

Sonata Software Limited

REPORT ON CORPORATE GOVERNANCE

Your Company is in compliance with the requirements of the guidelines on Corporate Governance stipulated under Clause 49 of the Listing Agreement and hereby presents the following Corporate Governance Report for the year 2009-10 based on the said requirements.

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

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

II. BOARD OF DIRECTORS

The Board of Directors of Sonata comprises of eight Directors of whom three are promoter directors, two are executive directors and three independent directors. None of the Directors are related to each other.

During the financial year 2009-10, four meetings of the Board were held with a time gap of not more than four months between any two meetings. These meetings were held on 17th April, 2009, 17th July, 2009, 14th October, 2009 and 19th January, 2010.

Details of Directors and other particulars are given below :

Name	Designation	Category	Equity shareholding in the Company
Pradip P Shah	Chairman	Independent Director	Nil
S B Ghia	Director	Promoter Non-executive Director	14,600
M D Dalal	Executive Vice Chairman	Promoter Executive Director	12,94,600
Viren Raheja	Director	Promoter Non-executive Director	57,50,000
B Ramaswamy	President & Managing Director	Executive Director	20,65,000
P Srikar Reddy	Executive Vice President & COO	Executive Director	10,32,300
S N Talwar	Director	Independent Director	30,000
B K Syngal	Director	Independent Director	Nil

Details of Directors' attendance and other particulars are given below :

Director	No. of Board Meetings held	No. of Board Meetings attended	Whether attended the last AGM on 5th June'09	No. of memberships in Boards of other Public Companies	No. of Committee memberships in all Public Companies@
Pradip P Shah	4	4	Yes	13	8
S B Ghia	4	4	Yes	5	7
M D Dalal	4	4	Yes	1	2
Viren Raheja	4	3	No	4	3
B Ramaswamy	4	4	Yes	1	1
P Srikar Reddy	4	4	Yes	1	1
S N Talwar	4	4	Yes	14	10
B K Syngal	4	3	Yes	3	4

@ The disclosure includes membership/chairmanship of Audit Committee and Shareholders'/Investors' Grievance Committee in Indian public companies (listed and unlisted). None of the above Directors is Chairman in more than five Committees.

III. AUDIT COMMITTEE**Terms of Reference**

The Audit Committee has interalia the following mandate :

1. To oversee the Company's financial reporting process and disclosure of its financial information to ensure the financial statements are correct, sufficient and credible.
2. To recommend appointment/re-appointment and removal of the Statutory auditors, fixation of audit fees and also approve payment for other services rendered.
3. To review with the Management, performance of statutory and internal auditors, the adequacy of internal control systems, changes in accounting policies/procedures, major accounting entries based on the exercise of judgment by Management, significant adjustments in the financial statements arising out of audit findings, statutory compliance, qualifications in draft audit report, default in payments to shareholders/creditors, if any.
4. Discussion with statutory/internal auditors on nature and scope of audit, any significant findings / investigations and follow up there on.
5. To review, with the Management, the audited quarterly and annual financial statements before submission to the Board for approval.
6. To review the Company's financial and risk management policies.
7. To review statement of significant related party transactions, management letters / letters of internal control weaknesses and appointment, removal and terms of remuneration of the Internal Auditor.

Composition

- B K Syngal - Chairman (Independent Director)
 S B Ghia - Member (Non-executive Director)
 Pradip P Shah - Member (Independent Director)

Secretary

- Praveen Kumar D - Company Secretary

By Invitation

- Venkatraman N - Head – Strategic Finance & Risk Management
 Sathyanarayana R - AVP – Finance & Accounts
 Y.N.Thakkar - Partner, N.M.Raiji & Co., (Statutory Auditors)
 V.Raghavendran - Partner, V.Raghavendran & Co., (Internal Auditors)

Meetings and attendance during the year

Members	Meetings held	Meetings attended
B K Syngal	4	3
S B Ghia	4	4
Pradip P Shah	4	4

Note : At the meeting held on January 19, 2010, in the absence of Mr.B.K.Syngal, Mr.S.N.Talwar, Independent Director attended the meeting by invitation.

IV. REMUNERATION COMMITTEE

The Remuneration Committee was reconstituted on 17th July, 2009.

Terms of Reference

The Remuneration Committee reviews the policy on remuneration packages for Executive Directors, their Service Contracts, Stock Option details etc. However, remuneration of non-executive Directors is reviewed and decided by the Board of Directors.

Composition

- S N Talwar - Chairman (Independent Director)
 S B Ghia - Non-Executive Director
 B K Syngal - Non-Executive Director

Secretary

- Praveen Kumar D - Company Secretary

Meetings and attendance during the year

Members	Meetings held	Meetings attended
S N Talwar	3	3
S B Ghia	3	3
B K Syngal	3	2

Remuneration Policy

The Committee recommends the remuneration payable to Executive Directors based on their contribution to the growth and development of the Company.

Details of remuneration paid/payable to all the Directors for FY 2009-10

(Amount in Rs.)

Name	Salary & Perquisites	Commission	Shares issued under ESOP	Details of service contracts notice period & severance fees
Pradip P Shah	Nil	13,45,494	Nil	Nil
S B Ghia	Nil	13,45,494	Nil	Nil
M D Dalal	Nil	22,20,063	Nil	Agreement dated 29.10.2007 valid upto 31.10.2012 ; Three(3) months notice period and no severance fees
Viren Raheja	Nil	13,45,494	Nil	Nil
B Ramaswamy	88,47,126	67,27,468	Nil	Agreement dated 19.04.2010 valid upto 31.03.2015; Twelve(12) months notice period and severance fees equivalent to the salary and perquisites for the unexpired period of the Agreement
P Srikar Reddy	66,53,660	33,63,734	Nil	Agreement dated 16.10.2009 valid upto 19.10.2014; Twelve(12) months notice period and severance fees equivalent to the salary and perquisites for the unexpired period of the Agreement
S N Talwar	Nil	13,45,494	Nil	Nil
B K Syngal	Nil	13,45,494	Nil	Nil

The Criteria for making payments to non-executive directors viz., Mr.S B Ghia, Mr.Viren Raheja, Mr.Pradip P Shah, Mr.S N Talwar and Mr.B K Syngal is the special resolution passed by the shareholders at their meeting held on 10th June, 2008, which authorizes the Board 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.

V. INVESTORS' GRIEVANCE COMMITTEE:

Terms of Reference

The Investors' Grievance Committee facilitates prompt and effective redressal of shareholders' complaints and the reporting of the same to the Board periodically.

Composition

S B Ghia	- Chairman (Non-Executive Director)
M D Dalal	- Member
B Ramaswamy	- Member

Secretary

Praveen Kumar D - Company Secretary

Meetings and attendance during the year

Members	Meetings held	Meetings attended
S B Ghia	4	4
M D Dalal	4	4
B Ramaswamy	4	4

Name & Designation of Compliance Officer

Praveen Kumar D, Company Secretary.

Details of complaints received and resolved during the financial year ended 31st March, 2010 has been provided in the "Shareholders' Information" section of the Annual Report.

VI. SHAREHOLDERS' MEETINGS

Details of last three AGMs held :

Year	Date	Venue	Time
2006-07	20.06.07	M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg Mumbai - 400 001	4.00 p.m.
2007-08	10.06.08	M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg Mumbai - 400 001	4.00 p.m.
2008-09	05.06.09	M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg Mumbai - 400 001	4.00 p.m.

Special resolutions passed in the previous three AGMs

Year 2006-07 - Nil

Year 2007-08 - Yes, one special resolution for payment of commission to non-wholetime Directors pursuant to Section 309 of the Companies Act was passed.

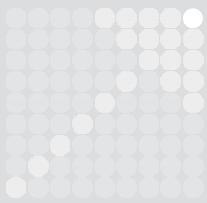
Year 2009-10 - Nil

Whether any special resolution passed last year through postal ballot - details of voting pattern, person who conducted the postal ballot exercise

No

Whether any special resolution proposed to be conducted through postal ballot and if so procedure for postal ballot.

No



VII. OTHER DISCLOSURES

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

Details are provided in Note 14 under Schedule 15 to the Notes forming part of the Accounts in accordance with the provisions of Accounting Standard 18.

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

None

Whistle Blower Policy

Since the Company does not have a Whistle Blower Policy (constitution of which is a non-mandatory requirement), the details pertaining to the same is not provided. However, the Company affirms that no employee has been denied access to the Audit Committee during the financial year 2009-10.

Mandatory/Non-mandatory Requirements

During the financial year 2009-10, the Company

- (a) has duly complied with all mandatory requirements of Clause 49 of the Listing Agreement.
- (b) has not adopted any of the non-mandatory requirements of Clause 49 of the Listing Agreement except requirements pertaining to constitution of Remuneration Committee.

VIII. MEANS OF COMMUNICATION

Quarterly results / Other information

- The 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 all other information disseminated to analysts/institutional investors are posted on Company's website (<http://www.sonata-software.com>) under Investor Relations Section.

IX. GENERAL SHAREHOLDER INFORMATION

It is provided in the section styled as **"Shareholder Information"** published elsewhere in this Annual Report.

- X. As per Clause 49 of the Listing Agreement with Stock Exchanges, Company is required to obtain a Certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance. The Auditors' Certificate in respect of compliance thereof is enclosed in this Annual Report.