%	6,081	-2.20%	(608)	1.89%	(56)	-2.69%	(664)
Total	**100%**	**66,967**	**100%**	**27,692**	**100%**	**(2,967)**	**100%**	**24,726**

*Sonata Software Solutions Limited, a wholly- owned subsidiary was incorporated on February 24, 2020
** Rezopia Inc. and Halosys Technologies Inc. merged with Sonata Software North America (SSNA) w.e.f June 14, 2019.

35. Leases

The Group has adopted Ind AS 116 'Leases' with the date of initial application being April 1, 2019. Ind AS 116 replaces Ind AS 17 – Leases and related interpretation and guidance. The Group has applied Ind AS 116 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at April 1, 2019.

In adopting Ind AS 116, the Company has applied the below practical expedients:

a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics

b) leases of low value assets (assets of less than ₹ 500,000 in value) has not been considered for application of Ind AS 116

c) exclusion of the initial direct costs from measurement of the right-of-use asset at the date of transition

d) application of hindsight, in determining the lease term if the contract contains options to extend or terminate the lease.

e) applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.

The aggregate depreciation expense of ₹ 1,921 lakhs on ROU assets is included under depreciation and amortization expense in the statement of Profit and Loss.

Following are the changes in the carrying value of right of use assets :

(₹ in Lakhs)

	Category of ROU Asset		
	Leasehold Land	Leasehold Buildings	Total
Balance as at April 1, 2020	229	9,500	9,729
Additions	-	663	663
Deletion	-	-	-
Depreciation	(13)	(1,928)	(1,941)
Translation difference	-	40	40
Balance as at March 31, 2021	**216**	**8,275**	**8,491**
Balance as at April 1, 2020	-	11,584	11,584
Reclassified on account of adoption of Ind AS 116	242	-	242
Additions	-	-	-
Deletion	-	(213)	(213)
Depreciation	(13)	(1,908)	(1,921)
Translation difference	-	37	37
Balance as at March 31, 2020	**229**	**9,500**	**9,729**

The following is the movement in lease liabilities during the year:

(₹ in Lakhs)

	For the year ended March 31, 2021	For the year ended March 31, 2020
Balance at the beginning of the year	10,118	11,525
Additions	663	-
Finance cost accrued during the year	1,014	1,158
Deletions	-	(213)
Payment of lease liabilities	(2,307)	(2,389)
Translation Difference	40	37
Balance at the end of the year	**9,528**	**10,118**

Rental expense recorded for short-term leases was ₹ 913 (March 31, 2020 ₹ 1,194 lakhs) for the year ended March 31,2021.

The following is the break-up of lease liabilities based on their maturities:

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Current lease liabilities	2,339	2,109
Non-current lease liabilities	7,189	8,009
Total	**9,528**	**10,118**

Contractual maturities of lease liabilities.

The table below provides details regarding the contractual maturities of lease liabilities as at March 31, 2021 on an undiscounted basis:

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Not later than one year	2,374	2,272
Later than one year and not later than 5 years	8,070	8,452
Later than 5 years	2,451	3,822
Total	**12,895**	**14,546**

36. Acquisition of GAPbuster

Sonata Europe Limited, a wholly-owned subsidiary of Sonata Software Limited has acquired 100% stake in GAPbuster Ltd, a UK registered Company on April 20,2020 for an investment of USD 4.8 million (approximately ₹ 3,658 lakhs) (net of working capital) including USD 0.5 million (approximately ₹ 382 lakhs) which is deferred consideration payable on the completion of one year.

GAPbuster Limited (GBW), the Melbourne headquartered company that has been amongst pioneers in the CX domain serving renowned brands globally for nearly thirty years. GBW is company with very strong IP led solutions in the exciting and growing customer experience space. This will offer a one-stop-shop with the CX solution offering to go with the IP's . The IP will add a significant platform led customer experience offering to Sonata's current solutions,creating substantial value for its customers in providing a more comprehensive suite of solutions that enable digital transformation.

The excess of the purchase consideration paid over the fair value of asets acquired has been attributed to goodwill.

The purchase price has been allocated based on management's estimates and independent appraisal of fair value as follows:-

Component	Purchase price allocated
Net assets*	(381)
Intangible assets	
Customer Relationships	870
Noncompete	290
Brand	387
Software	1,596
Deferred tax liabilities on intangible assets	(1,009)
Total	2,134
Goodwill	1,904
Total purchase price	**3,658**

*Include cash and cash equivalents of ₹ 145 lakhs

The goodwill comprises value of benefits of expected synergies, future revenue, future market developments,assembled workforce, etc.

The goodwill is not tax deductible.

The fair value of each major class of consideration as at the acquisition date is as follows:-

(₹ in lakhs)

Nature of Consideration	Amount
Cash paid	3,276
Deferred	382
Total purchase price	**3,658**

37. Corporate Social Responsibility

As per Section 135 of Companies Act, 2013 a company meeting the applicability threshold, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility (CSR) activities. A CSR committee has been formed by the Group as per the Companies Act, 2013. The CSR initiatives are focused towards those programmes directly or indirectly, benefit the community and society at large.

(i) Gross amount required to be spent by the Group during the year is ₹ 519 lakhs (Previous year is ₹ 466 lakhs)

(ii) Amount spent during the year is ₹ 524 lakhs (Previous year is ₹ 469 lakhs)

(₹ in Lakhs)

	In Cash	Yet to be paid in Cash	Total
1. Construction / acquisition of any asset	-	-	-
2. On purposes other than (1) above	-	524	524
Total	**-**	**524**	**524**

(iii) Amount unspent is Nil (Previous year is ₹ 13 lakhs)

38. Earnings Per Share

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

	For the year ended March 31, 2021		For the year ended March 31, 2020	
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
Weighted average number of equity shares outstanding during the period	105,159,306	105,159,306	105,110,556	105,110,556
Weighted average number of Potential equity shares exercised by Sonata Employee Welfare Trust	(1,251,125)	(1,251,125)	(1,251,125)	(1,251,125)
Weighted average number of equity shares resulting from assumed exercise of employee stock options	-	35,013	31,654	31,654
Weighted average number of equity shares for calculation of earning per share	103,908,181	103,943,194	103,891,085	103,891,085

39 Distributions made and proposed :

The Board of Directors at their meeting held on November 06, 2020 had declared an interim dividend of 400% (₹ 4.00 per equity share of par value of ₹ 1 each). Further, the Board of Directors at its meeting held on May 12, 2021 have recommended a final dividend of 1,000% (₹ 10 per equity share of par value ₹ 1 each), which is subject to approval of shareholders.

The Board of Directors at their meeting held on October 30, 2019 had declared an interim dividend of 575% (₹ 5.75 per equity share of par value of ₹ 1 each). Further, the Board of Directors at its meeting held on Feb 26, 2020 have recommended a second interim of 1450% (₹ 14.5 per equity share of par value ₹ 1 each).

40 During the year the group has received ₹ 1,645 lakhs from governments of various countries on compliance of certain conditions consequent to the outbreak of COVID-19 pandemic and accordingly, accounted as a credit to employee benefits expense (refer note 20).

41 The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified. The Group will assess the impact of the Code when it comes into effect and will record any related impact in the period when the Code becomes effective.

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

For and on behalf of the Board

Pradip P Shah
Chairman
Mumbai

P Srikar Reddy
Managing Director & Chief Executive Officer
Bengaluru

Jagannathan C N
Chief Financial Officer
Bengaluru

R Sathyanarayana
VP - Finance & Accounts
Bengaluru

Mangal Krishnarao Kulkarni
Company Secretary
Bengaluru

Place : Bengaluru
Date : May 12, 2021

SONATA INFORMATION TECHNOLOGY LIMITED FINANCIAL STATEMENTS

BOARD'S REPORT

To the Members,

The Directors have pleasure in presenting before you the Annual Report of your Company together with the Audited Financial Statements for the Financial Year ended 31st March, 2021.

FINANCIAL RESULTS

(₹ in lakhs)

Description	Financial Year ended 31.03.2021	Financial Year ended 31.03.2020
Total Income	**308,110**	250,748
Total Expenditure	**298,555**	241,240
EBITDA	**9,555**	9,508
Depreciation & Amortization Expense	**205**	207
Finance Cost	**412**	412
Profit before Tax and Exceptional Items	**8,938**	8,889
Provision for Tax (Net)	**2,919**	2,450
Profit after Tax	**6,019**	6,439
Earnings in ₹ per share	**178.30**	190.75

BUSINESS PERFORMANCE

Your Company has posted encouraging results for the Financial Year ended on 31st March, 2021.

Your Company has reported a revenue of ₹ 308,110 Lakhs in the Financial Year under review with a growth of 1% in EBITDA. Turnover has gone up by 23%, efficiency in working capital management helped us in achieving this growth. However, the focus in this business has always been to manage Return on Capital Employed, which was 26% for the Financial Year as compared to 33% for the previous Financial year.

Your Company's business has two broad lines:

A. **PRODUCTS**

Your Company represents Software Majors like Microsoft, AWS, Google on providing underlying Infrastructure in the Customer's Digital Transformation Journey. We focus on Multi cloud services to most of our existing customers and we have been a preferred partner for them. We have also started engaging in Large SI products and seen a good amount of success during last year. We will continue our focus on Multi cloud, SI business and security business during the current year also.

B. **SERVICES**

During the year under review, your Company has consolidated its services business with the existing customer and has also acquired new customers. As a key partner for Microsoft Dynamics, we have introduced the sale & services around newly acquired CTRM IP in India market. The GDC / GIC business has grown and the Company has acquired new businesses. New leads have started coming through the Platformation™ sales motion and it has improved the company image with customers as well as with our partners. Our Services on Cloud, Data and AI Services have been introduced to our existing customers and we are seeing a lot of traction with customers on the same.

OUTLOOK IN BUSINESS

Your Company continued to focus on Cloud Infrastructure and Management business and has got into partnership with AWS and Google, some of the leading Cloud platform provider. These business relationships have brought in new customer and revenue. Your Company is working with these partners to expand the size and scope of business in their respective technology areas

DIVIDEND / TRANSFER TO RESERVES

Considering the better liquidity position of the Company, your Directors are pleased to recommend payment of a final dividend of ₹ 148 /- per equity share (rounded off to ₹ 50 Crores) on par value of Rs.10/- each, subject to the approval of the shareholders at the forthcoming Annual General Meeting, which along with the First Interim Dividend of ₹ 5/- per equity adds up to a total dividend of ₹ 153 per equity share for Financial Year 2020-21.

Your Company has not transferred any amounts to reserve for the Financial Year ended 31st March, 2021.

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 11th May, 2020, 7th August, 2020, 5th November 2020 and 3rd February, 2021.

BOARD OF DIRECTORS AND OTHER MANAGERIAL PERSONNEL

Mr. Sujit Mohanty (DIN: 00001404) Director, retires by rotation and being eligible, offers himself for re-appointment at the ensuing Annual General Meeting (AGM). Brief profile of Mr. Sujit Mohanty is given in the notes to the Notice of the ensuing AGM.

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

DECLARATION FROM INDEPENDENT DIRECTORS ON ANNUAL BASIS

Your Company has received necessary declaration from Independent Director of your Company under Section 149(7) of the Companies Act, 2013, that the Independent Director of your Company meet with the criteria of their Independence laid down in Section 149(6) of the Companies Act, 2013. The Independent Director has confirmed that she has complied with the Company's Code of Conduct. The Independent Director also further confirmed that she has registered her name in the Independent Directors' Databank.

DIRECTOR'S RESPONSIBILITY STATEMENT:

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

- in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the profit and loss of the Company for that period;
- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the Directors have prepared the Annual Accounts on a going concern basis; and
- the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

MATERIAL CHANGES AND COMMITMENTS

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

AUDIT COMMITTEE

The Audit Committee comprises of Ms. Radhika Rajan (Chairperson), Mr. P Srikar Reddy and Mr. Sujit Mohanty as its members. During the year under review, the Committee met 4 (Four) times. The Committee Meetings were held on 11th May, 2020, 7th August, 2020, 5th November 2020 and 3rd February, 2021.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Corporate Social Responsibility Committee comprises of Ms. Radhika Rajan (Chairperson), Mr. P Srikar Reddy and Mr. Sujit Mohanty as its members. The Committee met 2 (Two) times during the year under review. i.e. on 11th May, 2020 and 3rd February, 2021.

QUALIFICATIONS IN AUDIT REPORTS

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

STATUTORY AUDITORS

M/s Deloitte Haskins & Sells LLP, Chartered Accountants, Bengaluru, (Firm Registration No. 117366W/W-100018) were appointed as Statutory Auditors of the Company from the conclusion of Seventeenth (17th) Annual General Meeting (AGM) till conclusion of Twenty Second (22nd) AGM, subject to ratification of appointment by the shareholders at every AGM. Pursuant to The Companies (Amendment) Act, 2017 the requirement to ratify the appointment of the Statutory Auditors by the shareholders at every AGM has been omitted, and therefore your Company is not seeking ratification.

SECRETARIAL AUDITOR

The Board appointed Mr. Parameshwar G Hegde, Practicing Company Secretary as the Secretarial Auditor for the Financial Year 2020-21 at the Board Meeting held on 5th November, 2020.

The Secretarial Audit Report for the financial year ended 31st March, 2021 is annexed to this Report as **Annexure I**. The report does not contain any qualification, reservation or adverse remark.

REPORTING OF FRAUDS BY AUDITORS

During the year under review, neither the statutory auditors nor the secretarial auditor has reported to the audit committee, under Section 143 (12) of the Companies Act, 2013, any instances of fraud committed against the Company by its officers or employees, the details of which would need to be mentioned in the Board's report.

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.

ANNUAL RETURN

Pursuant to Section 92(3) and Section 134(3)(a) of the Companies Act, 2013, the Company has placed a copy of the annual return as at March 31, 2021 on its website at https://www.sonata-software.com/about-us/investor-relations/corporate-governance.

RECOGNITION

During the year under review, your Company was felicitated with Microsoft Eagle Award Winner for Dynamics Customer Adds for Financial Year 2020.

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.
- All air-condition which operated on - R22 gas is replaced with eco-friendly gas operated A/c units. Gas used is eco-friendly which is harm less to Ozone layer in atmosphere, whereas A/c units used is R-22 which is not recommended as it is harmful to atmosphere.
- Comply 100 % removal of dead loads during weekends. (Turn Off/Plug out heating elements of vending machines, Turn off Lighting circuits, Ensure all manual operating loads are cut off etc).
- Water which is a scarce commodity all over, we have implemented new technology-based systems for washroom water management named HUIDA where we will be using only 1 to 1.5 Liters for flushing as water against normal Commode flush of 10-15 liters per flush.
- Wattmiser :- Installed in our AHU has improved air quality inside the floor and in turn energy saving.
- Water aerators to the taps have been installed at all the facility which will save water (Claim is around 80%) without compromising water pressure (inspection done by management personally and observed that it is saving water).

- Conventional UPS in Hyderabad office has been upgraded to Modular UPS system. UPS is modular UPS is with latest technology and there is Energy cost reduction.

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 ₹ 169.50 Lakhs and Foreign Exchange inflow on account of software services rendered and sales of traded products exports was ₹ 1,41,154 Lakhs.

PARTICULARS OF EMPLOYEES

Information as required under the provisions of Rules 5(2) & 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is not applicable to your Company.

PUBLIC DEPOSITS

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

QUALITY MANAGEMENT

Your Company has been focusing on enhancing customer satisfaction and operational effectiveness by adopting industry best practices and standards.

During the year under review, your Company successfully completed the annual 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. Your Company achieved an overall aggregated score of 4.4 out of a possible top score of 5 this year, from key customers.

The Company is focusing on and enhancing service delivery processes and capabilities while including new service offerings to existing and new clients.

HUMAN RESOURCES MANAGEMENT

Sonata was part of the following activities during 2020-21:

- Connect programs and virtual employee engagement activities provided the much-needed motivation and good vibes in the situation that unfolded in the first quarter. In the new remote working scenario, enthusiastic and positive communication was paramount. We have had an array of virtual 'Fun at work' games and activities conducted for teams across geographical locations. The teams and families caught on and had fun at virtual dance and yoga sessions.
- The entire organization had to quickly move to a WFH model and being able to communicate effectively in the virtual environment became highly important. We believe that effective communication helps create a World class customer and Sonatian experience. We had over 300 enthusiastic participants in the Webinar conducted to make this transition seamless- "Communicate effectively in Virtual environment".
- As the world rapidly moved towards digital transformation, it was imperative to bring ourselves up to speed and up-skill. We launched the Unified Engineer Development plan to support our Platformation™ agenda.
- The Leaders' Ideation Forum (LIF) is a digitally hosted platform connecting leaders of Sonata across our various locations. The forum is one of our many initiatives to enhance communication, ideate on solutions, solve problems, and make consensus-based decisions aligning to our ethos of one culture, one team and one mission. Virtual LIFs were hosted which included Sonatians from various locations in India. The theme for the session was "Ideas, best practices for ensuring World Class delivery while remote working."
- Competency Town Hall: Various Town Halls were organized for different competency groups where leadership shared updates focusing on business perspectives in the current context and the opportunities ahead. The Town Hall communicates to the team on critical aspects of business and ensures alignment to common purpose and goals of the organization.
- All Hands meeting is a key element of our communication and culture. Working remotely didn't stop us from enhancing the frequency or quality of our All Hands meetings. Virtual All-hands meeting was organized for our accounts. These sessions held more importance than ever, as it brought together teams working across different locations & shifts. These meetings gave an opportunity for Sonatians to receive important account level updates as well as raise clarifications with senior management.
- One key account All Hands Meet - #CONVOKE; it was a confluence of thoughts & experience. Leadership used the opportunity to celebrate together achievements and success of account.
- Virtual Independence Day celebrations were organized and we had an overwhelming response by the participants. There was singing, playing of musical instruments, dancing and showcasing of artwork by the employees and their children as a part of the talent show along with Independence Day Trivia conducted for the participants.
- To enable Sonatians to give the best in class experience to clients and to each other through communication, we launched BSI (Behavioural skill initiative) on LMS. Over 750 Sonatians enrolled and participated.
- The first Sonata Scalable Joint Leadership Update meeting was conducted with over 60 participants, to bring the two teams closer and enhance connect. Better leverage the strengths of Sonata and Scalable group members for business growth.
- Ask CEO is a platform to share your ideas, suggestions, feedback and strategy approaches giving you direct access to connect with me. Urge employees to use the platform to share feedback/suggestions on Platformation™ as a mainstream, Creating World Class Experience and World Class Sonatian Experience.
- The pandemic did not dissuade Sonata's Toastmasters from connecting with one another and improving their leadership skills virtually. Each week the club convened to speak on themes such as Welcome to my Cubicle / WFH, Enjoy little things in Life, One Truth / One Lie, Engineers in Us etc.
- Virtual events, all-hands meets and on-boarding continued in Q3 in our endeavor to keep the teams aligned and engaged. Virtual all-hands provided scope for sharing business updates and celebrate employee achievements & milestones.
- Let's Connect meetings were organized for our strategic

accounts. The forum provides scope for the Delivery leadership & HR to give a huge shout out to all our top performers by handing over DNA awards.

- GBW Virtual Events: Sonata - GBW Virtual events across Australia, UK, Malaysia, Japan, China and India gave a chance to the GBW global employees, along with the Sonata HR team members to gather and celebrate Excellence Awards, DNA Awards and Service Recognition Awards. Grant Salmon, CEO, GBW provided latest GBW business updates, latest business wins, and information on the integration progress between GBW - Sonata team. The regional teams also shared moments in their lives along with key reflections.
- c.o.n.v.e.r.s.a.t.i.o.n.s: Is a unique format informal chat sessions, where our CEO speaks to Sonatians who he usually does not meet during his day to day interactions. These conversations enable us to engage with our employees in locations across the world including India, Europe, US and UK - allowing us be truly global, share expectations, foster thoughts and ideas - all leading to alignment to a greater cause and better understanding of the core purpose of the organization.
- Recognition of team that has created a World Class Client Experience through Excellence in Delivery: The team's greatest challenge this time came in the form of building trust in a client. Putting its best foot forward, it took the team many thoughtfully designed interactions and meetings to win trust and establish a bond. As the project was rolled out, it was very clear that the team had exceeded all expectations in making impact with the client. The team overcame several technical challenges and arrived at solution by building a platform that has multiple features, as a one stop solution providing seamless integration with the client's internal systems and external APIs!
- Learning and development: At Sonata, we are working towards nurturing an environment of life-long learning focused on career and individual growth – transforming the Learning function to Unified Learning and Development.
- FLEX (Focused Learning Experiences), a Leadership Development Journey for the new normal was launched for aspiring and current leaders. The sessions are aligned to the current business needs of leadership and digital roles of Digital DM/PM and Architect, enabling leaders to deliver World Class Client and Sonatian Experience in line with the Growth Agenda.
- Unified Digital Architect program was launched aiming to train 25 Digital Architects by June 2021 for deployment. This would support our Platformation™ agenda.
- NASSCOM Future Skills B2C group was launched for all Sonatians in India. A platform access that would contribute to building a learning culture by providing access to industry level curated knowledge content from SMEs in latest areas of Digital, Leadership and Professional skills.
- We launched SonataOne, Sonata's new integrated & modern HR platform for employees to self-transact and complete various tasks such as Generate the employee certificates such as Address Proof, employment certificate, apply & track leaves, recognise colleagues, view Personal data, submit time sheets, claim travel and expense reimbursements etc.

DETAILS OF ADEQUACY OF INTERNAL FINANCIAL CONTROLS

The Company has in place well defined and adequate internal controls commensurate with the size of the Company and the same were operating effectively throughout the year. The internal control systems operate through well documented Standard Operating Procedures, policies and process guidelines. These Procedures, policies, processes and the systems are periodically reviewed and improved upon to meet the changing business environment.

The Internal Financial Controls helps in ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the Accounting records and timely preparation of reliable financial information.

During the year under review, both the internal and statutory auditors reviewed the internal financial controls. Based on their assessment no material weaknesses were found in the design and operation of the internal financial controls in the Company

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

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

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS:

During the Financial Year under review, your Company has taken Inter Corporate Deposits at prevailing bank lending rate from its Holding Company, Sonata Software Ltd. for meeting its working capital requirements. There is no outstanding balance as on 31st March, 2021. The maximum amount outstanding at any point of time during the Financial Year has been ₹ 100 Lakhs.

Also, your Company has taken Corporate Guarantees from its Holding Company, Sonata Software Ltd. for facilitating its business needs. The outstanding amount as on 31st March, 2021 is as below:

Name of the Party	Amount in ₹ Lakhs
IBM India Ltd.	500
Microsoft Corporation (India) Pvt. Ltd.	10,967

RISK MANAGEMENT:

The Risk Management practices of Sonata seek to sustain our long term vision and mission. The Risk Management Policy, inter alia, includes identification therein of elements of risk, including those which in the opinion of the Board may threaten the existence of the Company. Risk management process has been established across the Company and is designed to identify, assess and frame a response to threats that affect the achievement of its objectives. Further, it is embedded across all the major functions and revolves around the goals and objectives of the organisation.

CORPORATE SOCIAL RESPONSIBILTY "CSR":

During the Financial Year, your Company has spent ₹ 148 lacs towards CSR activities.

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

- Sonata partnered with MAP, a project of Arts and Photography Foundation dedicated to furthering the awareness, education and conservation of Indian art and heritage. We have provided a grant for supporting MAP's mission to exhibit, interpret and preserve a growing collection of art and cultural artefacts
- Sonata Partnered with Agastya foundation in helping them to set up two Mobile science labs and donated two Mobile Science vans to help Rural students in Chittoor & Dharwad district. Sonata also provides technology assistance for improving the knowledge repository of an existing android app-based learning program - Lab on Tab

- Sonata partnered with Kriti Social Initiatives to empower women through skills training and capacity building, promote livelihoods for women, ensure education of children in slums and technology assistance for various woman empowerment programs in Hyderabad.
- Sonata in association with Child Rights and You (CRY) helping them to support in developing of the digital Content creation for digital learning (Audio, video visuals)
- Sonata supported Andhra Mahila Sabha for improving the infrastructure of the Hospital and the Nursing School for providing better child mortality for the economically challenged mothers in Chennai.
- Sonata, as part of its CSR engagement is supporting Telangana Yuvathi Mandali to offer quality education to the girl child in Hyderabad.
- Sonata in partnership with The Golf Foundation (TGF) is supporting to help in identifying talented underprivileged Golfers, as it believes in producing global level golf champions from deserving talent from weaker section of society.
- Sonata in association with Compassion Unlimited Plus Action (CUPA) has supported Animal Welfare as part of CSR. We have supported CUPA in their project to develop the Second Chance Adoption Center for relief to thousands of injured, ill and needy street animals in Bangalore
- Sonata's commitment to sustainability is not recent & we have been working on a number of Initiatives in the Company to create a safe Planet for all of us. Sonata Software in association with Grow Trees, planted trees on behalf of our Customers and Sonata Employees which allows individuals and companies to contribute to the environment leaving a habitable and hospitable world for future generations
- Sonata partnered with Roshni Trust to provide services in Mental Health by creating awareness to eradicate stigma attached to psychiatric issues to underprivileged communities.
- Sonata Partnered with THE INDIAN NATIONAL TRUST FOR ART AND CULTURAL HERITAGE (INTACH), to provide help and support in creation of digital resource for the Someshwara temple in Ulsoor, Bengaluru.
- Sonata in association with Child Rights and You (CRY) to Providing Technology support in building the interactive android application for CRY.
- Promote education to the impaired – Partner with Sense International India, a Centre for Deaf and Blind in Bengaluru

The Annual Report on CSR in the prescribed format is enclosed to this report as **Annexure II**.

BOARD EVALUATION

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

VIGIL MECHANISM & SEXUAL HARRASMENT

Your Company shares a group Vigil Mechanism policy formulated and adopted by Sonata Software Limited (Holding Company). This policy provides a secure framework to report genuine concerns about unethical behaviour, actual or suspected fraud, theft, bribery, misappropriation of Company funds, financial reporting violations, misuse of intellectual property, mismanagement, significant environmental, safety or product quality issues, discrimination, actual or potential conflicts of interest, violation of Company's rules, Company's policies or violation of Code of Conduct of your Company. The said policy has been communicated to the employees.

Sonata Software Limited (Holding Company) has formulated and adopted a policy on 'Prevention of Sexual Harassment' which is in line with the requirements of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. This policy extends to your Company and through this policy, complaints are monitored by a committee duly constituted for protection against victimisation. No complaints were received under this policy during the Financial Year 2020-21.

The Company affirms that no employee has been denied access to the Audit Committee during the Financial Year 2020-21.

RELATED PARTY TRANSACTIONS:

All related party transactions are placed on a quarterly basis before the Audit Committee and before the Board for approval. Prior omnibus approval of the Audit Committee and the Board is obtained for the transactions which are foreseeable and of a repetitive nature

Particulars of Contracts or Arrangements with Related parties referred to in Section 188(1) – details provided in format AOC-2 as **Annexure III**.

JUSTIFICATION FOR ENTERING INTO RELATED PARTY TRANSACTIONS:

During the year under review your Company has availed Inter Corporate Deposits at prevailing bank lending rate from its Parent Company, Sonata Software Ltd. for meeting its working capital requirements.

Also, your Company has obtained Corporate Guarantees on its behalf from its Parent Company, Sonata Software Ltd, for facilitating its business needs.

ACKNOWLEDGEMENTS

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

For and on behalf of the Board

Place: Bengaluru
Date: 11 May, 2021

P SRIKAR REDDY
CHAIRMAN

Annexure - I

FORM NO. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2021

(Pursuant to section 204(1) of the Companies Act 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014)

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2021

To,
The Members,
Sonata Information Technology Limited
No. 208 T V Industrial "Estate" "K. Ahire" Marg,
Worli, Mumbai - 400030
Maharashtra, India

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** (herein after 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 Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on March 31, 2021 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 the Company for the financial year ended on **March 31, 2021** according to the provisions of:

i. The Companies Act, 2013 ("the Act") and the rules made thereunder;

ii. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment and Overseas Direct Investment, if any; (Not applicable during the audit period.) and

iii. Other laws applicable specifically to the Company, namely:

   a) The Information Technology Act, 2000 and the rules made thereunder;

   b) The Special Economic Zones Act, 2005 and the rules made thereunder;

   c) Software Technology Parks of India rules and regulations; (Not applicable during the audit period)

   d) The Indian Copyright Act, 1957; (Not applicable during the audit period)

   e) The Patents Act, 1970; (Not applicable during the audit period)

   f) The Trade Marks Act, 1999. (Not applicable during the audit period)

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

I report that, during the period under review the Company has complied with the provisions of the Acts, Rules, Regulations and Standards mentioned above.

I further report that, being an unlisted Company, during the audit period, the following Acts and the rules and regulations made thereunder were not applicable to the Company:

i. The Securities Contracts (Regulation) Act, 1956 "'SCRA") and the rules made thereunder;

ii. The Securities and Exchange Board of India Act, 1992 ("SEBI Act'") and the Regulations and Guidelines made/ issued thereunder; and

iii. The Depositories Act, 1996 and the Regulations and Bye–laws framed thereunder.

I further report that, the compliance by the Company of applicable financial laws such as direct and indirect tax laws and maintenance of financial records and books of accounts have not been reviewed in this Audit since the same have been subject to review by the statutory financial auditors, tax auditors and other designated professionals.

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

Adequate notice is given to all directors to schedule the Board meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions of the Board were unanimous and no dissenting views have been recorded.

I further report that, based on the information provided and the representation made by the Company and also on the review of the compliance certificates/reports taken on record by the Board of Directors of the Company, in my opinion, there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I report further that, during the audit period there were no other specific events / actions in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. having a major bearing on the Company's affairs.

P.G.HEGDE
Hegde & Hegde
Company Secretaries
FCS:1325 / C.P.No: 640
UDIN: F001325C000254369

Place: Bengaluru
Date: May 10, 2021

This report is to be read with Annexure A which forms an integral part of this report.

'ANNEXURE' A

To,
The Members
Sonata Information Technology Limited
Mumbai

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

1. Maintenance of secretarial records is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test check basis to ensure that correct facts are reflected in secretarial records. I believe that the process and practices, I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, I have obtained the Management Representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of Management. My examination was limited to the verification of procedure 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.
7. Due to prevailing circumstance of COVID-19 pandemic, the audit was conducted based on the verification of the Company's books, papers, minutes books, forms and returns filed, documents and other records furnished by/obtained from the company electronically and also the information provided by the Company and its officers by audio and visual means

P.G.HEGDE
Hegde & Hegde
Company Secretaries
FCS:1325 / C.P.No: 640
UDIN: F001325C000254369

Place: Bengaluru
Date: May 10, 2021

ANNEXURE II

1. **Brief outline on CSR Policy of the Company.**

   Sonata Software, 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 this 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, take up those programmes directly or indirectly, that benefit the communities and society at large, over a period of time, in enhancing the quality of life & economic well-being of the local populace.

2. **Composition of CSR Committee:**

Sl. No.	Name of Director	Designation/ Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Ms. Radhika Rajan	Chairperson	2	2
2	Mr. P. Srikar Reddy	Member	2	2
3	Mr. Sujit Mohanty	Member	2	2

3. **Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company.**

   CSR Committee:- https://www.sonata-software.com/sites/default/files/financial-reports/2021-07/sitl-committes.pdf

   CSR Policy:- https://www.sonata-software.com/sites/default/files/financial-reports/2019-09/CSR_Policy.pdf

   CSR Projects:- https://www.sonata-software.com/sites/default/files/financial-reports/2021-07/csr-projects-fy-21-22.pdf

4. Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable (attach the report).: Not Applicable

5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any: Not Applicable

6. Average net profit of the company as per section 135(5).: ₹ 7,149 Lacs

7. (a) Two percent of average net profit of the company as per section 135(5): ₹ 143 Lacs

   (b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years.: Not Applicable

   (c) Amount required to be set off for the financial year, if any : Not Applicable

   (d) Total CSR obligation for the financial year (7a+7b-7c).: ₹ 143 Lacs

8. (a) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year. (in Lacs.)	Amount Unspent (in Lacs)				
	Total Amount transferred to Unspent CSR Account as per section 135(6).		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5).		
	Amount.	Date of transfer.	Name of the Fund	Amount.	Date of transfer.
148	Nil	Nil	Nil	Nil	Nil

(b) Details of CSR amount spent against ongoing projects for the financial year:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)	
Sl. No.	Name of the Project.	Item from the list of activities in Schedule VII to the Act.	Local area (Yes/No).	Location of the project.		Project duration.	Amount allocated for the project (in Lacs).	Amount spent in the current financial Year (in Lacs).	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in Lacs).	Mode of Implementation - Direct (Yes/No).	Mode of Implementation -Through Implementing Agency	
				State.	District.						Name	C S R Registration number
1.	Art and Photography foundation	Schedule VII, Promoting Traditional Arts & Handicrafts	Yes	Karnataka	Bangalore	12 Months	10	10	--	No	Art and Photography foundation	NA
2.	Agastya International foundation	Schedule VII, Promoting Education	Yes	Karnataka	Bangalore	36 Months	40	39	--	No	Agastya International foundation	NA
3.	Kriti Social Initiatives	Schedule VII, Promoting Gender Equality, empowering women	No	Telangana	Hyderabad	36 Months	26	25	--	No	Kriti Social Initiatives	NA
4.	Child Rights and You	Schedule VII, Promoting Education	Yes	Karnataka	Bangalore	12 Months	2	2	--	No	Child Rights and You	NA
5.	Andhra Mahila Sabha	Schedule VII, Promoting Gender Equality, empowering women	No	Telangana	Hyderabad	36 Months	5	5	--	No	Andhra Mahila Sabha	NA
6.	Telangana Yuvathi Mandali	Schedule VII, Promoting Gender Equality, empowering women	No	Telangana	Hyderabad	36 Months	5	5	--	No	Telangana Yuvathi Mandali	NA
7.	The Golf Foundation	Schedule VII, Training to promote sports	No	Delhi	Delhi	36 Months	1	1	--	No	The Golf Foundation	NA
8.	Compassion Unlimited Plus Action (CUPA)	Schedule VII, Protection of Flora and Fauna	Yes	Karnataka	Bangalore	12 Months	16	15	--	No	Compassion Unlimited Plus Action (CUPA)	NA
9.	Grow Trees	Schedule VII, Ensuring Environment Sustainability	No	Maharashtra	Mumbai		8	9	--	No	Grow Trees	NA
10.	Roshni Trust	Schedule VII,	No	Telangana	Hyderabad	36 Months	6	5	--	No	Roshni Trust	NA
11.	Indian National Trust for Art and Cultural Heritage	Schedule VII, Protection of National heritage	Yes	Karnataka	Bangalore	12 Months	5	5	--	No	Indian National Trust for Art and Cultural Heritage	NA
12.	Child Rights and You	Schedule VII, Promotion of Education	Yes	Karnataka	Bangalore	6 Months	18	17	--	Yes		NA
13.	Application & Hosting Support for developed Applications			India			1	4	--			
	TOTAL						143	142				

(c) Details of CSR amount spent against other than ongoing projects for the financial year: **Not Applicable**.

(d) Amount spent in Administrative Overheads: ₹ 6 Lacs

(e) Amount spent on Impact Assessment, if applicable: Not Applicable

(f) Total amount spent for the Financial Year (8b+8c+8d+8e) : ₹ 148 Lacs

(g) Excess amount for set off, if any

Sl. No.	Particular	Amount (in Lacs)
(i)	Two percent of average net profit of the company as per section 135(5)	143
(ii)	Total amount spent for the Financial Year	148
(iii)	Excess amount spent for the financial year [(ii)-(i)]	5
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	NIL
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	5

9. (a) Details of Unspent CSR amount for the preceding three financial years: Not Applicable

   (b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s): Not Applicable

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details) : Not Applicable

    (a) Date of creation or acquisition of the capital asset(s).

    (b) Amount of CSR spent for creation or acquisition of capital asset.

    (c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.

    (d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset).

11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5). Not Applicable

Sd/-
P. Srikar Reddy
Director

Place: Bengaluru
Date: 11 May, 2021

Sd/-
Radhika Rajan
Chairperson of CSR Committee

Place: Mumbai
Date: 11 May, 2021

ANNEXURE III

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 2021, which was not at arm's length basis

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

₹ in lakhs

Name of the Related Party	Sonata Software Limited	Sonata Software North America Inc.
Nature of Relationship	**Holding Company**	**Fellow subsidiary**
Nature of Contracts/ Arrangements/ Transactions:		
Revenue from software product and licenses	5,028	2
Service charges/ software project fees	1,661	-
Inter- corporate deposit taken	100	-
Inter- corporate deposit repaid	100	-
Interest on inter- corporate deposit paid	-	-
Rent paid	72	-
Dividend paid	338	-
Commission paid on corporate guarantees	58	-

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: Bengaluru
Date: 11 May 2021

P SRIKAR REDDY
CHAIRMAN

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SONATA INFORMATION TECHNOLOGY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **Sonata Information Technology Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2021, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

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

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

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

Management's Responsibility for the Financial Statements

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

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

    a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

    b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

    c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

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

    e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164(2) of the Act.

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

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

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

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

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

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

        iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

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

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

Gurvinder Singh
Partner
(Membership No. 110128)
UDIN: 21110128AAAABZ7214

Place: Bengaluru
Date: May 11, 2021

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, 2021 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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

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

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2021, based on the criteria for internal financial control over financial reporting established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

Gurvinder Singh
Partner
(Membership No. 110128)
UDIN: 21110128AAAABZ7214

Place: Bengaluru
Date: May 11, 2021

ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT

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

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

(c) According to the information and explanations given to us and the records examined by us, the Company does not have any immovable properties of freehold or leasehold land and building and hence reporting under the clause 3(i)(c) of the Order is not applicable to the Company.

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

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

(iv) In our opinion and according to the information and explanations given to us, the Company has not granted any loans, made investments or provided guarantees and hence reporting under clause 3(iv) of the Order is not applicable to the Company.

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

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

(vii) According to the information and explanations given to us, in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Goods and Service tax, Customs Duty, Cess and other material statutory dues applicable to it to the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Goods and Service Tax, cess and other material statutory dues in arrears as at March 31, 2021 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, 2021 on account of disputes are given below:

Name of Statute	Nature of Dues	Forum where Dispute is Pending	Period to which the Amount Relates	Amount (₹ in Lakhs)
Income Tax Act, 1961	Income Tax	High Court	AY 2002-03 to 2010-11	28,492
		Appellate Authority upto ITAT Level	AY 2015-16 to 2017-18	3,480

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to banks or financial institutions. The Company has neither taken any loans or borrowings from government or has not issued any debentures.

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

(x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.

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

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

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

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

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

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

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

Gurvinder Singh
Partner
(Membership No. 110128)
UDIN: 21110128AAAABZ7214

Place: Bengaluru
Date: May 11, 2021

BALANCE SHEET as at March 31, 2021

₹ in Lakhs

	Note No.	As at March 31, 2021	As at March 31, 2020
ASSETS			
Non-current assets			
Property, plant and equipment	3	60	95
Right-of-use assets	31	747	917
Financial assets			
Other financial assets	4	1,951	2,066
Deferred tax assets (net)	15	725	439
Other non-current assets	5	3,667	2,235
Total non-current assets		**7,150**	**5,752**
Current assets			
Financial assets	6		
Investments	6.1	2,036	-
Trade receivables	6.2	45,418	48,939
Cash and cash equivalents	6.3	28,154	16,161
Bank balances other than above	6.4	754	492
Other financial assets	6.5	1,904	13
Other current assets	7	2,098	2,525
Total current assets		**80,364**	**68,130**
Total assets		**87,514**	**73,882**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	8	338	338
Other equity	9	26,498	19,994
Total Equity		**26,836**	**20,332**
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Other financial liabilities	10	653	782
Total non-current liabilities		**653**	**782**
Current liabilities			
Financial liabilities	11		
Borrowings	11.1	2,475	278
Trade payables	21		
Total outstanding dues of micro enterprises and small enterprises		-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		51,029	47,968
Other financial liabilities	11.2	364	1,334
Other current liabilities	12	4,974	2,661
Provisions	13	67	55
Current tax liabilities (net)	14	1,116	472
Total current liabilities		**60,025**	**52,768**
Total equity and liabilities		**87,514**	**73,882**

See accompanying notes to the financial statements

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

Gurvinder Singh
Partner
(Membership No. 110128)

Place : Bengaluru
Date : May 11, 2021

For and on behalf of the Board of Directors

P Srikar Reddy
Director
Bengaluru

Sujit Mohanty
Vice President & Director
Bengaluru

Rashmi Shirke
Company Secretary
Bengaluru

STATEMENT OF PROFIT & LOSS for the year ended March 31, 2021

(₹ in Lakhs)

	Note No.	For the year ended March 31, 2021	For the year ended March 31, 2020
REVENUE			
Revenue	16.1	3,06,561	2,49,224
Other income	16.2	1,549	1,524
Total income		**3,08,110**	**2,50,748**
EXPENSES			
Purchases of stock-in-trade (traded goods)		2,92,500	2,35,241
Employee benefits expense	17	2,696	2,447
Finance costs	18	412	412
Depreciation and amortization expense	3	205	207
Other expenses	19	3,359	3,552
Total expenses		**2,99,172**	**2,41,859**
Profit before tax		**8,938**	**8,889**
Tax expense			
Current tax expense	14	2,876	2,282
Provision for tax relating to prior years	14	614	13
Deferred tax	15	(571)	155
Net tax expense		**2,919**	**2,450**
Profit for the year		**6,019**	**6,439**
Other Comprehensive Income			
1 (a) Items that will not be reclassified to profit/(loss)		(3)	(19)
(b) Income tax relating to items that will not be reclassified to profit/(loss)		1	5
		(2)	**(14)**
2 (a) Items that will be reclassified to profit/(loss)		1,112	2
(b) Income tax relating to items that will be reclassified to profit/(loss)		(287)	(1)
		825	**1**
Total		**823**	**(13)**
Total comprehensive income		**6,842**	**6,426**
Earnings per share (on ₹ 10 per share)	28		
Basic and Diluted ₹		178.30	190.75

See accompanying notes to the financial statements

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

Gurvinder Singh
Partner
(Membership No. 110128)

Place : Bengaluru
Date : May 11, 2021

For and on behalf of the Board of Directors

P Srikar Reddy
Director
Bengaluru

Sujit Mohanty
Vice President & Director
Bengaluru

Rashmi Shirke
Company Secretary
Bengaluru

CASH FLOW STATEMENT for the year ended March 31, 2021

(₹ in Lakhs)

		For the year ended March 31, 2021	For the year ended March 31, 2020
A. CASH FLOW FROM OPERATING ACTIVITIES:			
Profit before tax		**8,938**	**8,889**
Adjustments for :			
Depreciation and amortization expense		206	207
Finance costs		337	392
Impairment loss recognised on trade receivables and bad debts written off		919	168
Interest others		(3)	(3)
Lease payment concessions		(4)	-
Others from fixed deposits/margin money with banks		(848)	(394)
Net (gain) / loss on sale of current investments		(132)	(261)
Unrealized foreign exchange (gain) / loss (net)		(60)	(979)
Operating profit before working capital changes		**9,353**	**8,019**
Adjustments for :			
Decrease/(increase) in trade receivables		521	13,575
Decrease/(increase) in other financial assets non-current		113	(1,730)
Decrease/(increase) in other financial assets		(15)	61
Decrease/(increase) in other non-current assets		(1)	7
Decrease/(increase) in other current assets		423	(1,084)
(Decrease)/increase in trade payables		3,954	(2,758)
(Decrease)/increase in other financial liabilities		(488)	(28)
(Decrease)/increase in other current liabilities		2,313	1,133
(Decrease)/increase in provisions		12	4
Net cash flow from operating activities before taxes:		**16,185**	**17,199**
Income taxes paid, net of refunds		(4,274)	(3,528)
Net cash flow from operating activities	**(A)**	**11,911**	**13,671**
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment, including intangible assets, capital work-in-progress and capital advances		-	(58)
Purchase of investments		(73,296)	(64,047)
Proceeds from sale of investments		71,393	68,424
Bank balances not considered as Cash and cash equivalents		(262)	492
Interest received		545	392
Net cash flow from / (used in) investing activities	**(B)**	**(1,620)**	**5,203**

CASH FLOW STATEMENT for the year ended March 31, 2021

(₹ in Lakhs)

		For the year ended March 31, 2021	For the year ended March 31, 2020
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings		8,184	2,303
Repayment of short-term borrowings		(5,987)	(2,100)
Payment on lease liabilities		(209)	(200)
Dividends paid on equity shares		(338)	(5,506)
Dividend taxes paid on equity shares		-	(1,133)
Finance costs.		(243)	(289)
Net cash flow from / (used in) financing activities	**(c)**	**1,407**	**(6,925)**
Net increase in Cash and cash equivalents	**(A+B+C)**	**11,698**	**11,949**
Opening Cash and cash equivalents		16,161	4,141
Exchange difference on translation of foreign currency Cash and cash equivalents		295	71
Closing Cash and cash equivalents		**28,154**	**16,161**
Cash and cash equivalents at the end of the year comprises:			
Balances with banks			
In Current accounts		341	1,475
In EEFC accounts		252	436
In Demand deposit accounts		27,561	14,250
		28,154	**16,161**

See accompanying notes to the financial statements

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

Gurvinder Singh
Partner
(Membership No. 110128)

Place : Bengaluru
Date : May 11, 2021

For and on behalf of the Board of Directors

P Srikar Reddy
Director
Bengaluru

Sujit Mohanty
Vice President & Director
Bengaluru

Rashmi Shirke
Company Secretary
Bengaluru

STATEMENT OF CHANGES IN EQUITY

for the year ended March 31, 2021

(a) Equity share capital

	(₹ in Lakhs)
Balance as at April 1, 2019	338
Add: Shares issued on exercise of employee stock option	-
Balance as at March 31, 2020	**338**
Balance as at April 1, 2020	338
Add: Shares issued on exercise of employee stock option	-
Balance as at March 31, 2021	**338**

(b) Other equity

(₹ in Lakhs)

	Reserves and Surplus (Refer Note 9)			Items of Other Comprehensive Income (Refer Note 9)		Total Other Equity
	Capital Redemption Reserve	General Reserve	Retained Earnings	Remeasurement of the defined benefit plans	Effective portion of cash flow hedges	
Balance as at April 1, 2019	263	450	19,483	(11)	(2)	20,183
Profit for the year			6,439			6,439
Other comprehensive Income (net of tax)				(14)	1	(13)
Total comprehensive income for the year			**6,439**	**(14)**	**1**	**6,426**
Impact on account of adoption of Ind AS 116			24			24
Payment of Cash dividends			(5,506)			(5,506)
Dividend distribution tax			(1,133)			(1,133)
Balance as at March 31, 2020	**263**	**450**	**19,307**	**(25)**	**(1)**	**19,994**
Balance as at April 1, 2020	263	450	19,307	(25)	(1)	19,994
Profit for the year			6,019			6,019
Other comprehensive Income (net of tax)				(2)	825	823
Total comprehensive income for the year			**6,019**	**(2)**	**825**	**6,842**
Payment of Cash dividends			(338)			(338)
Balance as at March 31, 2021	**263**	**450**	**24,988**	**(27)**	**824**	**26,498**

See accompanying notes to the financial statements

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

Gurvinder Singh
Partner
(Membership No. 110128)

Place : Bengaluru
Date : May 11, 2021

For and on behalf of the Board of Directors

P Srikar Reddy
Director
Bengaluru

Sujit Mohanty
Vice President & Director
Bengaluru

Rashmi Shirke
Company Secretary
Bengaluru

Notes forming part of financial statements

1 COMPANY OVERVIEW

Sonata Information Technology Limited (SITL or the Company) is a Company primarily engaged in the business of providing Information Technology Solutions, software development services and re-selling products of companies such as Microsoft, IBM and Oracle etc. to its customers in India and the Asia Pacific region.

The Company is a public limited company incorporated and domiciled in India with its registered office at Mumbai and operationally headquartered at Bengaluru. SITL is a wholly owned subsidiary of Sonata Software Limited. The financial statements are approved for issue by the Company's Board of Directors on May 11, 2021.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION & PRESENTATION OF FINANCIAL STATEMENTS

a. Statement of compliance

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

b. Basis of measurement

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

c. Use of judgement, estimates and assumptions

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

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

i) Income taxes

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

ii) Depreciation and amortisation

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

iii) Other estimates

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

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

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

The management has considered the possible effects that may result from COVID-19 in the preparation of these financial statements including the recoverability of carrying amounts of financial and non-financial assets. In developing the assumptions relating to the recoverability of these assets, the management has considered the global economic conditions prevailing at the date of approval of these financial statements and has used internal and external sources of Information including credit reports to the extent determined by it. The eventual outcome of impact of the global health pandemic may be different from those estimated as on the date of approval of these financial statements.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Functional and presentation currency

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

b. Property, plant and equipment

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

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

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

c. Capital work-in-progress

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

d. Depreciation/ Amortisation

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

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

Leasehold improvements are amortized over primary lease period.

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

e. Financial Instruments

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

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

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

Non-derivative financial assets

i. Financial assets at amortised cost

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

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

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

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

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

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

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

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

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

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

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

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

Non-derivative financial liabilities

Financial liabilities at amortised cost

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

Derivative financial instruments and hedging activities

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

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

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

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

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

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

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

Offsetting financial instruments

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

Fair value measurement

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

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

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

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

f. Leases

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

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

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

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

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

g. Employee Benefits

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

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

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

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

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

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

Short-term employee benefits

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

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

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

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

Long-term employee benefits

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

h. Provisions

A provision is recognised when the Company has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are determined by discounting the expected future cashflows at pre-tax rate that reflects the current market assessments of the time value of the money and the risks specific to the liability. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

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

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

i. Income Taxes

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

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

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

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

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

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

j. Cash flow Statement:

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

k. Revenue Recognition

The Company derives revenue primarily from Information Technology Services and Solutions. The Company recognizes revenue when it transfers control over a product or a service to a customer.

The method for recognizing revenues and costs depends on the nature of the services rendered.

a) Hardware/software products and licenses

Revenues from sale of product and licenses are recognised when customer obtains control of the specified asset. In case of customization the same is recognised over the life of the contract using the proportionate completion method, with contract costs determining the degree of completion. Foreseeable losses on such contracts are recognised when probable.

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

b) Time and materials contracts

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

c) Fixed-price contracts

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

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

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

d) Maintenance Contracts

Revenues from sale of product and licenses are recognised when customer obtains control of the specified asset. In case of customization the same is recognised over the life of the contract using the proportionate completion method, with contract costs determining the degree of completion. Foreseeable losses on such contracts are recognised when probable.

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

Trade receivables and Contract Balances

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

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

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

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

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

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

l. Dividend :

Final dividends on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors. The Company declares and pays dividends in Indian rupees.

The Finance Act 2020 has abolished the Dividend Distribution Tax (DDT) and has shifted the tax liability on dividends to the shareholders. Accordingly, the Company distributes the dividend after deducting the taxes at applicable rates.

m. Foreign Currency transactions and translations

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

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

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

n. Finance Income and expense

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

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

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

o. Impairment

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

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

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

b) **Non-financial assets**

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

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

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

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

p. Earnings per share

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

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

q. Contingent Liabilities

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

r. Contingent Assets

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

s. Events after the reporting period

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

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

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Notes forming part of financial statements

3. Property, Plant and Equipment

(₹ in Lakhs)

	Tangible Assets				
	Leasehold improvements	Plant and equipments	Office equipments	Furniture and fixtures	Total
Gross carrying value (Deemed cost)					
As at April 1, 2019	**107**	**141**	**29**	**19**	**296**
Additions	5	41	3	3	52
Disposals	-	(4)	-	-	(4)
As at March 31, 2020	**112**	**178**	**32**	**22**	**344**
As at April 1, 2020	112	178	32	22	344
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
As at March 31, 2021	**112**	**178**	**32**	**22**	**344**
Accumulated Depreciation					
As at April 1, 2019	99	84	21	12	216
Charge for the Year	2	28	5	2	37
Depreciation on disposals	-	(4)	-	-	(4)
As at March 31, 2020	**101**	**108**	**26**	**14**	**249**
As at April 1, 2020	**101**	**108**	**26**	**14**	**249**
Charge for the Year	4	28	2	1	35
Depreciation on disposals	-	-	-	-	-
As at March 31, 2021	**105**	**136**	**28**	**15**	**284**
Net carrying value					
As at March 31, 2021	**7**	**42**	**4**	**7**	**60**
As at March 31, 2020	**11**	**70**	**6**	**8**	**95**

4. Other financial assets

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Unsecured, considered good unless otherwise stated		
Balance held as margin money or security against gaurantee	1,951	2,066
Total	**1,951**	**2,066**

5. Other non-current assets

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Unsecured, considered good		
Security deposits	109	106
Other deposits	6	6
Advance Tax	3,331	1,903
Balances with Government authorities		
Receivable from Customs authority	219	219
Receivable from GST authority	2	1
Other recoverables	125	125
Less : Allowance for doubtful recoverable	125	125
	-	-
Total	**3,667**	**2,235**

6.1. Investments

Non-trade (Quoted)

Investments in mutual funds (Quoted) - At lower of cost and fair value, unless otherwise stated	As at March 31, 2021		As at March 31, 2020	
	No. of units	₹ in Lakhs	No. of units	₹ in Lakhs
ICICI Prudential Liquid Fund - Direct Growth	6,89,451	2,036	-	-
Total		**2,036**		**-**
Aggregate carrying amount of quoted investments		2,036		-
Market value of quoted investments		2,036		-
Investments carried at fair value through profit or loss		2,036		-

6.2. Trade receivables

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Unsecured		
Considered good*	45,418	48,939
Considered doubtful	1,174	288
	46,592	49,227
Less : Allowances for credit losses	1,174	288
Total	**45,418**	**48,939**

* include dues from related party (Refer note 30)

Movement in allowances for credit losses

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Balance at the beginning of the year	288	204
Movement in allowances for credit losses on trade receivables	886	84
Provision at the end of the year	**1,174**	**288**

6.3. Cash and cash equivalents

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Balances with banks		
In current accounts	341	1,475
In EEFC accounts	252	436
In demand deposit accounts	27,561	14,250
Total	**28,154**	**16,161**

6.4. Bank balances other than above

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
In earmarked accounts		
Balance held as margin money or security against borrowings	754	492
Total	**754**	**492**

6.5. Other financial assets

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Security deposits	-	3
Interest accrued but not due on fixed deposits/margin money	306	3
Loans and advances to related parties - Advances recoverable (Refer note 30)	1	-
Unbilled revenue	23	7
Fair value of forward contracts (Refer note 22)	1,574	-
Total	**1,904**	**13**

7. Other current assets

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Other deposits	103	197
Loans and advances to employees	1	3
Prepaid expenses	143	74
Balances with government authorities		
Receivable from service tax authority	40	40
VAT credit receivable	125	125
GST credit receivable	263	744
	428	909
Gratuity (Refer note 25)	23	-
Other recoverables	1,400	1,342
Total	**2,098**	**2,525**

8. Equity share capital

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Authorized		
10,000,000 equity shares of ₹ 10/- each	**1,000**	**1,000**
(As at March 31, 2020 - 10,000,000 equity shares of ₹ 10/- each)		
Issued		
6,000,700 equity shares of ₹ 10/- each	**600**	**600**
(As at March 31, 2020 - 6,000,700 equity shares of ₹ 10/- each)		
Subscribed and paid-up		
3,375,394 equity shares of ₹ 10/- each	338	338
(As at March 31, 2020 - 3,375,394 equity shares of ₹ 10/- each)		
Total	**338**	**338**
Refer notes (i) to (v) below		

Notes :

	As at March 31, 2021	As at March 31, 2020
i) Reconciliation of number of shares and amount outstanding at the beginning and at the end of the reporting year		
Equity shares with voting rights		
Number of shares	33,75,394	33,75,394
Amount ₹ in Lakhs	338	338

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

The Company has one class of equity shares having a par value of ₹ 10/-. Each shareholder is entitled for one vote per share. The shareholders have the right to receive interim dividends declared by the Board of Directors and final dividends proposed by the Board and approved by the shareholders.

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

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

		As at March 31, 2021	As at March 31, 2020
iii)	**Details of shares held by Holding Company**		
	Equity shares with voting rights		
	Sonata Software Limited (Holding Company) and its nominees	33,75,394	33,75,394
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	33,75,394	33,75,394
	% of holding	100%	100%

v) During the year ended March 31, 2021 on account of interim dividend for fiscal 2021 the Company has incurred a net cash outflow of ₹ 338 lakhs.

9. Other equity

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Capital redemption reserve	**263**	**263**
A statutory reserve created to the extent of sum equal to the nominal value of the share capital extinguished on buyback of company's own share pursuant to section 69 of the Company Act 2013.		
General reserve	**450**	**450**
This represent appropriation of profit by the company.		
Retained earnings		
Opening balance	19,307	19,483
Impact on account of adoption of Ind AS 116 (Refer Note No 31)	-	24
Profit for the year	6,019	6,439
Less :		
Dividend	338	5,506
Tax on dividend	-	1,133
Closing balance	**24,988**	**19,307**
Retained earnings comprises of the amounts that can be distributed by the company as dividends to its equity share holders.		
Other Comprehensive Income		
Remeasurement of the defined benefit plans		
Opening balance	(25)	(11)
For the year, (net of tax)	(2)	(14)
Closing balance	**(27)**	**(25)**
Actuarial gain or (losses) on gratuity benefit are recognised in other comprehensive income.		
Effective portion of cash flow hedges		
Opening balance	(1)	(2)
Exchange differences on cash flow hedges, (net of tax)	825	1
Closing balance	**824**	**(1)**
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income.		
Total	**26,498**	**19,994**

10 Other financial liabilities

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Lease Liability (Refer note 31)	653	782
Total	**653**	**782**

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11.1. Borrowings

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Term loan		
From others - Unsecured (Amount payable towards Vendor financing arrangement)	2,475	278
Total	**2,475**	**278**

21. Trade payables

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Total outstanding dues of micro enterprises and small enterprises	-	-
Total outstanding dues of creditors other than micro and small enterprises - other than acceptances	51,029	47,968
Total	**51,029**	**47,968**

11.2. Other financial liabilities

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Lease Liability (Refer note 31)	211	202
Payable on purchase of fixed assets	8	8
Loss on forward contracts (MTM) (Refer note 22)	-	493
Reimbursable expenses payable to related party (Refer note 30)	145	631
Total	**364**	**1,334**

12. Other current liabilities

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Income received in advance (Unearned revenue)	2,456	132
Gratuity payable (net) (Refer note 25)	-	42
Other payables		
Statutory remittances	1,731	2,353
Advances from customers	736	95
Interest accrued on ICD (Refer note 30)	3	3
Others	48	36
Total	**4,974**	**2,661**

13. Provisions

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Provision for employee benefits - Compensated absences	67	55
Total	**67**	**55**

14. Current tax liabilities (net)

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Provision for tax	1,116	472
Total	**1,116**	**472**

Income Tax

(₹ in Lakhs)

		For the year ended March 31, 2021	For the year ended March 31, 2020
(a)	**Income tax expense in the statement of profit and loss consists of:**		
	Current Tax:		
	In respect of current year	2876	2282
	In respect of prior years	614	13
	Deferred Tax:		
	In respect of current year	(571)	155
	Total Income tax expense recognised in the statement of profit and loss	**2,919**	**2,450**
(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	(1)	(5)
	Net loss / (gain) on measurement of exchange difference	287	1
	Total	**286**	**(4)**
	The reconciliation between the provision of income tax of the Company and amounts computed by applying the Indian statutory income tax rate to profit before taxes is as follows:		
	Profit before tax	8,938	8,889
	Enacted income tax rate in India	25.17%	25.17%
	Computed expected tax expense	2,250	2,237
	Effect of:		
	Income that are non-deductable in determining taxable profit	37	-
	Items that are deductible in determining taxable profit	-	23
	Provision for tax relating to prior years	614	161
	Others	18	29
	Income tax expense recognised in the statement of profit and loss	**2,919**	**2,450**

The applicable Indian corporate statutory tax rate for the year ended March 31, 2021 and March 31, 2020 is 25.17% and 25.17% respectively.

On September 20, 2019, the Government of India, vide the Taxation Laws (Amendment) Ordinance 2019, inserted Section 115BAA in the Income Tax Act, 1961, which provides domestic companies an option to pay Corporate Tax at reduced rate effective April 01, 2019 subject to certain conditions. The Company had opted to pay tax at the reduced rate.

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

15. Deferred Tax

Deferred Tax assets / (liabilities) as at March 31, 2021 in relation to: (₹ in Lakhs)

	As at April 1, 2020	Recognised in Profit & Loss	Recognised in Other Comprehensive Income	Others	As at March 31, 2021
Property, Plant and Equipment	29	(3)	-	-	26
Allowances for Credit Losses	71	224	-	-	295
Disallowance u/s 40 (a)	374	333	-	-	707
Disallowance u/s 43 (B)	(92)	59	-	-	(33)
Right to use	19	13	-	-	32
Fair Value through Other Comprehensive Income	14	-	(286)	-	(272)
Others	24	(55)	-	-	(31)
Total	**439**	**571**	**(286)**	**-**	**725**

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

	As at April 1, 2019	Recognised in Profit & Loss	Recognised in Other Comprehensive Income	Others	As at March 31, 2020
Property, Plant and Equipment	47	(18)	-	-	29
Allowances for Credit Losses	72	(1)	-	-	71
Disallowance u/s 40 (a)	402	(28)	-	-	374
Disallowance u/s 43 (B)	29	(121)	-	-	(92)
Right to use	-	19	-	-	19
Fair Value through Other Comprehensive Income	10		4	-	14
Others *	43	(6)	-	(13)	24
Total	**603**	**(155)**	**4**	**(13)**	**439**

*Deferred tax assets of ₹ 13 lakhs has been reversed through retained earnings on account of adoption of Ind AS 116.

16.1. Revenue

(₹ in Lakhs)

	For the year ended March 31, 2021	For the year ended March 31, 2020
Revenue from hardware/software products and licenses	3,05,739	2,47,697
Revenue from software services	822	1,527
Total	**3,06,561**	**2,49,224**

Performance obligations and remaining performance obligations:

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

16.2. Other income

(₹ in Lakhs)

	For the year ended March 31, 2021	For the year ended March 31, 2020
Interest		
from fixed deposits/margin money with banks	848	394
from unwinding of rent deposits discounted	3	3
Net gain on investments carried at fair value through profit and loss	132	261
Net gain on foreign currency transactions and translations	551	818
Other non-operating income		
Miscellaneous income	15	48
Total	**1,549**	**1,524**

17. Employee benefit expense

(₹ in Lakhs)

	For the year ended March 31, 2021	For the year ended March 31, 2020
Salaries including bonus	2,153	1,862
Contributions to provident and other funds	162	156
Share based payments to employees	59	14
Staff welfare expenses	11	23
	2,385	**2,055**
Deputation cost/Service charges from holding company (Refer note 30)	311	392
Total	**2,696**	**2,447**

18. Finance costs

(₹ in Lakhs)

	For the year ended March 31, 2021	For the year ended March 31, 2020
Interest expenses on:		
Borrowings	-	47
Inter corporate borrowings (Refer note 30)	-	68
Others	75	19
Lease rentals discounted (Refer note 31)	94	104
Other borrowing costs	243	174
Total	**412**	**412**

19. Other expenses

(₹ in Lakhs)

	For the year ended March 31, 2021	For the year ended March 31, 2020
Power and fuel	5	15
Rent (includes transactions with related parties - Refer note 30)	36	91
Repairs and maintenance - Machinery	2	3
Insurance	104	90
Rates and taxes	90	53
Communication cost	20	21
Facility maintenance	69	89
Travelling and conveyance expenses	10	139
Sales commission	254	375
Professional and technical fees	151	476
Software project fees from Holding company	1,285	1,457
Legal fees	61	8
Insourcing professional fees	4	12
Expenditure on Corporate Social Responsibility (Refer note 27)	148	134
Payments to auditors (Refer note below)	26	31
Impairment loss recognised on trade receivables and bad debts written off	919	168
Provision for PF investment (IL&FS)	-	100
Miscellaneous expenses	120	208
	3,304	**3,470**
Service charges from holding company (Refer note 30)	55	82
Total	**3,359**	**3,552**
Note - Payments to auditors comprises (net of input credit):		
Statutory audit	26	26
Other services	-	5
	26	**31**

20. Contingent Liabilities

(₹ in Lakhs)

		As at March 31, 2021	As at March 31, 2020
a)	Other claims against the Company not acknowledged as debt	65	65
b)	Disputed demands of Income-tax	31,972	37,802

Details of disputed demands of Income-tax primarily relates to:

(i) Disallowance of Inter-Company service charges and costs for deputation of personnel.

Sonata Software Limited, the holding company charges the Company for certain support services rendered and for the cost of project personnel deputed. These support services and costs for deputation are being disallowed by the Income-tax department while computing taxable profits of the Company. The Company has challenged these disallowances and consequent demands at appellate levels and is confident of a favorable outcome.

Details of Demands and Forums where they are pending are:

i. ₹ 4,402 (As at March 31, 2020 - ₹ 5,933) for the financial years 2001-02, 2003-04 to 2009-10. The Company has received favorable orders from the Income-tax Appellate Tribunal ("ITAT"). The Income-tax department has preferred an appeal to the Honorable High Court of Mumbai. The Company has opted to apply for settlement for FY 2003-04, 2004-05 & 2005-06 of these disputes under Direct Tax Vivad Se Vishwas Act, 2020, the necessary applications were filed and liability has been settled by the company during the year.

ii. ₹ 447 (As at March 31, 2020 - ₹ 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 31,2020 - ₹ 2,944) for the financial years 2012-13 and 2013-14. The Company has received favorable order during financial year 2017-18 from Commissioner of Income-tax (Appeals). The income tax department has preferred an appeal to Income Tax Appellate Tribunal which was dismissed during the year.

iv. ₹ 3,407 (As at March 31, 2020- ₹ 2,453) for financial year 2014-15, 2015-16 and 2016-17. The assessing officer has disallowed the intercompany service charges and cost for deputation of personnel. The Company has filed appeal before Commissioner of Income-tax (Appeals).

(ii) Withholding tax demand

The Company is engaged in the business of buying and selling packaged software in India. The Income Tax department has been contending that amounts paid by the Company for buying the software products is in the nature of 'Royalty' and hence had to withhold Income-tax on the same as per the Income-tax Act, 1961, and had raised demands of Nil (As at March 31, 2020 - ₹ 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 . During the year the company had received a favorable judgement from Honourable Supreme Court of India on purchase of software products from non-resident is not taxable as 'Royalty' and withholding tax is not applicable as per the Income-tax Act, 1961. Consequently on account of this favorable judgement, there is no liability on the company in this respect

(iii) Disallowance of payments made for purchase of software on which Income-tax was not withheld.

Payment in the nature of Royalty on which Income-tax have not been deducted at source are subject to disallowance as an 'expense' as per Sections 40(a)(i) and 40(a)(ia) while computing taxable profits of the Company. Consequent to issue described in (ii) above, the Income-tax department, holding payments for purchase of software as "Royalty" disallowed the same while computing taxable profits of the Company.

The Honorable High Court of Karnataka had given an unfavorable decision on the issue covered in (ii) above. However, the said demands which are consequential and penal in nature do not arise automatically and there are multiple legal precedents in favor of the Company. Based on supreme court favorable order with respect to witholding tax demand mentioned above, 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, 2020 - ₹ 23,644) of tax demand for the financial years 2001-02, 2002-2003, 2006-07 and 2007-08. The Company had received a favorable order from ITAT. The Income-tax department had preferred an appeal to the Honorable High Court of Mumbai.

ii. Nil (As at March 31, 2020- 127) for the financial years 2012-13 and 2013-14. The Company had received a favorable order from CIT(A). The Income-tax department had preferred an appeal before ITAT.

iii. ₹ 72 (As at March 31, 2020 - ₹ 72) for the financial year 2014-15, 2015-16 and 2016-17. The assessing officer has disallowed payments made for purchase of software on non-deduction of tax. The company has preferred an appeal before CIT(A).

c) In addition, the Company in the ordinary course of business receives various claims from its customers and other business partners. Based on review of such matters and the information available at this time, the Company does not anticipate that any of these will result in a settlement that will have a material impact on its financial statements.

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

(₹ in Lakhs)

		As at March 31, 2021	As at March 31, 2020
(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.

22. Financial instruments

The carrying value and fair value of financial instruments by categories as at March 31, 2021 and March 31, 2020 is as follows:

(₹ in Lakhs)

	Note No.	Carrying Value		Fair Value	
		As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
Financial assets					
Amortised Cost					
Security Deposits	5 & 6.5	109	109	109	109
Trade receivable	6.2	45,418	48,939	45,418	48,939
Cash and cash equivalents	6.3	28,154	16,161	28,154	16,161
Bank balances other than Cash & cash equivalents	6.4	754	492	754	492
Other financial assets	4 & 6.5	2,281	2,076	2,281	2,076
FVTPL					
Investments in Mutual Funds (quoted)	6.1	2,036	-	2,036	-
Forward Contracts	6.5	1,574	-	1,574	-
Total Assets		**80,326**	**67,777**	**80,326**	**67,777**
Financial liabilities					
Amortised Cost					
Borrowings	11.1	2,475	278	2,475	278
Trade payables	21	51,029	47,968	51,029	47,968
Other financial liabilities	10 & 11.2	1,017	1,625	1,017	1,625
FVTPL					
Forward Contracts	11.2	-	492	-	492
Total Liabilities		**54,521**	**50,363**	**54,521**	**50,363**

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

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

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

1. The fair value of the quoted mutual funds are based on price quotations at reporting date. The fair value of other financial liabilities and other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. In addition to being sensitive to a reasonably possible change in the forecast cash flows or discount rate, the fair value of the equity instruments is also sensitive to a reasonably possible change in the growth rates.

2. The Company enters into derivative financial instruments with Banks. Foreign exchange forward contracts are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques

include forward pricing model, using present value calculations. The models incorporate various inputs including the credit quality of banks, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves etc. As at March 31, 2021, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative bank default risk. The changes in bank credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

Fair value hierarchy

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

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

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

The following table presents the fair value measurement hierarchy of financial assets and liabilities measured at fair value on recurring basis as at March 31, 2021 and March 31, 2020.

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

	Fair value		Fair value hierarchy	Valuation technique and Key inputs
	As at March 31, 2021	As at March 31, 2020		
Investments in Mutual Funds (quoted)	2,036	-	Level 1	Fair value is determined based on the Net asset value published by respective funds.
Foreign currency forward contracts	1,574	(492)	Level 2	The fair value of forward foreign contracts are determined using forward exchange rates at the reporting date.

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

Derivative financial instruments

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

For movement in cash flow hedge reserve gain or loss - Refer note 9

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

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Designated derivative instruments (Sell):		
In USD	504	201
In EUR	52	

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:

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Designated derivative instruments (Sell):		
Less than 3 months		
In USD	194	201
In EUR	52	-
More than 3 months		
In USD	310	-

Average Rate of coverage

	As at March 31, 2021		As at March 31, 2020	
	₹ in Lakhs	Weighted Average Rate (₹)	₹ in Lakhs	Weighted Average Rate (₹)
USD	504	81.67	201	73.36
EUR	52	86.38	-	-

23. Financial risk management

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

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

Credit risk

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

Trade and other receivables

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

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

(₹ in Lakhs)

	For the year ended	
	March 31, 2021	March 31, 2020
Revenue from top customer	55,976	53,573
Revenue from top 5 customers	1,50,137	1,24,756

Two customers accounted for more than 10% of the revenue for the year ended March 31, 2021 and two of the customers accounted for more than 10% of the receivables for the year ended March 31, 2021.Two customers accounted for more than 10% of the revenue for the year ended March 31, 2020 and two of the customers accounted for more than 10% of the receivables for the year ended March 31, 2020.

Investments

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

Liquidity risk

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

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

The working capital position of the Company is given below:

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Cash and cash equivalents	28,154	16,161
Investments in Mutual Funds (quoted)	2,036	-
Trade receivables	45,418	48,939
Other financial assets	1,905	13
Other current assets	2,098	2,525

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2021 and March 31, 2020:

(₹ in Lakhs)

	As at March 31, 2021		
	Less than 1 year	1-2 years	2 years & above
Borrowings	2,475	-	-
Trade payables	51,029	-	-
Other financial liabilities	364	196	457

	As at March 31, 2020		
	Less than 1 year	1-2 years	2 years & above
Borrowings	278	-	-
Trade payables	47,968	-	-
Other financial liabilities	843	191	591

Foreign currency risk

The Company's exchange risk arises from its foreign operations, foreign currency revenues and expenses, (primarily in U.S. Dollar). As a result, if the value of the Indian rupee appreciates relative to this foreign currency, the Company's revenues measured in rupees may decrease. The exchange rate between the Indian rupee and this foreign currency has changed substantially in recent periods and may continue to fluctuate substantially in the future. The Company reviews on a periodic basis to formulate the strategy for foreign currency risk management.

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

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

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

a) an approximately ₹ 440 lakhs increase and decrease in the Company's net profit as at March 31, 2021;

b) an approximately ₹ 153 lakhs increase and decrease in the Company's net profit as at March 31, 2020.

The following table presents foreign currency risk from non-derivative financial instruments as of March 31, 2021 and March 31, 2020.

(₹ in Lakhs)

Exposure currency	USD	GBP	EUR	Other Currencies*
As at March 31, 2021				
Assets				
Trade receivables	3,485	15	-	-
Cash and Cash equivalents	628	-	-	20
Liabilities				
Trade Payable	(1,150)	(7)	(9)	-
Net assets/liabilities	**2,963**	**8**	**(9)**	**20**
As at March 31, 2020				
Assets				
Trade receivables	3,696	99	101	-
Cash and Cash equivalents	634	-	-	29
Liabilities				
Trade Payable	(1,145)	-	(10)	(241)
Net assets/liabilities	**3,185**	**99**	**91**	**(212)**

*Others include currencies such as Singapore Dollar and Australian Dollar.

For the year ended March 31, 2021, 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, 2020, 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 Company's exposure to the risk of changes in market interest rates relates primarily to the Company's investments. The Company's investments are primarily short-term, which do not expose it to significant interest rate risk.

24. Capital management

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

The capital structure of the company consists of the following: (₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Total equity attributable to the equity share holders of the Company	26,836	20,332
As percentage of total capital	92%	99%
Current borrowings	2,475	278
Total Borrowings	2,475	278
As a percentage of total capital	8%	1%
Total capital (borrowings and equity)	29,311	20,610

25. Employee benefit plans

i) Defined contribution plans

Provident fund

a) Eligible employees of the company receive benefits from a provident fund, which is a defined benefit plan. Both the eligible employee and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. The Company contributes a portion to the Sonata Software Provident Fund. The trust invests in specific designated instruments as permitted by Indian law. The remaining portion is contributed to the government administered pension fund.The rate at which the annual interest is payable to the beneficiaries by the trust is being administered by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate.

The Sonata Software Limited Provident Fund Trust had applied to the Employee Provident Fund Organisation (EPFO) for surrender of exemption granted under Section 17(1)(a) of The Employee Provident Fund and Miscellaneous provision Act, 1952. The EPFO had agreed vide letter dated March 12, 2021 for surrender of exemption granted and Sonata Information Technology Limited to comply as unexempted establishment w.e.f May 01, 2021. The Sonata Software Limited Provident Fund Trust is in the process of submission of documents for surrender of exemption .

Provident fund contributions amounting to ₹ 72 lakhs (for the year ended March 31, 2020 ₹ 76 lakhs) has been charged to the Statement of Profit and Loss (as part of Contribution to Provident Fund and other Funds in Note 17 Employee benefits expense).

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

(₹ in Lakhs)

	Year ended March 31, 2021	Year ended March 31, 2020
Superannuation (as part of Contribution to Provident Fund and other Funds in Note 17 Employee benefits expense)	52	51
National Pension Scheme (as part of Contribution to Provident Fund and other Funds in Note 17 Employee benefits expense)	2	2

ii) **Defined benefit plans - Gratuity**

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

	As at March 31, 2021	As at March 31, 2020
Discount rate(s)	6.26%	6.82%
Expected rate(s) of salary increase	5.00%	5.00%
Mortality Rate	Indian Assured Lives Mortality 2006-08	Indian Assured Lives Mortality 2006-08

Amounts recognised in Statement of Profit and Loss in respect of these defined benefit plans are as follows:

(₹ in Lakhs)

	Year ended March 31, 2021	Year ended March 31, 2020
Service Cost:		
Current Service Cost	32	27
Components of defined benefit costs recognised in profit or loss	32	27
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	(41)	20
Actuarial (gains) / losses arising from changes in financial assumptions	12	30
Actuarial (gains) / losses arising from changes in demographic assumptions	15	-
Actuarial (gains) / losses arising from experience adjustments	17	(31)
Components of defined benefit costs recognised in other comprehensive income	3	19

The current service cost and the net interest expense for the year are included in the 'Employee benefits expense' line item in the Statement of Profit and Loss.

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

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

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Present value of funded defined benefit obligation	(406)	(313)
Fair value of plan assets	429	271
Net (liability) / Assets arising from defined benefit obligation	**23**	**(42)**
Movements in the present value of the defined benefit obligation are as follows.		
Opening defined benefit obligation	312	270
Current service cost	32	27
Interest cost	21	21
Remeasurement (gains)/losses:		
Actuarial (gains) / losses arising from changes in financial assumptions	12	30
Actuarial (gains) / losses arising from changes in demographic assumptions	15	-
Actuarial (gains) / losses arising from experience adjustments	17	(31)
Benefits paid	(4)	(5)
Closing defined benefit obligation	**405**	**312**
Movements in the fair value of the plan assets are as follows		
Opening fair value of plan assets	271	274
Interest income	19	22
Return on plan assets (excluding amounts included in net interest expense)	41	(20)
Contributions from the employer	103	-
Benefits paid	(4)	(5)
Closing fair value of plan assets	**429**	**271**

The major categories of plan assets as a percentage of total plan:

	As at March 31, 2021	As at March 31, 2020
Insurer Managed Funds	100%	100%
Category of funds :		
Secure Fund	28.53%	26.10%
Defensive Fund	33.48%	36.25%
Balanced Fund	37.99%	37.65%

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

(₹ in Lakhs)

	As at March 31, 2021		As at March 31, 2020	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	21	22	32	28
Future salary growth (1% movement)	23	21	32	29

The Company expects to contribute ₹ 7 lakhs to its defined benefit plans during the next fiscal year.

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

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

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

Experience adjustments (₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Present value of defined benefit obligation	406	313	270	232	176
Fair value of plan assets	429	271	274	215	204
Surplus / (deficit)	23	(42)	4	(17)	28
Experience adjustments on plan liabilities - (gain)/losses	17	(31)	2	33	(10)
Experience adjustments on plan assets - (losses)/gain	41	(20)	1	(2)	13

Maturity profile of defined benefit obligation: (₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Within 1 year	45	8
1-2 years	42	9
2-3 years	40	11
3-4 years	39	10
4-5 years	36	11
5 years and Above	397	619

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

(iii) Other Stock Based Compensation Arrangements

In the financial year 2017-18, Sonata Software Limited, Holding Company, had introduced an Stock Appreciation Rights Plan. Plan provides certain employees with the right to receive cash that is equal to the increase in the value of the Holding Company's share price from the date the right was granted and the right was exercised. They are not entitled to any shares or dividend.

As at the end of the year 70,000 options has been granted under the above mentioned plan and expense amounting to ₹ 59 lakhs has been recognised in Statement of Profit and Loss.

The Company has also granted stock appreciation rights plan to certain employees during the year which is subject to certain vesting conditions. Details of the grant/issue as at March 31, 2021 are given below:

	For the year ended March 31, 2021				For the year ended March 31, 2020		
	As per plan 2(2018)	As per plan1 (2019)	As per plan2 (2019)	As per plan 3(2020)	As per plan 2(2018)	As per plan1 (2019)	As per plan2 (2019)
Outstanding units as at the beginning of the year	45,000	9,000	4,000	-	45,000	9,000	-
Number of units granted under letter of intent during the year	-	-	-	12,000	-	-	4,000
Exercised units	-	-	-	-	-	-	-
Lapsed units	-	-	-	-	-	-	-
Forfeited units	-	-	-	-	-	-	-
Cancelled units	-	-	-	-	-	-	-
Outstanding units as at the end of the year	45,000	9,000	4,000	12,000	45,000	9,000	4,000
Contractual life (in years)	3	1	1	1	3	1	1
Date of grant	Dec 18, 2018	Sep 30, 2018	Oct 1, 2019	Jan 1, 2021	Dec 18, 2018	Sep 30, 2018	Oct 1, 2019
Grant price per unit (₹)	315.30	200.00	224.00	251.00	315.30	200.00	224.00
Number of units exercisable at the end	30,000	9,000	4,000	-	15,000	9,000	4000
Weighted average exercise price (₹)	335.66	200.00	224.00	251.00	354.65	200.00	224.00
Weighted average exercise price of options exercisable at the end of the year (₹)	356.60	200.00	224.00	251.00	315.30	200.00	224.00

The weighted average fair value of each unit for the above mentioned stock appreciation rights plan has been calculated using the Black - Scholes pricing model with the following assumptions:

	For the year ended March 31, 2021				For the year ended March 31, 2020		
	As per plan 3(2020)	As per plan 2(2018)	As per plan1 (2019)	As per plan2 (2019)	As per plan 2(2018)	As per plan1 (2019)	As per plan2 (2019)
Grant date	Jan 1, 2021	Dec 18, 2018	Sep 30, 2018	Oct 1, 2019	Dec 18, 2018	Sep 30, 2018	Oct 1, 2019
Exercise price (₹)	251.00	315.3-395.52	200.00	224.00	315.3-395.52	200.00	224
Dividend yield	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Expected life (in years)	1	3	1	1	3	1	1
Risk free interest rate	4.25%	3.86%-4.25%	3.86%	3.86%	4.87-5.76%	4.87-5.76%	4.87-5.76%
Volatility	40%	40%	40%	40%	45%	45%	45%

During the year, the expense recognised for Stock appreciation rights is ₹ 59 lakhs and the related liability accounted is ₹ 86 lakhs

26. Segment reporting

The Company is engaged in the business of hardware/software product and licenses including related services in India which constitutes a single business segment. The Company's operations outside India did not exceed the quantitative threshold for disclosure envisaged in Ind AS 108.

In view of the above, primary and secondary reporting disclosures for business /geographical segments, as envisaged in Ind AS 108 are not applicable to the Company.

27. Corporate Social Responsibility

"As per Section 135 of Companies Act, 2013 a company meeting the applicability threshold, needs to spend at least 2% of its average net profit of the immediately preceding three financial years on Corporate Social Responsibility (CSR) activities. A CSR committee has been formed by the Company as per the Companies Act, 2013 . The CSR initiatives are focused towards those programme directly or indirectly, benefit the community and society at large.

(i) Gross amount required to be spent by the Company during the year is ₹ 143 lakhs (Previous Year is ₹ 118 lakhs)

(ii) Amount spent during the year is ₹ 148 lakhs (Previous year is ₹ 134 lakhs)

	In Cash	Yet to be paid in Cash	Total
1. Construction / acquisition of any asset	-	-	-
2. On purposes other than (1) above	-	148	148
Total	**-**	**148**	**148**

(iii) Amount unspent is Nil (Previous year is ₹ Nil)

28. Earnings Per Share

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

(₹ in Lakhs)

	Year ended March 31, 2021	Year ended March 31, 2020
Total number of equity shares outstanding	33,75,394	33,75,394
Weighted average number of equity shares for calculation of earning per share	33,75,394	33,75,394

29. Distributions made and proposed

The amount of per share dividend recognized as distributions to equity shareholders for the year ended March 31, 2021 and year ended March 31, 2020 was ₹ 10 and ₹ 158.13 respectively.

The Board of Directors at their meeting held on November 06, 2020 had declared an interim dividend of 100% (₹ 10 per equity share of par value of ₹ 10 each). The Board of Directors at their meeting held on May 11, 2021 had declared final dividend of 1481.3 % (₹ 148.13 per equity share of par value of ₹ 10 each) which is subject to approval of shareholders.

The Board of Directors at their meeting held on August 07, 2019 had declared an interim dividend of 50% (₹ 5 per equity share of par value of ₹ 10 each). The Board of Directors at their meeting held on October 30, 2019 had declared second interim dividend of 50% (₹ 5 per equity share of par value of ₹ 10 each). Further, the Board of Directors at its meeting held on February 26, 2020 have recommended third dividend of 1481.3% (₹ 148.13 per equity share of par value ₹ 10 each).

30. Related party disclosure

i) Details of related parties :

Description of relationship	**Names of related parties**
(a) Holding Company	Sonata Software Limited
(b) Fellow Subsidiary	Sonata Software Solutions Limited
	Sonata Software North America Inc.
(c) Post-employment benefit plan	Sonata Software Limited Gratuity Fund
	Sonata Software Officers' Superannuation Fund
	Sonata Software Provident Fund Trust
(d) Key Management Personnel (KMP)	Mr. P Srikar Reddy, Director
	Mr. Sujit Mohanty, Vice President & Director
	Mr. B K Syngal, Director (upto August 10, 2019)
	Ms. Radhika Rajan, Director

ii) Transactions with related parties :

(₹ in Lakhs)

	Holding Company		Fellow Subsidiary		KMP	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Revenue from Software products and licenses	5,028	6,647	2	3		
Software project fees	1,295	1,681	-	-		
Service charges	366	474	-	-		
Rent paid	72	81	-	-		
Inter corporate borrowings taken	100	23,245	-	-		
Inter corporate borrowings repaid	100	23,245	-	-		
Interest on inter corporate borrowings	-	66	-	-		
Dividend paid	338	5,506	-	-		
Commission on corporate guarantees	58	56	-	-		
Compensation of key management personnel of the Company						
Short-term employee benefits*					93	89
Share-based payment transactions					41	9
Others					2	3
Balances outstanding at the end of the year						
Interest accrued on inter corporate borrowings	3	3	-	-		
Trade Receivables	697	3,169	2	3		
Trade payables	380	246	-	-		
Reimbursement of expenses payable	89	631	7	-		
Reimbursement of expenses receivable	-	-	-	-		
Corporate guarantees taken	11,467	11,849	-	-		
Payable to key management personnel of the Company						
Short-term employee benefits*					37	25
Share-based payment transactions					50	16

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

31. Leases

The Company has adopted Ind AS 116 'Leases' with the date of initial application being April 1, 2019. Ind AS 116 replaces Ind AS 17 – Leases and related interpretation and guidance. The Company has applied Ind AS 116 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at April 1, 2019.

In adopting Ind AS 116, the Company has applied the below practical expedients :

a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics

b) leases of low value assets (assets of less than ₹ 500,000 in value) has not been considered for application of Ind AS 116

c) exclusion of the initial direct costs from measurement of the right-of-use asset at the date of transition

d) application of hindsight, in determining the lease term if the contract contains options to extend or terminate the lease.

e) applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.

The aggregate depreciation expense of ₹ 170 lakhs on ROU assets is included under depreciation and amortization expense in the statement of Profit and Loss.

Following are the changes in the carrying value of right of use (ROU)assets:

	Category of ROU Asset
	Buildings
Balance as at April 1, 2020	917
Additions	-
Deletion	-
Depreciation	(170)
Balance as at March 31, 2021	**747**
Balance as at April 1, 2019	1,087
Additions	-
Deletion	-
Depreciation	(170)
Balance as at March 31, 2020	**917**

Rental expense recorded for short-term leases was ₹ 36 lakhs (March 31,2020 ₹ 91 lakhs) for the year ended March 31,2021

The following is the movement in lease liabilities:

(₹ in Lakhs)

	For the period ended March 31, 2021	For the period ended March 31, 2020
Balance at the beginning	984	1,080
Additions	-	-
Finance cost accrued during the year	94	104
Deletions	-	-
Payment of lease liabilities	(214)	(200)
Balance at the end of the year	**864**	**984**

The following is the break-up of lease liabilities based on their maturities:

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Current lease liabilities	211	202
Non-current lease liabilities	653	782
Total	**864**	**984**

Contractual maturities of lease liabilities

The table below provides details regarding the contractual maturities of lease liabilities as at March 31, 2021 on an undiscounted basis:

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Not later than one year	223	213
Later than one year and not later than 5 years	649	747
Later than 5 years	338	463
Total	**1,210**	**1,423**

For and on behalf of the Board of Directors

P Srikar Reddy
Director
Bengaluru

Sujit Mohanty
Vice President & Director
Bengaluru

Rashmi Shirke
Company Secretary
Bengaluru

Place : Bengaluru
Date : May 11, 2021

SONATA SOFTWARE

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 – 560 004
Tel: 91-80-6778 1999, Fax: 91-80-2661 0972, **E-mail:** info@sonata-software.com, **Website:** www.sonata-software.com

NOTICE OF THE TWENTY SIXTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty-Sixth Annual General Meeting (AGM) of the Members of SONATA SOFTWARE LIMITED will be held on Monday, 16th August, 2021 at 4.00 P.M (IST) through video conference ("VC") / other audio visual means ("OAVM") to transact the following business :

ORDINARY BUSINESS

1. Adoption of Financial Statements for the Financial Year ended 31st March, 2021

To receive, consider, approve and adopt the following:

a) the Audited Financial Statements of the Company for the Financial Year ended 31st March, 2021 together with the Reports of the Directors and Auditors thereon; and

b) the Audited Consolidated Financial Statements of the Company for the Financial Year ended 31st March, 2021 together with the report of the Auditors thereon.

2. Declaration of dividend

To declare Final Dividend of Rs. 10 (Rupees ten only) per equity share and to confirm Interim Dividend of ₹ 4 (Rupees four only) per equity share already paid for the financial year ended March 31, 2021.

3. Appointment of Mr. Viren Raheja as a Director liable to retire by rotation

To appoint a Director in place of Mr. Viren Raheja (DIN: 00037592), who retires by rotation and being eligible, offers himself for re-appointment.

By Order of the Board
For **SONATA SOFTWARE LIMITED**

Place: Bengaluru
Date: 12 May, 2021

Mangal Kulkarni
Company Secretary
ACS: 11861

NOTES:

1. In view of the continuing COVID-19 pandemic, the Ministry of Corporate Affairs ("MCA") has vide its circular dated January 13, 2021 read with circulars dated April 8, 2020 and April 13, 2020 and May 5, 2020 (collectively referred to as "MCA Circulars") and Securities and Exchange Board of India ("SEBI") vide its circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 and circular no. SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated January 15, 2021 (collectively referred to as "SEBI Circulars") permitted the holding of the Annual General Meeting ("AGM") through VC / OAVM, without the physical presence of the Members at a common venue. In compliance with the provisions of the Companies Act, 2013 ("the Act"), SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 ("Listing Regulations") and MCA Circulars, the AGM of the Company is being held through VC / OAVM. The registered office of the Company shall be the deemed venue for the AGM.

2. Since this AGM is being held pursuant to the MCA Circulars and SEBI Circular through VC / OAVM, the facility for appointment of proxies by the Members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed hereto.

3. In compliance with the aforesaid MCA Circulars and SEBI Circular dated January 15, 2021 read with May 12, 2020, Notice of the AGM along with the Annual Report 2020-21 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/Depositories. Members may note that the Notice and Annual Report 2020-21 will also be available on the Company's website at www.sonata-software.com, websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively and on the website of NSDL https://www.evoting.nsdl.com. The Company has also published an advertisement in newspaper containing the details about the AGM i.e, the conduct of the AGM through VC/OAVM, date and time of the AGM, availability of the notice of AGM at the Company's website, manner of registering the email ID's of those shareholders who have not registered their email addresses with the Company / RTA and other matters as may be required.

4. The Company has engaged the services of NSDL, as authorised agency for conducting the AGM through VC/ OAVM and for providing e-voting facility.

5. Members attending the AGM through VC/ OAVM shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.

6. Institutional / Corporate Shareholders (i.e. other than individuals / HUF, NRI, etc.) are required to send a scanned copy (PDF/JPG Format) of its Board or governing body Resolution/Authorization etc., authorizing its representative to attend the AGM through VC /OAVM on its behalf and to vote through remote e-voting. The said Resolution/Authorization shall be sent to the Scrutinizer by email through its registered email address to mvbhatcs@gmail.com with a copy marked to evoting@nsdl.co.in.

7. The Company has fixed Monday, August 9, 2021 as the 'Record Date' and the Register of Members of the Company will be closed from August 10, 2021 to August 16, 2021 (both dates inclusive), for determining entitlement of members to final dividend for the financial year ended March 31, 2021, if approved at the AGM.

8. The final dividend on equity shares as recommended by the Board of Directors for the year ended 31st March 2021, 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 9th August, 2021, 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 9th August, 2021; 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 (CDSL) for this purpose on 9th August, 2021.

9. Pursuant to Finance Act 2020, dividend income is taxable in the hands of shareholders w.e.f. April 1, 2020 and the Company is required to deduct tax at source from dividend paid to

shareholders at the prescribed rates. For the prescribed rates for various categories, please refer to the Finance Act, 2020 and the amendments thereof. The shareholders are requested to update their PAN with the DP (if shares held in electronic form) and Company / KFin (if shares held in physical form).

A Resident individual shareholder with PAN and who is not liable to pay income tax can submit a yearly declaration in Form No. 15G / 15H, to avail the benefit of non-deduction of tax at source by e-mail to einward.ris@kfintech.com on or before 11th August, 2021. Shareholders are requested to note that in case their PAN is not registered, the tax will be deducted at a higher rate of 20%.

Non-resident shareholders [including Foreign Institutional Investors (FIIs) / Foreign Portfolio Investors(FPIs)] can avail beneficial rates under tax treaty between India and their country of tax residence, subject to providing necessary documents i.e. No Permanent Establishment and Beneficial Ownership Declaration, Tax Residency Certificate, Form 10F, any other document which may be required to avail the tax treaty benefits. For this purpose the shareholder may submit the above documents (PDF / JPG Format) by e-mail to einward.ris@kfintech.com. The aforesaid declarations and documents need to be submitted by the shareholders by 11:59 p.m. IST on 11th August, 2021.

For further details and formats of declaration, please refer to FAQs on Taxation of Dividend Distribution available on the Company's website at https://www.sonata-software.com/sites/default/files/pdf/2021-01/faq-on-tds-on-dividends.pdf

10. Since SEBI has made it mandatory for distributing dividends through Electronic Clearing Service (ECS), the Company has used the bank account details furnished by the Depositories for distributing 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.

11. Members who have not yet registered their e-mail addresses are requested to register the same with their Depository Participants ("DP") in case the shares are held by them in electronic form and with KFin Technologies Private Limited in case the shares are held by them in physical form.

12. The Register of Directors and Key Managerial Personnel and their shareholding maintained under Section 170 of the Act, the Register of Contracts or Arrangements in which the directors are interested, maintained under Section 189 of the Act and certificate from the Statutory Auditors of the Company confirming the compliance of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and any amendments thereto with regard to the Company's Employees Stock option Scheme Plans will be available electronically for inspection by the Members during the AGM. All documents referred to in the Notice will also be available for electronic inspection without any fee by the members from the date of circulation of this Notice up to the date of AGM, i.e. 16th August, 2021. Members seeking to inspect such documents can send an email to investor@sonata-software.com.

13. Members holding shares in physical form are requested to forward all applications for shares related correspondence, (including intimation for change in address) to the Company's Share Transfer Agent KFin Technologies Private Limited Unit : Sonata Software Ltd, Karvy Selenium Tower B, Plot No.31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad, Telangana - 500032. Ph:+91 40-67161591. Members holding shares in electronic form are requested to notify change in their address to their Depository Participant.

14. As mandated by SEBI, effective from April 1, 2019, securities of listed companies shall be transferred only in dematerialised form. To ensure better service and elimination of risk of holding shares in physical form, we request shareholders holding shares in physical form to dematerialize their shares at the earliest.

15. The Securities and Exchange Board of India (SEBI) has mandated the submission of the Permanent Account Number (PAN) by every participant in the securities market. Members holding shares in electronic form are, therefore requested to submit their PAN to their Depository Participant (s). Members holding shares in physical form are requested to submit their PAN details to the Company's share transfer agent KFin Technologies Private Limited, Unit : Sonata Software Ltd, Karvy Selenium Tower B, Plot No.31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad, Telangana - 500 032. Ph: 1-800-309-4001.

16. Members desiring to claim dividends, which remain unclaimed, are requested to correspond with the Company's Share Transfer Agents for further particulars. Members are requested to note that dividends not encashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will, be transferred to the Investor Education and Protection Fund (IEPF). Shares on which dividend remains unclaimed for seven consecutive years shall be transferred to the IEPF as per Section 124 of the Act, read with applicable IEPF rules.

17. Members may note that unclaimed Interim Dividend, Second Interim Dividend and Final Dividend for the Financial Year ended 2015 shall become due for transfer to IEPF on 7th October, 2021, 6th December, 2021 and 29th August, 2022 respectively. Further, if the shares pertaining to these dividends, the dividend has not been claimed for last seven years, the shares would also be transferred to IEPF. In the event of transfer of shares and the unclaimed dividends to IEPF, Members are entitled to claim the same from the IEPF authority by submitting an online application in the prescribed Form IEPF-5 available on the website http://www.iepf.gov.in/ and sending a physical copy of the same duly signed to the Company along with the requisite documents enumerated in Form IEPF-5. Members can file only one consolidated claim in a financial year as per the IEPF Rules.

18. 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) The form can be downloaded from the Company's website at https://www.sonata-software.com/sites/default/files/financial-reports/2021-07/form-sh-13.pdf. Members holding shares in electronic form, may fill the nomination form with the respective Depository Participant.

19. Since the AGM will be held through VC/OAVM, the route map is not annexed to this Notice.

20. The Members who have cast their vote by remote e-voting prior to the AGM may also attend/ participate in the AGM through VC / OAVM but shall not be entitled to cast their vote again at the AGM. The detailed instructions for attending the AGM through VC/OAVM and availing e-voting facility are provided in **Annexure I**.

21 In case of joint holders, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote during the AGM.

22. M/s Deloitte Haskins & Sells LLP, Chartered Accountants, Bangalore were appointed as Statutory Auditors from the conclusion of Twenty Second (22nd) Annual General Meeting (AGM) till conclusion of Twenty Seventh (27th) AGM, subject to ratification of their appointment at every Annual General Meeting by the members. However, the members may note that pursuant to the Companies (Amendment) Act, 2017 the requirement of ratification of the appointment of the Statutory Auditors in every Annual General Meeting has been dispensed with by the Act and therefore the Company is not seeking ratification.

23. **Additional information of Director recommended for re-appointment as per the provisions of SEBI Listing Regulations:**

    In terms of Regulation 36 of the SEBI Listing Regulations, a brief resume of Mr. Viren Raheja seeking re-appointment vide Ordinary Business No. 3 in the Notice is as follows:

    Mr. Viren Raheja (DIN: 00037592) is a Promoter and Non-executive Director of the Company. He holds a Bachelor's degree in commerce from the Mumbai University. He has passed all 3 levels leading to the CFA charter and has an MBA degree from the London Business School.

Age: 36 years

Nature of expertise in specific functional areas: Information Technology Services and Business Management.

Disclosure of inter-se relationships between directors and key managerial personnel: Nil

Listed entities in which Viren Raheja holds directorship and committee membership :

He also holds Directorship in Hathway Cable and Datacom Ltd etc. He is a member of the Nomination and Remuneration Committee and Risk Management Committee of the Company. He is a Chairman of Corporate Social Responsibility Committee and Finance Committee and member of Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Investment and Loan Committee, Administrative Cum Regulatory Committee, Business Responsibility Committee of Hathway Cable and Datacom Ltd.

Shareholding in the Company: 82,50,000 equity shares (7.85%).

ANNEXURE I TO THE NOTICE

A. INSTRUCTIONS FOR MEMBERS FOR ATTENDING THE AGM THROUGH VC / OAVM ARE AS UNDER:

i. Members will be provided with a facility to attend the AGM through VC/OAVM through the NSDL e-Voting system. Members may access by following the steps mentioned below for Access to NSDL e-Voting system. After successful login, you can see link of "VC/OAVM link" placed under "Join General meeting" menu against company name. You are requested to click on VC/OAVM link placed under Join General Meeting menu. The link for VC/OAVM will be available in Shareholder/Member login where the EVEN of Company will be displayed. Please note that the members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the notice to avoid last minute rush.

ii. Facility of joining the AGM through VC / OAVM shall open 30 minutes before the time scheduled for the AGM and will be available for Members on first come first serve basis.

iii. Members who need assistance before or during the AGM, can contact NSDL on evoting@nsdl.co.in / 1800 1020 990 /1800 224 430 or contact Mr. Amit Vishal, Asst. Vice President – NSDL or Ms. Megha Malviya, Assistant Manager- NSDL.

iv. Members are encouraged to join the Meeting through Laptops for better experience.

v. Further Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.

vi. Please note that participants connecting from mobile devices or tablets or through Laptop via mobile hotspot may experience Audio/Video loss due to fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches.

vii. Members who would like to ask questions during the AGM may register themselves as speaker by sending their request from their registered email address mentioning their name, DP ID and Client ID/ folio number, PAN, mobile number before 9th August, 2021 at investor@sonata-software.com. Those Members who have registered themselves as a speaker will only be allowed to express their views/ ask questions during the AGM. The Company reserves the right to restrict the number of speakers depending upon the availability of the time for the AGM.

viii. The facility of participation at the AGM through VC/OAVM will be made available for 1,000 members on first come first serve basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first serve basis.

ix. In line with the Ministry of Corporate Affairs (MCA) Circular No. 17/2020 dated April 13, 2020, the Notice calling the AGM has been uploaded on the website of the Company at https://www.sonata-software.com The Notice can also be accessed from the websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively and the AGM Notice is also available on the website of NSDL (agency for providing the Remote e-Voting facility) i.e. www.evoting.nsdl.com.

Instructions for Members for e-Voting during the AGM:

i. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned below for remote e-voting.

ii. Only those Members/ shareholders, who will be present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system in the AGM.

iii. The details of the person who may be contacted for any grievances connected with the facility for e-Voting on the day of the AGM shall be the same person mentioned for Remote e-voting.

B. INSTRUCTIONS FOR E-VOTING

i. Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and the Circulars issued by the Ministry of Corporate Affairs dated April 08, 2020, April 13, 2020, May 05, 2020 and January 13, 2021 and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 (as amended), and in terms of SEBI vide circular no. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated December 9, 2020 in relation to e-Voting Facility. The Company is providing facility of remote e-voting to its Members in respect of the business to be transacted at the AGM. A person, whose name is recorded in the Register of Members or in the Register of Beneficial Owners (in case of electronic shareholding) maintained by the Depositories as on the cut-off date i.e. 9th August, 2021 only shall be entitled to avail the facility of remote e-voting/e-voting at the AGM. NSDL will be facilitating remote e-voting to enable the Members to cast their votes electronically. Members can cast their vote online from 09.00 a.m. (IST) on Friday, 13th August, 2021 upto 5.00 p.m. (IST) on Sunday, 15th August, 2021. At the end of remote e-voting period, the facility shall forthwith be blocked.

ii. The Members who have cast their vote by remote e-voting prior to the AGM may also attend/ participate in the AGM through VC / OAVM but shall not be entitled to cast their vote again.

iii. The Members present in the AGM through VC / OAVM facility and have not cast their vote on the Resolutions through remote e-voting, and are otherwise not barred from doing so, shall be eligible to vote through e-voting system during the AGM.

iv. The Company has appointed Mr. M V Bhat, Practising Company Secretary (COP: 19221) as the Scrutinizer for conducting the e-voting process in a fair and transparent manner.

v. Any person holding shares in physical form and non-individual shareholders who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the cut-off date, may obtain the login ID and password by sending a request. However, if he/she is already registered with NSDL for remote e-voting then he/she can use his/her existing User ID and password for casting the vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password" or "Physical User Reset Password" option available on www.evoting.nsdl.com or call on toll free no. 1800 1020 990 and 1800 22 44 30. In case of Individual Shareholders holding securities in demat mode who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the cut-off date i.e. 9th August, 2021 may follow steps mentioned in the Notice of the AGM under "Access to NSDL e-Voting system".

vi. The details of the process and manner for remote e-voting are explained herein below:

Step 1: Log-in to NSDL e-voting system at https://www.evoting.nsdl.com/

Step 2: Cast your vote electronically on NSDL e-voting system.

Details on Step 1 are mentioned below:

I. Login method for remote e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode.

Pursuant to SEBI circular no. SEBI/HO/ CFD/CMD/ CIR/P/2020/242 dated December 9, 2020 on "e-Voting facility provided by Listed Companies", e-Voting process has been enabled to all the individual demat account holders, by way of single login credential, through their demat accounts / websites of Depositories / DPs in order to increase the efficiency of the voting process. Individual demat account holders would be able to cast their vote without having to register again with the e-Voting service provider (ESP) thereby not only facilitating seamless authentication but also ease and convenience of participating in e-Voting process.

Shareholders are advised to update their mobile number and e-mail ID with their DPs in order to access e-Voting facility.

Type of shareholders	Login Method
Individual Shareholders holding securities in demat mode with NSDL	A. NSDL IDeAS facility If you are already registered, follow the below steps: 1. Visit the e-Services website of NSDL. Open web browser by typing the following URL: https://eservices.nsdl.com/ either on a Personal Computer or on a mobile. 2. Once the home page of e-Services is launched, click on the "Beneficial Owner " icon under "Login" which is available under "IDeAS" section. 3. A new screen will open. You will have to enter your User ID and Password. After successful authentication, you will be able to see e-Voting services 4. Click on "Access to e-Voting" appearing on the left hand side under e-Voting services and you will be able to see e-Voting page. 5. Click on options available against company name or e-Voting service provider - NSDL and you will be re-directed to NSDL e-Voting website for casting your vote during the remote e-Voting period or joining virtual meeting and e-Voting during the meeting. If you are not registered, follow the below steps: 1. Option to register is available at https://eservices.nsdl.com. 2. Select "Register Online for IDeAS" Portal or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp 3. Please follow steps given in points 1-5. B. e-Voting website of NSDL 1. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a personal computer or on a mobile phone. 2. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section. 3. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number held with NSDL), Password / OTP and a Verification Code as shown on the screen. 4. After successful authentication, you will be redirected to NSDL website wherein you can see e-Voting page. Click on options available against company name or e-Voting service provider - NSDL and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting and e-Voting during the meeting.

Individual Shareholders holding securities in demat mode with CDSL	1. Existing users who have opted for Easi / Easiest, can login through their user id and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi / Easiest is https://web.cdslindia.com/myeasi/home/login or www.cdslindia.com and click on New System Myeasi. 2. After successful login of Easi / Easiest the user will be also able to see the e-Voting Menu. The Menu will have links of ESP i.e. NSDL portal. Click on NSDL to cast your vote. 3. If the user is not registered for Easi/Easiest, option to register is available at https://web.cdslindia.com/myeasi/Registration/EasiRegistration. 4. Alternatively, the user can directly access e-Voting page by providing demat Account Number and PAN from a link in www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered Mobile and e-mail as recorded in the demat Account. After successful authentication, user will be provided links for the respective ESP i.e. NSDL where the e-Voting is in progress.

Type of shareholders	**Login Method**
Individual Shareholders (holding securities in demat mode) logging through their depository participants	1. You can also login using the login credentials of your demat account through your DP registered with NSDL / CDSL for e-Voting facility. 2. Once logged-in, you will be able to see e-Voting option. Once you click on e-Voting option, you will be redirected to NSDL / CDSL Depository site after successful authentication, wherein you can see e-Voting feature. 3. Click on options available against company name or e-Voting service provider - NSDL and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting and e-Voting during the meeting.

Important note: Members who are unable to retrieve User ID / Password are advised to use Forgot User ID and Forgot Password option available at respective websites.

Helpdesk for individual shareholders holding securities in demat mode for any technical issues related to login through depository i.e. NSDL and CDSL.

Login type	**Helpdesk details**
Individual shareholders holding securities in demat mode with NSDL	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call on the toll free no.: 1800 1020 990 or 1800 22 44 30
Individual shareholders holding securities in demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact on 022-23058738 or 022-23058542-43

II. Login method for e-Voting and joining virtual meeting for shareholders other than Individual shareholders holding securities in demat mode and shareholders holding securities in physical mode.

How to Log-in to NSDL e-Voting website?

1. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile.
2. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section.
3. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen. Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at https://eservices.nsdl.com/ with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.
4. Your User ID details are given below :

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	**Your User ID is:**
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12****** then your user ID is IN300***12******.
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example if your Beneficiary ID is 12************** then your user ID is 12**************
c) For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the company For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001***

5. Your password details are given below:

   a. If you are already registered for e-Voting, then you can user your existing password to login and cast your vote.

   b. If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.

   c. How to retrieve your 'initial password'?

      i. If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the. pdf file. The password to open the.pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The. pdf file contains your 'User ID' and your 'initial password'

      ii. If your email ID is not registered, please follow steps mentioned below in process for those shareholders whose email ids are not registered.

6. If you are unable to retrieve or have not received the "Initial password" or have forgotten your password:

   a. Click on "Forgot User Details/Password? (If you are holding shares in your demat account with NSDL or CDSL) option available on www. evoting.nsdl.com.

   b. Physical User Reset Password?" (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.

   c. If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio number, your PAN, your name and your registered address

   d. Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.

7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.

8. Now, you will have to click on "Login" button.

9. After you click on the "Login" button, Home page of e-Voting will open.

   Details on Step 2 is given below:

   How to cast your vote electronically on NSDL e-Voting system?

   1. After successful login at Step 1, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle and General Meeting is in active status.

   2. Select "EVEN 116403" of company for which you wish to cast your vote during the remote e-Voting period and casting your vote during the General Meeting. For joining virtual meeting, you need to click on "VC/ OAVM" link placed under "Join General Meeting".

   3. Now you are ready for e-Voting as the Voting page opens.

   4. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.

   5. Upon confirmation, the message "Vote cast successfully" will be displayed.

   6. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.

   7. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

Process for those shareholders whose email IDs are not registered with the depositories for procuring user ID and password and registration of email IDs for e-voting for the resolutions set out in this notice:

1. In case shares are held in physical mode please provide Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) by email to einward.ris@kfintech.com ;

2. In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), Name, client master or copy of Consolidated Account statement, PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) to Depository Participants "DPs" for receiving all communications from the Company electronically.

General Guidelines for shareholders

1. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to mvbhatcs@gmail.com with a copy marked to evoting@nsdl.co.in.

2. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password?" or "Physical User Reset Password?" option available on www.evoting.nsdl.com to reset the password

3. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of www.evoting.nsdl.com or call on toll free no.: 1800 1020 990 /1800 224 430 or send a request to evoting@nsdl.co.in or contact Ms. Sarita Mote, Assistant Manager- NSDL at or Ms. Soni Singh, Assistant Manager- NSDL, who will address the grievances on e-Voting at evoting@nsdl.co.in.

OTHER INSTRUCTIONS

The Scrutinizer shall, immediately after the conclusion of voting at the AGM, first count the votes cast during the AGM, thereafter unblock the votes cast through remote e-voting and make, not later than 48 hours of conclusion of the AGM, a consolidated Scrutinizer's Report of the total votes cast in favour or against, if any, to the Chairman or a person authorised by him in writing, who shall countersign the same.

The results of the resolutions will be announced by the Company on its website www.sonata-software.com and on the website of NSDL : https://www.evoting.nsdl.com. The results shall also be informed to the Stock Exchanges.

Registered Office:
208, T.V. Industrial Estate
2^{nd} floor, S.K. Ahire Marg,
Worli Mumbai – 400 030

By Order of the Board
For **SONATA SOFTWARE LTD**

Place: Bengaluru
Date: 12 May, 2021

Mangal Kulkarni
Company Secretary
ACS: 11861

PLATFORMATION™

MAKES THE DIFFERENCE

SONATA

SONATA SOFTWARE

info@sonata-software.com
www.sonata-software.com