



SONATA SOFTWARE LIMITED

ANNUAL REPORT - 1999-2000

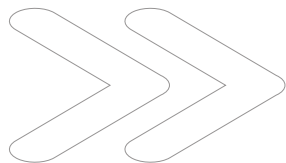


OUR MISSION

Provide Information Technology solutions globally,
enhancing competitive advantage of customers,
founded on
contemporary technologies and practices,
innovation,
empowered people and
enduring relationships.



eSonata - in tune with your eBusiness needs



ON THE RUNWAY.

The writings are complete. And the effect has been in line with our strategies. Bringing in significant changes.

And business dons a new face. A face that is global, competitive and connected. Its scope transcending all boundaries.

The Web world has taken every imaginable facet of civilization into its grasp. And more and more companies the world over are resorting to business on this mammoth stage.

This is eCommerce. Where the strength and reliability of the traditional information technology, is integrated with the simplicity and connectivity afforded by the Internet. Where results are not just a matter of consequence, but of careful planning and fool-proof application.

And the dawn that will see every business, across the world, on the same playing field, has already broken.

Bringing in its wake, eSonata.

And this is not by chance or a desire to be part of the opportunity band-wagon, but by a carefully planned design crafted out of our long standing experience in handling Web related business across the world.

When others were contemplating as to how to

grab the opportunity, Sonata with its proven experience, technology capability, project track record and satisfied Web clients, smoothly set sail during the mid 1999 into the realm of eCommerce. A journey that would not only change our way of doing business but also the customers'. From the traditional to the contemporary.

Because what stays constant with every change is the indomitable desire to win. To stay empowered. And to lead.

Today, our expertise needs no evidence more than our list of clients, who have partnered and excelled in conducting business on the web.

And with them still rooting for us, Sonata is all set to move more winds in the year 2000. And after.

Sonata's eCommerce practice has therefore always aimed at integrating internet technologies, to build seamless information bridges. For effective and commercially viable eBusiness solutions. Inspiring commendable returns.

Solutions that keep our customers ahead. And our stakeholders prosperous.



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SONATA SOFTWARE LIMITED

BOARD OF DIRECTORS

S B Ghia

Chairman

M D Dalal

Executive Vice Chairman

Rajan B Raheja

Director

Pradip P Shah

Director

B Ramaswamy

Managing Director & President

P Srikar Reddy

Sr. Vice President & Director

CORPORATE EXECUTIVE COMMITTEE

B Ramaswamy

P Srikar Reddy

Thomas K Joseph

Atish Ratan Dasgupta

Umesh Singh Sikka

A K Hemchandra

N Ebenezer Devasahayam

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

S B Ghia

Pradip P Shah

Rajan B Raheja

REMUNERATION COMMITTEE

S B Ghia

Pradip P Shah

Rajan B Raheja

INVESTORS GRIEVANCE COMMITTEE

S B Ghia

B Ramaswamy

M D Dalal

SOLICITORS

M/s. Crawford Bayley & Co.

AUDITORS

M/s. N M Raiji & Co.

COMPANY SECRETARY

N Ebenezer Devasahayam

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E-mail: ramani.sonata@asanet.com

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California 94577, USA

Tel: +1-510-6146220. Fax: +1-510-4835978

E-mail: mjohn@odsi.com

PERFORMANCE HIGHLIGHTS

Rs. in millions

PARTICULARS	Quarter ended 31.03.2000	Quarter ended 31.03.1999	Year ended 31.03.2000	Year ended 31.03.1999
TOTAL INCOME	529.36	426.88	1761.74	1258.25
EXPORTS	209.68	171.35	785.62	624.94
EBIDT ¹	89.21	79.55	288.99	195.06
PROFITS ³	73.87	22.43	233.96	97.55
FIXED ASSETS	125.17	107.41	125.17	107.41
TOTAL DEBT	-	112.21	-	112.21
NET WORTH - CLOSING EQUITY	636.25	445.19	636.25	445.19
	100.01	100.01	100.01	100.01

RATIOS

PARTICULARS	Quarter ended 31.03.2000	Quarter ended 31.03.1999	Year ended 31.03.2000	Year ended 31.03.1999
EXPORTS INCOME/TOTAL INCOME	39.61%	40.14%	44.59%	49.67%
DOMESTIC INCOME/TOTAL INCOME	58.41%	59.43%	54.37%	49.77%
OTHER INCOME/TOTAL INCOME	1.98%	0.43%	1.04%	0.56%
OPERATING EXPENSES ² / TOTAL INCOME	35.08%	35.63%	39.46%	45.69%
EBIDT/TOTAL INCOME	16.85%	18.64%	16.40%	15.50%
PAT/TOTAL INCOME	13.95%	5.25%	13.28%	7.75%
DEBT: EQUITY ⁴	-	0.25	-	0.25
DEBTORS NO. OF DAYS	63	79	75	107
RETURN ON AVG NETWORTH ⁵	54.65%	30.08%	43.27%	32.71%
RETURN ON AVG CAPITAL EMPLOYED ⁶	49.60%	26.68%	39.69%	29.56%
EVA (Rs. IN MILLIONS) ⁷	225.50	57.58	165.75	58.10
EPS (Rs.) ⁸	29.55	8.97	23.40	9.75
BOOK VALUE PER SHARE (Rs.) ⁹	54.07	29.82	54.07	29.82

EXPLANATORY NOTES :

¹ EBIDT is before Deferred Revenue Expenditure

² Operating expenses excludes Deferred Revenue Expenditure.

³ Includes in 1998-99 additional charge of Depreciation of Rs. 20.69 millions on account of change in the rate of depreciation for Computers from 16.21 % to 33.33 % with retrospective effect.

⁴ Debt divided by Closing Shareholders funds.

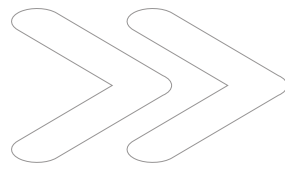
⁵ Profits divided by Average Network.

⁶ Profit after tax + Interest on term loan divided by Average Capital employed
(Capital employed = Capital + Reserves + Borrowed funds - Miscellaneous Expenditure)

⁷ Cost of equity for the purpose of EVA is taken on the basis of a risk-free rate of 12 %, market risk-premium of 8% and beta of 1.25.

⁸ Profits divided by No. of equity shares (annualised basis).

⁹ Average Network divided by No. of equity shares.



AN ERA OF COMMITMENT

Professionals who have given more than ten years of their life for making Sonata what it is today.
It is their perseverance and sincerity that has taken Sonata to new heights.



P Srikar Reddy
Sr. Vice President & Director



Dilip Bharatee
Assistant Vice President



P V S N Raju
Assistant Vice President



K S Mayumath
Assistant Vice President



V Radhamani
Senior Secretary



J Avinash
Consultant



N S Nagesh
Administrative Supervisor



H M Srinivasa Rao
Assistant Manager Accounts



T R Purushothama Raju
Senior Stores Executive



M K Ravi
Stores Supervisor



Vivek Desai
Sr. Business Development Manager



V C Shekar
Technical - Lead



Arun Kundalia
Customer Support Manager



M K Bhaskaran
HRD - Supervisor



Uma Raman
Sr. Exec. Secretary



M Bhaskaran
Systems Analyst



R N Balasubramanya
Technical - Lead



B Girish
Business Manager



Manoj Verghese John
Group Manager



H Balaji
Senior Hardware Executive



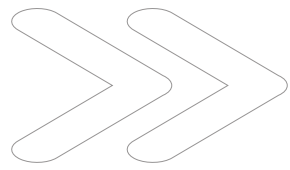
R Subramanian
Commercial Executive



Raul Laxman Tukaram
Office Assistant



B Ramaswamy
Managing Director & President



FAMILIAR WINDS.

The change in the global business paradigm has not come easy. And neither did it happen in a day. The tradition of Brick and Mortar has been pulverised to give form to a new era. A new order. The order of eCommerce.

Be it Web enablement, Business to Consumer or Business to Business, the need was the same. The need for enhancement of the competitive advantage. With the net enabling companies the world over to

- access customers faster

- reduce cost of doing business

- acquire and retain customers more effectively

- make online information available anytime

And the result - eCommerce is the indisputable future of business.

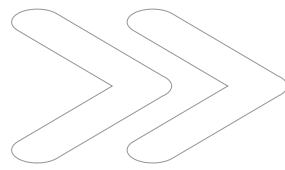
According to Nasscom's McKinsey study, it is estimated that global spending on eCommerce is likely to

touch \$1 Trillion in 2004 and will impact developed as well as emerging markets both Business-to-Business & Business-to -Consumer. And Indian players can benefit immensely by providing technology services for eCommerce, both International as well as Domestic. The estimated revenue that eCommerce service providers from India can attain by Year 2008 is around \$5 Billion through exports and another \$5 Billion in Domestic.

This is an opportunity that could establish the Indian software fraternity as the offshore leader in Software and IT services indisputably before the end of this new decade.

The business paradigm is about to be re-written. Levelling the arena between technology & knowledge based organisations and global power houses. Most effectively.

The change in the global business paradigm has not come easy. And neither did it happen in a day. The tradition of Brick and Mortar has been pulverised to give form to a new era.



SMOOTH TAKE OFF.

Doing business on the Web offers companies the world over unlimited opportunities for growth.

To leverage this, you need the right strategy, the right focus, the right infrastructure, the right technologies.

And the expertise to translate all that into services specially designed to meet every business need.

That is eSonata.

The suite of eCommerce offerings from Sonata provide end-to-end consulting and development services, for deploying eCommerce solutions.

It assimilates Internet technologies from various alliance partners and integrates the resources and knowledge through a cohesion of Sonata's IT Consulting and Business Solutions Groups. The focus has been to provide our clients technology road maps and e-enable lines of their businesses, help in architecting eCommerce Technology framework, Application Development to build eBusiness and Re-engineering of existing Applications for building efficiency & effectiveness.

eSonata offers a suite of Development Services to cater to various needs of eBusiness. This ranges from Application Development for developing component-based Internet applications from concept to deployment using an evolved iterative

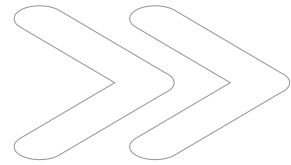
process. This would include UI/Content design, Business Logic, Database Design and interfaces with other applications to Web Enablement for extending an existing client/server or legacy application to the Web, providing web-based functionality for querying, transaction enablement or integration with other systems, using an evolved iterative process.

There are very specialised services like Business Intelligence on the Web like Building data marts for intelligent analysis of eConsumer behaviour. Services involve developing, deploying extraction routines, OLAP application and rollout of the data mart or Re-engineering to provide architectural re-engineering/technical upgradation to enhance business process efficiency and upgrade scalability, performance, maintainability & security. Clients can also benefit greatly from our comprehensive and well planned Technology Deployment services, effective use of eCommerce tools, store front customization, security planning and clustering.

All this is wrapped up in a single package - eSonata. A service model that translates into the clients' need to eventually make their business more contemporary and competitive.

We believe in winning together. With our clients and all our stakeholders.

The focus has been to provide our clients technology road maps and e-enable lines of their businesses.



THE CREW.

Is having an eCommerce outlook enough for establishing oneself as a powerful and effective eCommerce service specialist? Certainly not. You need to carefully plan your most important resource. Your people.

Our employee-focused strategy is a compelling differentiator. Sonata's objective to develop and extend the deliverability leadership of our personnel, dominates all aspects of our operations. Right from the organizational structure to employee training, incentives and compensation to the methodology and tools that we use to operate our infrastructure and manage our clients. Sonata has a comprehensive employee recruitment and retention strategy for building an effective eCommerce team.

Our eCompetence therefore is our people.

Our Education and Training division has been on a relentless mission to train, re-train and bestow the contemporary and cutting-edge

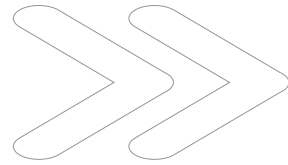
technologies to our people. Training is also imparted in functional aspects of doing business on the Web. This endeavor makes them effective, knowledgeable, capable and above all fully prepared to lead our journey to the eCommerce service frontier.

The eSonata team has proven track record and experience in providing eCommerce solutions, having developed applications for both business-to-consumer and business-to-business companies

What our clients get therefore, is a team of consultants and engineers who will evaluate their business and method of functioning. And web-enable them. So their business is the most evolved of the day.

So that, as we move up the value chain with our clients, our shareholders feel confident that they can soar higher with us on a profitable, well charted journey.

Sonata's objective to develop and extend the deliverability leadership of our personnel, dominates all aspects of our operations.



CHARTER.

You have to work to a goal.

A goal that would determine the course of your flight. Which way to take. Who to address. Where to keep our business focus. Because to stay ahead, you need a clear vision for destination.

Which is why, eSonata's constant focus has been on addressing needs of our clients across the world. We have tried to address various profiles of clients. Closely and distinctly.

We have strategised to build solutions that cater to the needs of Brick and Mortar companies by providing them the knowledge, expertise and skill to give eBusiness perspective to their operations.

We have focused to address the application development needs of Dot.com companies from a concept stage to architecture and up to deployment whether it is Business to Business or Business to Consumer.

We have built special capabilities to address those clients who would require niche services like CRM, Business Intelligence or Technology Deployment to stay more effective.

We have spanned our business development activities across the world. From our two

business offices in USA and one in UK we have planned to work in close proximity.

Understanding needs, understanding the market dynamics and supporting our services through an approach of teamwork.

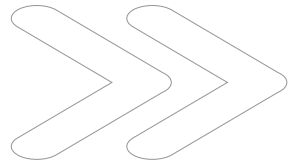
From our corporate headquarters we have planned and strategised to address the vast European market from Scandinavia to Germany and from France to Belgium and the Far East to address unique needs. Needs like creating an Advertising portal or an online sports goods store, or even a Web enabling enterprise application with a focus on localization.

We have built mutually beneficial Business Alliances with organizations across the globe that have technology expertise and market knowledge to add value to our quest for clients who need our services. Alliances that have developed into close-knit partnerships fostering team work and service excellence.

Our business focus is not just based on the opportunity the world sees. But a clearly stated plan of action to translate our Technology capabilities and Web solutions experience into a profitable line of venture.

For maximising returns and increasing profits.

Understanding needs, understanding the market dynamics and supporting our services through an approach of teamwork.



TANKED UP.

In a field like eCommerce where technology is constantly changing and evolving one can defuse resources in pursuit of business. eSonata is designed to focus on building high quality cost effective services around emerging technologies.

Ensuring that the web is leveraged to the maximum.

eSonata features an established Iterative Development Process model that enables speed-to-market through high learnability, quick ramp up of resources and proven technical expertise. Sonata's eCommerce skills span a large breadth in various leading-edge technologies like DCOM, ATL/COM, ADO HTML, HTP/HTF, Javascript, CORBA, Oracle 8i, HTML, VisualAge Java and Net-Commerce.

Sonata is researching aspects of distributed paradigms like EJB and COM+; middleware like WebLogic, NetDynamics, Iona, VisiBroker and WebSphere; shopping servers like InterShop and Commerce Server; languages like Perl, XML and

PHP; handhelds like Palm, EPOC and WinCE.

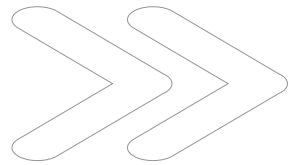
In addition, we are continuously scanning the marketplace to incorporate best-of-breed technological tools for the customer, like Business Intelligence tools, e.g., BroadVision's one-to-one marketing tools, On Display's content broker engine for cataloguing entire websites.

Sonata's Internet Technologies Laboratory, a subset of our Core Research Group, is primarily responsible for internalising emerging internet technologies and tools and delivering software solutions to clients

Sonata is therefore ideally positioned to help customers integrate business processes to access the potential of the online revolution. Making sure that every venture is a Success. The clients', Sonata's and all its shareholders' and stakeholders'.

Right from the very start.

Sonata is ideally positioned to help customers integrate business processes to access the potential of the online revolution. Making sure that every venture is a Success.



THE ROUTE.

Planning is of utmost importance.

What is essential is that every process follows a definitive course. You need to be adaptive and flexible to suit the needs of your clients. Our range of top 20 eCommerce clients stand testimony to our innovative approach and client-centric solution models. Be it a combination of onsite-offshore delivery, right mix of tools and processes or innovation in design or development.

With constant testing and retesting.

Sonata specialises in an iterative methodology.

A phased approach that meets the client's need for speed-to-market, high visibility and transparency in terms of application development. Leaving no scope for any risk.

All processes are carried out under high quality standards and specifications. And since the projects are tested in a live environment, the solution that is formulated, is flawless.

We have been innovating and evangelizing new technologies that would be the cult of eBusiness in the future.

Our technology goal has been to remain open and flexible to support the changing objectives of the business.

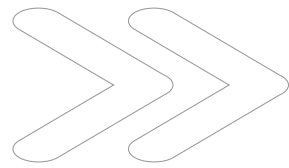
In the midst of so many past, present, and future technologies, component technologies provide an approach for improving interoperability between applications, by building 'black boxes' that can talk to each other.

The advantages of the components is that, they provide a structure to deal with complexity. And minimize the impact of change. The solution is scalable, has distribution flexibility, and promises re-usability, application interoperability, integration readiness and adaptability.

Sonata's groups are focused on designing the technology and business architectures, and designing and developing the components for enterprise applications and dotcoms.

Because every solution means business success. Business success for Sonata, its clients and all its stakeholders.

Sonata specialises in an iterative methodology. A phased approach that meets the client's need for speed-to-market, high visibility and transparency.



HITTING THE SKY.

Installing web technologies on the net is a process without any respite.

And when the fight is against the tide of tight time-to-market windows, the quickest compromise (one that is made rather often) is on quality. Despite the fact that the main aim- developing eCommerce applications that succeed in the face of all odds- remains.

Sonata focuses on providing the world the twin advantages of value-for-money and high-end high-quality services, repeatedly and consistently. In internet time.

Understandably then, Sonata invests a lot of time in perfecting software quality processes, as and when updation takes place.

So that every assignment is processed quickly, effectively, efficiently and completely. Even in the face of tight deadline projects, quality stands supreme.

Project Management encompasses almost everything related to the business and the

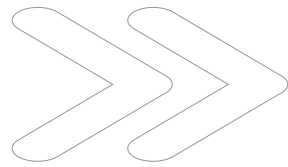
project. These are times of rapidly changing technologies and client expectations. An established project management process is key to delivering eBusiness projects within the ever shortening time-to-market windows of opportunity. At Sonata, we follow a process-driven and knowledge-based process. Complete with the support of best-of-breed tools.

Our Iterative Process Methodology comprising time-boxes is a very effective mechanism for mitigating risks, handling scope creep, managing dynamic scope changes and continually incorporating market feedback.

We have been meeting process challenges head-on. With highly competent teams and leaders. And proven processes. In real time.

That our profits have maintained their upward go, should therefore not be a matter of any surprise.

Sonata focuses on providing the world the twin advantages of value-for-money and high-end high-quality services.



FLYING HIGH.

History proves its importance time and again. And really, that's what finally matters.

Because if you don't have a convincing track record, the road could get a little hazy.

We have no such concerns.

Sonata has been in the solutions business for years now. And even before eCommerce became a fashionable term, Sonata had proved its strengths in this realm of technology.

With an established track record across industries such as IT, Telecom, Medicine, Healthcare and EDI as well as dotcom businesses, Sonata is a company that has maintained its exclusivity.

eSonata has been providing successful eCommerce solutions for two years now. For clients across the world and across businesses.

Consider the solution provided by Sonata for one of its clients, an online sports goods store, one of the largest of its kind in the United States.

The client needed to address B2C interaction by developing a Team Sales Wizard for the site, which would allow the various options to be presented to the user in the form of a customization wizard. Users would then be able to customize their choice of uniform to the layouts, colors and

material they require and place the order through the Team Sales Wizard. All the customization wizards had to be newly developed in the Weblogic environment using JSP/JHTML, EJB and Oracle database.

The B2C functionalities delivered by the Sonata team include a sequence of JSP/HTML screens that enable online purchase. It displays cost computation and discount options to customers based on quantity ordered and promotional discount codes. It also permits the editing, managing and saving of orders and enables credit card payment for orders made, thus handling security of confidential credit card information.

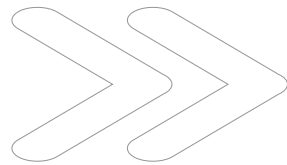
With each implementation, Sonata gains critical learnings.

In designing and implementing B2C functionalities for its online sports store client, Sonata learnt to transform core business processes, build flexible, expandable e-business applications, run a scalable, available and safe environment.

This knowledge and information gained, part of Sonata's vast information store house, is used as a launch pad for implementing solutions for new clients. Every Knowledge paves the way for reducing or eliminating future risks.

For, like we've said earlier, we believe in adding power to our capabilities for addressing our client's needs.

Even before eCommerce became a fashionable term, Sonata had proved its strengths in this realm of technology.



TOUCHDOWN.

We are here to stay. With you.
Complete with our incurable habit of winning.

This requires that we associate with none less than the best in the business. Our alliance partners are as illustrious as our clientele.

Sonata has been driving the partnerships that have immensely contributed to our success in providing solutions for conducting business on the Web.

Sonata is

Scala Business Partner

Oracle Alliance Partner

Microsoft ISV Premier Partner

IBM Solution Development Partner

The obvious translation is our mode of functioning. Where our iterative methodology and constant upgradations leave nothing to chance.

Our game leaders are a set of our obsessive compulsive winners - the Core Research Group. Who have made it their business to keep themselves abreast with emerging technology. And devising modules that will work across businesses.

Our research has built our capabilities in all the contemporary and as well as emerging areas like Web Interfacing Enterprise Applications in a Business to Business Environment, providing niche services to ASPs, Web services in Mobile Hand Held Devices, WAP and many more.

Making absolutely certain that when a firm has our modules working for them, they expect and get, only success. Everytime.

So that we give our clients only the most contemporary solutions. And our stockholders, the security of their investment.

Further to this, let the numbers speak for themselves.

Our research has built our capabilities in all the contemporary and as well as emerging areas.

DIRECTORS' REPORT

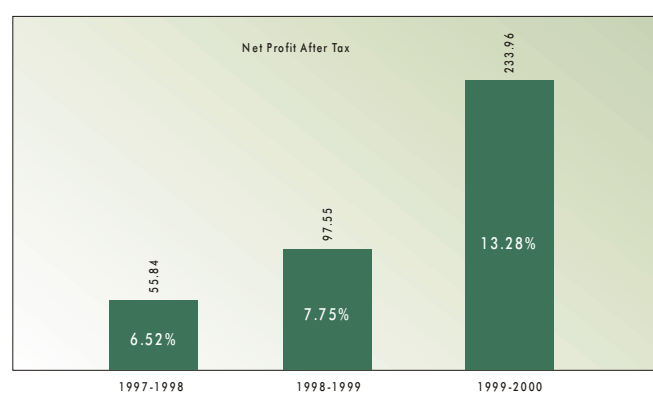
TO THE MEMBERS OF SONATA SOFTWARE LIMITED

Your Directors have pleasure in presenting the Fifth Annual Report of your Company along with the audited Statement of Accounts for the year ended 31st March, 2000.

FINANCIAL HIGHLIGHTS

(Rs. in millions)

	Year ended 31.03.2000	Year ended 31.03.1999
1. Total Income	1761.74	1258.25
2. Total Expenditure	1472.75	1063.19
3. Profit before Interest and Depreciation	288.99	195.06
4. Interest	4.10	28.63
5. Depreciation	32.76	41.53
6. Profit after Interest and Depreciation	252.13	124.90
7. Deferred Revenue Expenditure written off	–	21.33
8. Profit Before Tax	252.13	103.57
9. Provision for Taxation	18.17	6.02
10. Profit After Taxation	233.96	97.55
11. Appropriations :		
Proposed Dividend	25.00	19.05
Interim Dividend	15.00	–
Transfer to General Reserve	140.00	105.50
Balance Carried forward	99.61	50.05



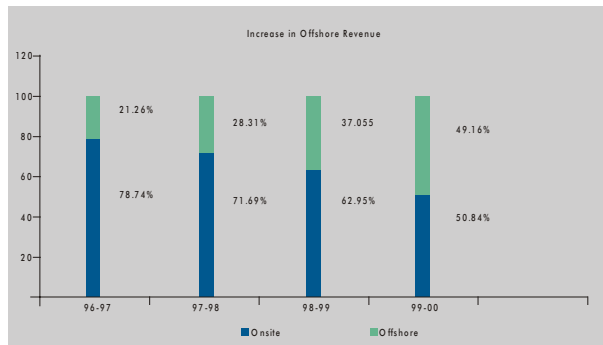
DIVIDEND

Your Directors recommend payment of tax-free final dividend of Rs.2.50 per equity share of Rs.10.00 each for the year ended 31st March, 2000 subject to the approval at the Annual General Meeting. This along with the interim dividend of Rs.1.50 per equity share raises the total dividend for the year to Rs.4.00 per equity share as against Rs.3.00 for the previous year.

DIRECTORS' REPORT (Contd.)

BUSINESS REVIEW

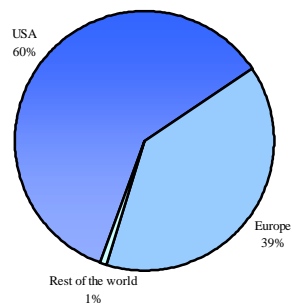
The income of your company grew by 40.01% from Rs.1258.25 millions to Rs.1761.74 millions, while the PAT grew faster at 139.84% from Rs.97.55 millions to Rs.233.96 millions.



EXPORTS

The export income for the year under review at Rs.785.62 millions is 25.71% higher than the income of Rs.624.94 millions during the previous financial year. The offshore to onsite mix during 1999-00 was 49.16% to 50.84% as compared to 37.05% to 62.95% in 1998-99. There is a significant shift towards offshore business during the year under review.

Geographical Spread of Export Sales 1999-2000



INDIAN OPERATIONS

Product Business has picked up very significantly during the year with a growth of 57.68% over the previous year from Rs.561.68 millions to Rs.885.69 millions. This is due to growth in the overall market as well as increased market share. Its share in the total income of the company has increased to 50.27% as compared to 44.64% in the previous year.

The general slowdown in the ERP market worldwide also affected new customer installations in India. The Business Solutions Group, which offers the Scala ERP Package, showed a marginal increase in its revenues as compared to the previous year. However, a significant

part of the revenue was from implementation and customisation services rather than product sales. This has resulted in improvement in the profit margins.

IT Consulting continues to make headway in the Indian market where it focuses in offering mission critical consulting services to large corporations in India. The first steps in offering its services internationally have also been successful.

HUMAN RESOURCES

Your company moved from 795 at the end of the previous year to 827 at the end of the year under review. The additions are entirely in the exports business.

MISSION, VISION & VALUES

During the year there was a comprehensive exercise carried out to define the Mission, Vision and Values of the Company. Growth in manpower called for documentation, dissemination and internalization of the Mission, Vision and Values of the Company, in order to channelise the collective talent and energy in a unified way. This was achieved through intensive discussions amongst various groups and was finally adopted as an official document of the Company.

INFRASTRUCTURE

The new facility that had been acquired last year is already well in use. While 4 floors have been completely renovated and furnished with state-of-the-art computing facilities, the remaining floor will be completed shortly.

Your company has a total of 85000 Sq.ft. fully registered with the STP and so the software developed and exported from these two facilities will continue to be eligible to avail tax benefits under Section 10A of the Income Tax Act. During the year under review, the total capital expenditure on infrastructure was in the order of Rs.45.46 millions.

QUALITY

Quality Audits under ISO 9001 was successfully conducted during the year. Your Company continues to prepare for certification under Software Engineering Institute's – Capability Maturity Model.

DIRECTORS' REPORT (Contd.)

FINANCE

During the year, your company achieved a debt free status by the first quarter of the financial year and maintained this situation throughout the year. As you are aware, in the Extraordinary General Meeting to be held on 20th April 2000, your approval is sought for financing acquisitions internationally. Your company is in discussion with leading Merchant Bankers as to the pricing and size of the issue which will be privately placed.

SUBSIDIARY COMPANY

The audited Statements of Accounts of the Subsidiary Company M/s Abisko Development Limited, Cyprus, for the year ended 31st March, 2000 along with the Report of the Board of Directors and Auditors thereon are attached as per the provisions of Section 212 of the Companies Act, 1956.

RECOGNITION

Your Company has been awarded the status of an **“International Service Export House”** valid up to March 2002 by the Director General of Foreign Trade (DGFT), New Delhi in recognition of Company's export performance in software services. Thus, your Company will be entitled to all the benefits specified in the Exim Policy 1997-2002 for such status.

CORPORATE GOVERNANCE

Sonata is firmly committed to practicing highest standards of Corporate Governance, which, by and large, has been increasingly finding acceptance for its relevance and underlying importance in the industry and capital markets. Corporate Governance is a customised, tailor-made process providing greater disclosure, enhanced corporate transparency and better shareholder value. Hence, the fundamental objective of Corporate Governance is enhancement of long-term shareholder value while at the same time protecting the interests of other stakeholders. Best results would be achieved when the code of Corporate Governance becomes a way of life and not a mere prescription.

Even though the recommendations made by SEBI's Committee on Corporate Governance are applicable to Sonata Software only from Financial Year 2001-02, the Board of Directors of your Company have already constituted three Board Committees viz., Audit Committee, Remuneration Committee and Investors Grievance Committee as part of your Company's commitment to Corporate Governance.

Following are some of the good practices of Corporate Governance followed in your Company:

1. The Board of Sonata comprises of six Directors; three of whom are whole-time Directors and three are non whole-time directors. In other words, more than one-third of directors are non whole-time directors.
2. The number of Board Meetings held during Financial Year 1999-00 was eight.
3. A separate Management Review on the results of operations has also been annexed to this Report.
4. Quarterly Audited Reports have also been sent to every shareholder and the synopsis of financial results were published in the “Economic Times” (all India edition) and “Navkaal” (Mumbai edition).
5. To facilitate shareholders to have comprehensive information about Company's share-related activities, a section entitled “shareholders information” has been provided in this Report.
6. (a) **Audit Committee** has been set up to oversee Company's financial reporting policies and disclosure standards, to recommend appointment and removal of Statutory Auditors, fixation of audit fee and also approve payment for other services, to review the adequacy of internal control systems with the Management, Statutory and Internal auditors and to review your Company's financial and risk management policies.
(b) **Remuneration Committee** has been set up to address Company's policy on remuneration packages for Directors, their Service Contracts, Stock Option details etc.
(c) **Investors Grievance Committee** has been set up to specifically look into the redressal of shareholders' complaints and periodic reporting to the Board on such issues.

While to the Regulators, Corporate Governance means strict compliance to the set norms, to the customer it would mean a fair deal accompanied by ethical business practices which are Sonata's focal points. To reciprocate, nurture and strengthen the investor confidence reposed by the shareholders on Sonata, much effort is taken to provide substantial and real meaning to the words **‘your company’**. To this end, adequate disclosure of information both financial as well as non-financial, improved management practices, more transparent and dynamic business environment are the fundamental principles which are being followed in your Company.

DIRECTORS' REPORT (Contd.)

CONTRIBUTION TO NATIONAL CAUSES

Pursuant to your Company's policy of contributing to National Causes, a sum of Rs.6,58,934 has been contributed by the employees and the Company to Army Central Welfare Fund for Kargil relief and Rs.5,41,480 to Orissa Cyclone Relief Fund.

DEMATERIALISATION OF SHARES

Your Company has entered into an agreement with National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (CDS) to facilitate holding and trading of your Company's shares in electronic form. In terms of Circular no. SMDRP/POLICY/CIR-9/2000 issued by Securities & Exchange Board of India (SEBI), your Company's shares have been put under compulsory demat trading with effect from 21st March 2000 for all investors. Consequently, the concept of market lot in respect of your Company's shares stands discontinued. In view of this and also to ensure better service and elimination of risk of holding shares in physical form, your Directors recommend dematting of physical shares.

SECRETARIAL COMPLIANCE REPORT

As a reflection of your Company's continuing commitment to transparency in management, the Board of Directors is pleased to enclose the Secretarial Compliance Report for the financial year 1999-00, as part of this Directors' Report.

ENERGY, TECHNOLOGY, FOREIGN EXCHANGE

A statement giving details of conservation of energy, technology, absorption, foreign exchange earnings and outgo in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed to this Report.

Y2K STATUS

Sonata's Y2K transition was smooth without any major problem and no significant costs were incurred for the same. Also, there have not been any references to Y2K issues from any customer.

PUBLIC DEPOSITS

The Company has not accepted any deposits from the public during the year under review.

PERSONNEL

Information as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended till date are given in the annexure forming part of this Report.

DIRECTORS

At the Board Meeting held on 20th October 1999, Mr. P Srikar Reddy was appointed as Additional Director, designated as Sr. Vice President & Director, holding office until the ensuing Annual General Meeting and is eligible for appointment as a director retireable by rotation.

At the Board Meeting held on 6th March 2000, Mr. B Ramaswamy, Managing Director & President, was re-appointed for a further period of five (5) years with effect from 1st April, 2000 subject to approval of shareholders at the ensuing Annual General Meeting.

Mr. S B Ghia and Mr. M D Dalal, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITORS

The Members are requested to appoint Auditors M/s N.M.Raiji & Co., Chartered Accountants, Mumbai, the retiring auditors, who have furnished certificates of their eligibility for re-appointment as required under the Companies Act, 1956.

ACKNOWLEDGEMENTS

The year that has just ended has witnessed remarkable progress made by your company in all areas and we are sure that the shareholders would like to join the Board of Directors in conveying their appreciation of the sustained support of customers in India and abroad, Company's bankers, financial institutions, business associates and the dedicated efforts of all Sonatians in turning out yet another outstanding year of performance of the Company.

For and on behalf of the Board

Place : Bangalore

Date : 12th April, 2000

S.B.GHIA

CHAIRMAN

ANNEXURE TO THE DIRECTORS' REPORT

Particulars pursuant to Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1998.

1. CONSERVATION OF ENERGY

To save electric power used for air-conditioning, running the Computer Systems and for lighting purposes, vapour absorption machine is used for air-conditioning and PL lamps are being widely used for lighting. To prevent damage to electrical distribution system, distribution surge protector has also been installed. Thus, your company has taken care to preserve and conserve energy, wherever possible.

2. RESEARCH AND DEVELOPMENT (R & D)

Your company has continued to support the activities of the Core Research group, staffed by a dedicated research and development team, with a mission to explore and absorb cutting-edge technologies, methodologies and tools leading to productivity and quality, with a constant endeavor of delivering high, value-added services and solutions to its customers.

a) Specific areas in which R&D was carried out by Sonata

● Technology focus

Focused groups were deployed within the Core Research group, to explore and build competencies and to create value-added services in the areas of E-commerce, Data warehousing, Componentization (DCOM/CORBA) and PDAs (Personal Digital Assistants - Palm pilot and Palm top etc). Your Company's unique strength of having strong alliances with Global IT players like Microsoft, Oracle and Lotus has helped in early access to technologies by participating in beta programs and business partner programs.

● Software Engineering

Process automation and improvement are critical for productivity and quality in software development. Your company has already taken initiative to adhere to CMM (Capability Maturity Model) standards. Tools required are being developed within R&D group and are in early stages of deployment.

● Productizing and Branding services

Creating value-added services which are then productized and branding the technology skills required to deliver services successfully to customers worldwide are the key endeavours of the Research and Development group.

Your company has successfully converted the research and development effort spent in Groupware technologies into a business group delivering projects to international customers last year. This has been productized as "CRM suite" comprising SFA,

Customer Service, Helpdesk and Call center Management.

Your company's research in the area of e-commerce has led to evolving a set of services Viz., Web-enablement, Business Intelligence and Technology deployment services branded as "e-Sonata". Branding project and research experiences will be a constant endeavor of your company in the coming years.

b) Benefits derived as a result of the above R&D

As the result, efforts spent in Research and Development and the competence acquired in e-commerce technologies, have helped your Company in executing large projects in the area of EJB, DCOM, J2EE, Java.

Your company's "e-Sonata" suite of services could demonstrate technical competency in executing medium to large e-commerce projects. Founded on iterative and rapid execution methodology, "e-Sonata" has led to several new additions to the portfolio of international customers in the area of B2B and B2C.

"CRM Suite" developed by Groupware Research team has helped your company to show-case the competency in Lotus Sphere held in Berlin during October '99, an international event organized by Lotus Corporation. Participation in this event has received very good response and evoked interest from the participants leading to new business opportunities.

c) Future Plan of action

Your Company will focus on e-Commerce, mCommerce and solution based on wireless (WAP), mobile computing (PDA) devices for the coming year with emphasis on Technology, Tools and Methodology.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year under review, 44.59% of the revenue came from exports and the Company exported developed software to USA, U.K., Cyprus, Finland, Denmark, Hongkong, Netherlands, Germany, Belgium, Sri Lanka, Bangladesh, etc.

Total Foreign Exchange Earnings and Outgo	(Rs. in millions)
Foreign Exchange earnings	785.62
Foreign Exchange outgo	355.07

For and on behalf of the Board

Place : Bangalore

Date : 12th April, 2000

S.B.GHIA
CHAIRMAN

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

Information as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended upto date and forming part of the Directors' Report for the year ended 31st March 2000.

Name	Age (Years)	Qualification	Designation & Nature of Duties	Remuneration (Rs.)	Experience (Years)	Date of Joining	Previous Employment
Arvind Lele *	51	M Tech	VP - Projects	208,376	27	16-Jun-97	VP - Projects, IIS Infotech, Delhi
Ashoka M	41	M Tech	AVP - Projects	802,203	17	3-Jul-91	Deputy Manager, HCL Limited.
Atish Ratan Dasgupta*	51	B Tech	VP- Intl. Marketing	974,161	28	12-Apr-99	Sr. VP- Apcosoft Infoware Pvt Ltd
Balakrishnan Alokkan	49	M.Sc (Phy)	Group Manager-QA	727,559	24	8-Jul-98	Prog. Manager (Quality) IBM Global Services
Balasubramanian Rajaraman	41	M Tech	Group Manager-International Projects	814,313	16	1-Jul-98	Project Leader Birmingham Midshires MSL
Bhat S S	54	M Tech	AVP - Quality	653,545	28	27-May-96	VP-Tech., Vishesh Technology
Dilip Kumar Bharatee	39	BE, PGDIE (NITIE)	AVP-Projects	708,269	14	3-Feb-86	Nil
Ebenezer Devasahayam N	43	B.Com, ACA, ACS	Associate Vice President - Fin & Company Secretary	928,576	17	24-Jul-95	Accounts Manager & Company Secretary, Parry Engineering & Exports Ltd
Ganesh Subramanian	36	B.Com, ACA	Group Manager-Consulting Services	751,088	13	29-Apr-98	Sr. Manager Audit & Systems, BPL Limited
Hemchandra A K	49	B Tech PGDMM	Associate Vice President-Corporate Business Devlpt.	710,039	26	2-Sep-96	Sr. VP, CMS Computers India Ltd
Laxmi Narayan Naik	36	BE, MBA	Sr. Business Development Manager	611,300	11	28-Jun-96	Branch Marketing Manager, ITC Limited
Manikandan R J	36	B.E.	AVP-International Projects	700,814	14	18-Oct-90	Scientist, DRDO.
Mayurnath K S	38	MBA	AVP-Indian Operations	665,965	14	11-Mar-89	Asst. Systems Analyst, TCS.
Narayan C V	36	B.E., M.Tech	AVP - International Projects	838,507	12	1-Jun-98	Sr. Systems Analyst, Institute of Banking Studies
Neelameghan T N	57	Dip. in Civil Engg	Group Manager-Facilities	715,010	34	1-Feb-97	Dy Manager(Admn & Civil Service) Indian Organic Chemicals Ltd
Padma C	38	M.Tech (IIT)	AVP- Consulting Services	661,003	15	17-Aug-98	Controller-Dexes Corporation
Raghunathan V P	34	BE PGDBM	Sr. Project Manager	626,155	10	2-Feb-97	Executive, Larsen & Tubro Ltd
Rajkanth Kamath V	38	B E, M S MCSE	Group Manager- QA	885,340	13	18-Mar-98	Sr. Software Support Consultant Copy Cat Ltd
Raju P V S N	35	B.Tech, PGDIE (NITIE)	AVP- Consulting Services	760,688	12	2-Jan-88	nil
Ramakrishnan N	48	BE, Dip. in Indl Engg	AVP - Education and Training	779,450	24	8-Jul-94	IT Manager - CMC Ltd
Ramakrishna V A *	48	B.Tech, PGDBM (IIM)	AVP - International Mktg	555,432	15	29-Mar-93	Regional Manager, Bench Mark Micro Systems
Ramaswamy B	46	MSc (Agri) PGDBM (IIM)	Managing Director & President	3,185,129	23	1-Oct-86	General Sales Manager Voltas Ltd
Saibal Mitra	39	BSc, PGDBM (IIM)	AVP-Corporate Marketing	613,450	15	6-Oct-98	Mindware-PCL Software
Shriram Y K	48	B Tech (IIT) PGDBM (IIM)	AVP - Human Resource Department	793,664	24	27-May-98	General Manager Coats Viyella India ltd
Sridhara N	43	B E	AVP - Projects	732,849	18	24-Feb-97	Asst. Gen. Mgr-HMT, Computer Systems Division
Srikar Reddy P	43	B E (Electrical) PGDBM (IIM)	Sr. VP & Director	1,581,625	18	2-Apr-86	Manager - Systems & Projects Betamatics Pvt Ltd.
Subramanya G	47	B E., Dip. in Business Mgmt	AVP-International Marketing	692,805	22	18-Oct-90	Project Manager Ventura Data Systems
Sugavaneswaran S	39	BE, MBA	Group Manager	781,379	13	18-Mar-96	Sr. Systems Executive, Wipro
Thomas K Joseph	50	B.Com, FCA C.PA (USA)	Sr. Vice President & Chief Financial Officer	1,683,204	25	9-Dec-96	Director ICIM International Inc. USA
Umesh Singh Sikka*	42	B Tech., PGDBM (XLRI)	Associate Vice President Development Services	742,665	19	8-Apr-99	Gen. Mgr-Information Technology Wipro-GE Medical Systems

1. Remuneration includes basic salary, allowances, incentives, commission, Company's contribution to PF, Superannuation Fund and taxable value of perquisites.

2. None of the employees are related to any Director of the Company. 3. * Employed for part of the year.

MANAGEMENT REVIEW

1. Revenues

With total revenue growing by 40.01% for the year ended March 2000 over the same period last year, the Company has once again had encouraging results.

a. Products Business:

Growth in overall market as well as increased market share has resulted in this business recording an increase in revenue for the year ended March 2000 over the same period last year by 57.68%. Working Capital and Manpower continue to be closely monitored.

b. Business Solutions:

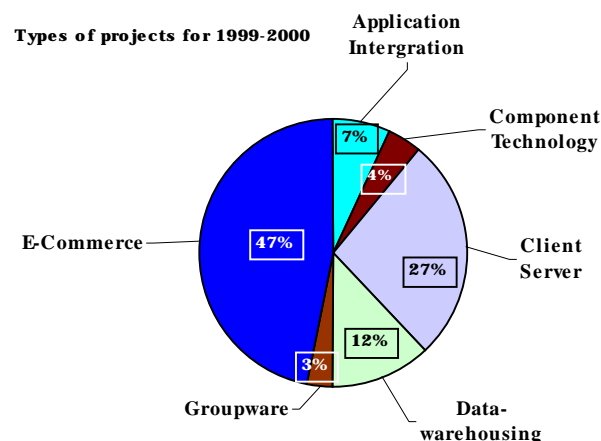
Though the overall market for ERP solutions has slowed down considerably, your Company's offering of Scala, together with the locally developed Indianisation features, has performed marginally better for the year ended March 2000 over the same period last year by 0.24%. A significant part of this income is in implementation and customization with better margins.

c. IT Consulting:

The IT Consulting Group continued their successful pursuit of mission critical projects for large corporates and have shown substantial growth of 71.68% for the year ended March 2000 over the same period last year.

d. Export:

The company's e-commerce thrust has borne remarkable success with 7 new customers being added in this quarter; of which 4 were e-commerce clients. The company's thrust towards development work at its Development Centre in Bangalore rather than work at customer's sites around the world is yielding success with Offshore business accounting for 49.16% of total exports for the year ended March 2000 as compared to 37.05% in the same



period last year. Overall revenue grew by 27.56% over the same period last year and includes 97% from existing customers, a conspicuous reflection of the Company's ability in achieving customer satisfaction and developing long-term relationships.

2. Operating Expenses

The key expenditure for companies in this industry is manpower cost. Thus, the increase for the year ended March 2000 over the same period last year of 31.01% in manpower costs reflects increased salaries as also increased numbers.

3. Operating Margin

The company's steady and significant increase in the Operating Margin at 16.40% for the year ended March 2000 compared to 15.50% in the same period last year maintains the trend. In absolute terms at Rs.93.93 millions, the Operating Margin recorded an increase of 48.15% over the previous year.

4. Profit After Tax

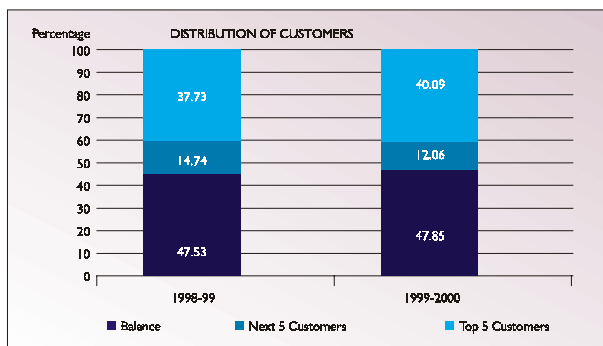
Profit after tax was far ahead of revenue growth at 139.84% for the year ended March 2000 over the same period last year which is mainly due to the shift from high cost on-site operations to off-shore development work and better realizations.

5. Interest and Borrowings

While the Company continues to be debt free, it does resort to bill discounting of domestic bills to improve cash flow. The interest shown reflects these transactions.

6. Capital Employed

While the capital employed in the business has increased, the change is marginal as compared to the increase in revenue and

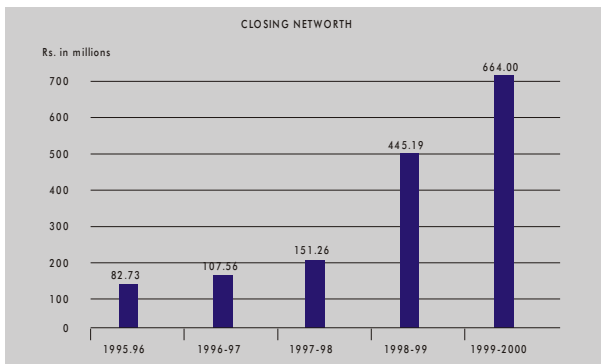


MANAGEMENT REVIEW (Contd.)

profits. The Return on Average Capital Employed (ROCE) increased from 31.13% for the previous year to 42.74% this year while the ROCE after tax increased from 29.56% for the previous year to 39.69% this year.

7. Net Worth

The Return on Average Net Worth has increased from 32.71% in the previous year to 43.27% this year.



8. Cash Flow

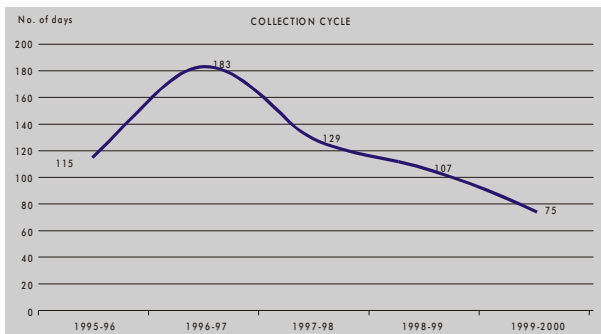
The Cash Flow generated by the operations of the company was significantly better at Rs.222.15 millions as compared to Rs. -67.04 millions in the previous year. The Company follows a very conservative policy in investing its surplus funds.

9. Fixed Assets

The Company added to its fixed assets, mainly computers, by Rs.46.40 millions. The resultant increase in depreciation is also partly on account of the accelerated rate adopted last year.

10. Receivables

The close control on receivables is reflected in the measure "number of days sales" which is lower at 75 days than 107 days in the previous year.



11. Inventories

The marginal increase in inventories is insignificant in comparison with the remarkable growth of sales.

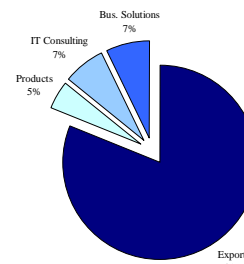
12. Infrastructure

The equipping of 4 floors in the 5 floor new facility taken for Software Development last year has been completed; the 5th floor will be completed shortly. The company would then have 85000 sq feet of space devoted to Software Development.

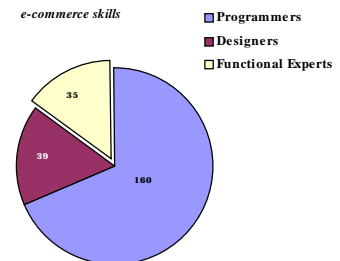
13. Manpower

The total employee strength increased to 827 as of 31st March, 2000 as against 795 as on 31st March, 1999.

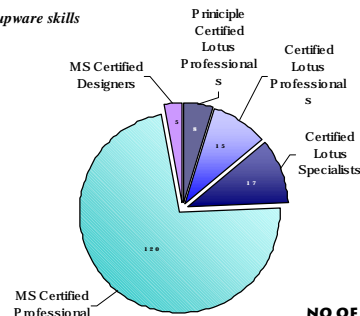
Manpower employed in each Business Unit



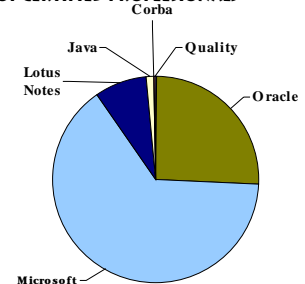
e-commerce skills



Groupware skills



NO OF CERTIFIED PROFESSIONALS



MANAGEMENT REVIEW (Contd.)

PERFORMANCE SUMMARY

1.0 Revenue

1.1 Quarter ended 31st March, 2000

- a. Total revenue increased by 24.01% over the same period last year.
- b. Export revenue as a percentage of total revenue was 39.61% at Rs.209.68 millions.
- c. Revenue from Product Business Unit was Rs.286.40 millions.
- d. Revenue from IT Consulting Business Unit was Rs.6.07 millions.
- e. Revenue from Business Solutions Unit was Rs.19.51 millions.

1.2 Year ended 31st March, 2000

- a. Export revenue as a percentage of total revenue was 44.59% at Rs.785.62 millions.
- b. Revenue from Product Business Unit was Rs.885.69 millions.
- c. Revenue from IT Consulting Business Unit was Rs.17.34 millions.
- d. Revenue from Business Solutions Unit was Rs.62.13 millions.

2.0 Operating Margin (EBIDT)

- 2.1 EBIDT for the quarter ended 31st March, 2000 increased by 12.14% over the same quarter last year.
- 2.2 EBIDT for the year ended 31st March, 2000 grew by 48.15% over the same period last year.

3.0 Profit After Tax (PAT)

3.1 Quarter ended 31st March, 2000

- a. PAT increased by 229.34% over the same quarter last year.
- b. Profit Margin increased to 13.95% as compared to 5.25% over the quarter last year.

3.2 Year ended 31st March, 2000

- a. PAT increased by 139.84% over the same period last year.
- b. Profit Margin increased to 13.28% as compared to 7.75% for the same period last year.
- c. Return on Average Networth has increased from 32.71% last year to 43.27% this year.
- d. Return on Average Capital Employed has increased from 31.13% last year to 42.74% this year while ROCE after tax moved up from 29.56% to 39.69%.
- e. Cash generated by operations increased by 431.38% as compared to the same period last year.

SECRETARIAL COMPLIANCE REPORT FOR THE YEAR ENDED 31ST MARCH 2000

The Board of Directors
Sonata Software Limited
Bangalore

I have examined the registers, records, books and papers of SONATA SOFTWARE LIMITED (the Company) as required to be maintained under the Companies Act, 1956 (the Act), the Rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company (the requirements) for the year ended 31st March, 2000. Based on my examination as well as information and explanations furnished by the Company to me and the records made available to me, I report that :

1. The Company is a Listed Public Company.
2. All the requisite registers and other records required under the Act and the Rules made thereunder have been maintained in accordance with the requirements.
3. All the requisite forms, returns and documents required under the Act and the Rules made thereunder have been filed with the Registrar and other authorities as per the requirements.
4. All the requirements relating to the meetings of directors, shareholders, creditors and others (wherever applicable) as well as relating to the minutes of the proceedings thereat have been complied with.
5. All the appointments of directors and other officers of the Company have been made in accordance with the requirements.
6. Due disclosures under the requirements have been made by the Company. It has also complied with the requirements in pursuance of the disclosure made by its directors.

7. The Issue of Capital and securities is in conformity with the requirements.
8. Certificates of shares and other securities have been issued and delivered and the transfer and transmissions thereof have been registered as per the requirements.
9. The requirements relating to declaration and payment of dividend have been complied with.
10. The moneys borrowed by the Company from financial institutions, banks and others (wherever applicable) have been made in accordance with the requirements.
11. Particulars of creation, modification and satisfaction of charges conferring security on the Company's property or undertaking have been filed with the Registrar as per the requirements.
12. Loans and Investments have been made by the Company in accordance with the requirements.
13. All necessary approvals of directors, shareholders, Central Government and other authorities (wherever applicable) as per the requirements have been obtained.

Bangalore, 6th April 2000

V Sreedharan
Company Secretary
#485/A 13th Cross
11th Main
Wilson Garden
Bangalore – 560 030

AUDITORS' REPORT

TO THE MEMBERS OF SONATA SOFTWARE LIMITED

We have audited the attached Balance Sheet of SONATA SOFTWARE LIMITED as at 31st March, 2000, and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto.

We report as follows :

1. As required by the Manufacturing and Other Companies (Auditors Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks of the books and records of the Company as we considered appropriate, and according to the information and explanations given to us during the course of audit, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable.
 2. Further to our comments in the Annexure referred to in paragraph 1 above :
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
 - c. The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the Books of Account.
- d. In our opinion the Balance Sheet and Profit and Loss Account are in compliance with the Accounting Standards referred to in subsection (3C) of Section 211 of the Companies Act, 1956, to the extent applicable.
 - e. In our opinion and to the best of our information and according to the explanation given to us, the said Balance Sheet and the Profit and Loss Account read together with notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
 1. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2000 and
 2. In the case of the Profit and Loss Account, of the Profit for the year ended on that date.

For N M Raiji & Co.
Chartered Accountants

Bangalore, 12th April 2000

Y N THAKKAR
Partner

ANNEXURE TO THE AUDITOR'S REPORT

Referred to in paragraph (1) of our Report of even date.

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of Fixed Assets. Physical verification of major assets was conducted by the Management during the year which in our opinion is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such verification, as compared with the book records.
2. None of the fixed assets have been revalued during the year.
3. The Stock of finished goods have been physically verified at reasonable intervals during the year by the Management. In our opinion, the frequency of the verification is reasonable.
4. The procedures of physical verification of stocks followed by the Management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on such verification between the physical stocks and book records were not material in relation to the operations of the Company.
6. In our opinion, the valuation of stocks is fair and proper and in accordance with the normally accepted accounting principles, and is on the same basis as in the preceding year.
7. The Company has not taken any loans, secured or unsecured, from Companies, Firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956. In view of deletion of Section 370 (I – B) of the Companies Act, 1956 it is not possible for us to comment on loans from companies under the same management.
8. The Company has not granted any loans, secured or unsecured to Companies, Firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956. In view of deletion of Section 370 (I – B) of the Companies Act, 1956 it is not possible for us to comment on loans to companies under the same management.
9. In respect of loans or advances in the nature of loan, given by the Company, the parties are generally repaying the principal amount as stipulated and are also regular in the payment of interest, where applicable.
10. In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of plant & machinery, equipments, other assets and for the sale of goods.
11. In our opinion, and according to the information and explanations give to us, there has been no purchase or sale of goods and materials in excess of Rs.50,000/- in value of each type thereof from Companies in which Directors are interested as listed in the Register maintained under Section 301 of the Companies Act, 1956.
12. The company has an adequate internal audit system which was conducted by an independent Firm of Chartered Accountants, which in our opinion is commensurate with the size and nature of its business.
13. The Company has been generally regular in depositing Provident Fund and Employees' State Insurance dues with the appropriate authorities.
14. There are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty which have remained outstanding as on 31st March, 2000 for a period exceeding six months from the date they became payable.
15. During the course of our examination of the books of accounts carried out in accordance with the generally accepted auditing practices, we have not come across any personal expense other than those payable under contractual obligations or in accordance with generally accepted business practices which have been charged to the Profit and Loss Account nor have we been informed of such case by the Management.
16. The Company has a reasonable system of allocation of man-hours utilised to the relative jobs, commensurate with its size and nature of its business. In our opinion, there is a reasonable system of authorisation at proper levels with necessary controls on the issue of stores and the related system of internal control of the company is commensurate with the size of the company and the nature of its business.
17. As regards the Company's trading activities, the damaged goods have been determined and necessary provisions for loss have been made in the accounts.

For N M Rajji & Co.
Chartered Accountants

Y N THAKKAR
Partner

Bangalore, 12th April 2000

BALANCE SHEET AS AT 31st MARCH 2000

	SCHEDULE	AS AT 31.03.2000 (Rs.)	AS AT 31.03.1999 (Rs.)
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	100,006,800	99,845,115
Reserves and Surplus	2	<u>536,243,494</u>	<u>345,343,055</u>
		636,250,294	445,188,170
LOAN FUNDS			
Secured Loans	3	-	112,214,730
TOTAL FUNDS EMPLOYED		<u>636,250,294</u>	<u>557,402,900</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	4	212,920,409	166,756,292
Less : Depreciation		<u>99,834,490</u>	<u>67,221,373</u>
Net Block		113,085,919	99,534,919
Capital work-in-progress		<u>12,084,372</u>	<u>7,878,610</u>
		125,170,291	107,413,529
INVESTMENTS			
	5	40,848,542	2,816,471
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	6	29,532,987	28,850,887
Sundry Debtors	7	357,923,092	365,729,765
Cash and Bank Balances	8	73,094,214	87,824,618
Other Current Assets	9	109,682,358	31,716,862
Loans and Advances	10	<u>112,843,107</u>	<u>110,109,386</u>
		683,075,758	624,231,518
Less : CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	11	185,092,408	156,106,978
Provisions	12	<u>27,751,889</u>	<u>20,951,640</u>
		212,844,297	177,058,618
NET CURRENT ASSETS		470,231,461	447,172,900
TOTAL FUNDS APPLIED		<u>636,250,294</u>	<u>557,402,900</u>
NOTES FORMING PART OF THE ACCOUNTS	18		

As per our Report annexed

For and on behalf of the Board

For N M RAIJI & Co.
Chartered Accountants

S B GHIA
Chairman

M D DALAL
Executive Vice Chairman

B RAMASWAMY
Managing Director & President

Y N THAKKAR
Partner

PRADIP P SHAH
Director

P SRIKAR REDDY
Sr. Vice President & Director

THOMAS K JOSEPH
Sr. Vice President &
Chief Financial Officer

N EBENEZER DEVASAHAYAM
Associate Vice President - Finance
& Company Secretary

Bangalore, 12th April, 2000

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2000

	SCHEDULE	Year Ended 31.03.2000 (Rs.)	Year Ended 31.03.1999 (Rs.)
INCOME			
Sales & Services	13	1,743,490,547	1,251,221,313
Other Income	14	18,249,748	7,030,715
Total Income		1,761,740,295	1,258,252,028
EXPENDITURE			
Operating and Other Expenses	15	695,106,826	596,261,976
Purchase of traded items		776,980,542	458,811,994
Interest	16	4,096,589	28,626,038
Depreciation		32,763,216	41,528,618
Bad Debts		1,340,590	9,495,611
Preliminary Expenses		–	188,255
		1,510,287,763	1,134,912,492
Add/(Less) : (Increase)/Decrease in Stocks	17	(682,100)	19,772,587
		1,509,605,663	1,154,685,079
Profit Before Tax		252,134,632	103,566,949
Provision for Taxation		18,170,855	6,017,860
Profit After Tax		233,963,777	97,549,089
Add : Balance of Profit brought forward from previous year		50,049,639	121,222,990
Disposable Surplus		284,013,416	218,772,079
Proposed Dividend		25,001,700	19,046,946
Interim Dividend		15,001,020	–
Provision for Dividend Tax		4,400,299	1,904,694
Transfer to General Reserve		140,000,000	105,500,000
Utilised for issue of Bonus Equity Shares		–	42,270,800
Balance carried to Balance Sheet		99,610,397	50,049,639
		284,013,416	218,772,079

NOTES FORMING PART OF THE ACCOUNTS 18

As per our Report annexed

For and on behalf of the Board

For N M RAJJI & Co.
Chartered Accountants

S B GHIA
Chairman

M D DALAL
Executive Vice Chairman

B RAMASWAMY
Managing Director & President

Y N THAKKAR
Partner

PRADIP P SHAH
Director

P SRIKAR REDDY
Sr. Vice President & Director

THOMAS K JOSEPH
Sr. Vice President &
Chief Financial Officer

Bangalore, 12th April, 2000

N EBENEZER DEVASAHAYAM
Associate Vice President - Finance
& Company Secretary

SCHEDULES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2000

	As at 31.03.2000 (Rs.)	As at 31.03.1999 (Rs.)
SCHEDULE 1 : SHARE CAPITAL		
Authorised		
15,000,000 Equity Shares of Rs. 10/- each (Previous year 15,000,000 Equity Shares of Rs.10/- each)	<u>150,000,000</u>	<u>150,000,000</u>
Issued, Subscribed and Called up		
10,000,680 Equity shares of Rs.10/- each (Previous year 10,000,680 Equity shares of Rs.10/- each)	<u>100,006,800</u>	<u>100,006,800</u>
Paid-Up		
10,000,680 Equity shares of Rs.10/- each fully called-up (Previous year 10,000,680 Equity shares of Rs.10/- each)	100,006,800	100,006,800
Of the above		
(1) 1,750,000 shares have allotted as fully paid pursuant to a contract without payment being received in cash		
(2) 4,227,080 equity shares of Rs.10 each, fully paid up, have been allotted as bonus shares by capitalization of balance in Profit and Loss Account.		
Less : Allotment money receivable	<u>-</u>	<u>(161,685)</u>
	<u>100,006,800</u>	<u>99,845,115</u>
SCHEDULE 2 : RESERVES AND SURPLUS		
Share Premium Account	180,933,097	201,760,000
Less : Public Issue Expenses	-	(20,826,903)
Less : Allotment money receivable	-	(1,339,681)
	<u>180,933,097</u>	<u>179,593,416</u>
General Reserve		
Balance brought forward	115,700,000	10,200,000
Transferred from Profit and Loss account	<u>140,000,000</u>	<u>105,500,000</u>
	255,700,000	115,700,000
Profit and Loss Account		
	99,610,397	50,049,639
	<u>536,243,494</u>	<u>345,343,055</u>
SCHEDULE 3 : SECURED LOANS		
From others towards hire purchase [Note 1]	-	2,278,746
Term loan		
The Industrial Credit and Investment Corporation of India Ltd. [Note 2]	-	109,935,984
	<u>-</u>	<u>112,214,730</u>

NOTES :

- Was secured by hypothecation of specific assets.
[Repayable within a year Rs.Nil Previous year Rs.895,584/-]
- Foreign Currency Loan from ICICI was secured by hypothecation of fixed assets of the Company on pari-passu basis with KSFC & KSIIDC
[Repayable within a year Rs.Nil/-, Previous year Rs.31,410,244]

SCHEDULES (Contd.)

SCHEDULE 4: FIXED ASSETS

(Rs.)

ASSETS	Gross Block			Cost as at 31.03.2000	As at 01.04.1999	Depreciation		As at 31.03.2000	Net Block as at 31.03.2000
	Cost as at 01.04.1999	Additions	Deductions/ Adjustments			For the Year	Deductions/ Adjustments		
Plant & Machinery	117,448,904 (85,990,307)	28,019,868 (31,821,422)	112,000 (362,825)	145,356,772 (117,448,904)	51,217,763 (17,717,380)	23,524,655 (33,727,770)	111,999 (227,387)	74,630,419 (51,217,763)	70,726,353 (66,231,141)
Furniture & Fixtures	32,635,127 (24,335,933)	13,942,261 (8,473,977)	50,955 (174,783)	46,526,433 (32,635,127)	10,899,749 (5,803,095)	6,459,356 (5,257,941)	24,046 (161,287)	17,335,059 (10,899,749)	29,191,374 (21,735,378)
Motor Car & Vehicles	8,774,298 (6,853,878)	944,316 (4,781,356)	– (2,860,936)	9,718,614 (8,774,298)	2,336,213 (1,992,114)	1,873,728 (1,687,736)	– (1,343,637)	4,209,941 (2,336,213)	5,508,673 (6,438,085)
Air Conditioners & Other Equipments	7,897,964 (5,168,879)	3,495,249 (2,856,680)	74,623 (127,595)	11,318,590 (7,897,964)	2,767,648 (1,936,385)	905,477 (855,171)	14,054 (23,908)	3,659,071 (2,767,648)	7,659,519 (5,130,316)
Total	166,756,293 (122,348,996)	46,401,694 (47,933,435)	237,578 (3,526,139)	212,920,409 (166,756,292)	67,221,373 (27,448,974)	32,763,216 (41,528,618)	150,099 (1,756,219)	99,834,490 (67,221,373)	113,085,919 (99,534,919)
Capital Work in Progress									12,084,372 (7,878,610)
Grand Total									125,170,291 (107,413,529)

Notes

1. Motor Car and Vehicles include Rs.Nil/- (Previous year Rs.3,631,013) taken on hire purchase basis
2. Figures in brackets pertain to previous year
3. The Company has created a charge on Fixed Assets in favour of ICICI Banking Corporation Limited towards foreign currency loan given to Offshore digital services Inc., USA, to the extent of USD 2.6 millions, equivalent to Rs.112 millions.

SCHEDULES (Contd.)

	As at 31.03.2000 (Rs.)	As at 31.03.1999 (Rs.)
SCHEDULE 5 : INVESTMENTS (at cost)		
Long Term		
Trade, (Unquoted):		
In foreign holdings		
140,000 Equity Shares in Offshore Digital Services Inc, California (fully paid)	276,500	276,500
500,625 equity shares of 1 USD each in ABISKO Development Ltd, Cyprus, 0.626 USD paid	13,462,263	2,539,971
	<u>13,738,763</u>	<u>2,816,471</u>
Short Term, Units (Quoted)		
SUN F & C Money Value Fund Bond Option 708,215.297 Units at Rs.10.59 per unit (Market Value Rs.10.03 per unit aggregating to Rs.7,103,399)	7,103,399	-
BIRLA MUTUAL FUND - Birla Income Plus 754,527.163 Units at Rs.9.94 per unit (Market Value Rs.9.79 per unit aggregating to Rs.7,386,821)	7,386,821	-
PRUDENTIAL ICICI MUTUAL FUND - Prudential ICICI Income Plan 75,292.498 Units at Rs.10.17 per unit (Market Value Rs.10.19 per unit aggregating to Rs.767,231)	765,725	-
DSP MERRILL LYNCH MUTUAL FUND - DSP Merrill Lynch Bond Fund 681,818.182 Units at Rs.11.00 per unit (Market Value Rs.10.49 per unit aggregating to Rs.7,152,273)	7,152,273	-
JARDINE FLEMING MUTUAL FUND - Jardine Fleming India Bond Fund 459,136.823 Units at Rs.10.89 per unit (Market Value Rs.10.24 per unit aggregating to Rs.4,701,561)	4,701,561	-
	<u>27,109,779</u>	<u>-</u>
	<u>40,848,542</u>	<u>2,816,471</u>
SCHEDULE 6 : INVENTORIES		
In process	5,133,540	6,070,817
Finished Products	24,399,447	22,780,070
	<u>29,532,987</u>	<u>28,850,887</u>
SCHEDULE 7 : SUNDRY DEBTORS		
Unsecured		
Debts outstanding for a period exceeding six months		
Considered Good	35,777,137	22,342,156
Considered Doubtful	2,380,640	2,380,640
	<u>38,157,777</u>	<u>24,722,796</u>
Other debts : Considered Good	322,145,955	343,387,609
	<u>360,303,732</u>	<u>368,110,405</u>
Less : Provision for Doubtful Debts	2,380,640	2,380,640
	<u>357,923,092</u>	<u>365,729,765</u>

SCHEDULES (Contd.)

	Year ended 31.03.2000 (Rs.)	Year ended 31.03.1999 (Rs.)
SCHEDULE 13 : SALES & SERVICES		
Sales	917,583,399	597,220,092
Services	<u>825,907,148</u>	<u>654,001,221</u>
	<u>1,743,490,547</u>	<u>1,251,221,313</u>
SCHEDULE 14 : OTHER INCOME		
Interest received - Gross [Tax deducted at source Rs. 146,365/-, previous year Rs. 99,371]	1,697,188	1,228,199
Foreign Exchange Variation (net)	2,740,285	-
Excess Provision no longer required	-	2,338,912
Sundry balances written back	2,884,697	-
Prior period income	1,671,296	-
Profit on sale of Investments	606,191	-
Profit on Sales of Fixed Assets	-	73,715
Dividend Received	2,195,815	-
Miscellaneous Income	<u>6,454,276</u>	<u>3,389,889</u>
	<u>18,249,748</u>	<u>7,030,715</u>
SCHEDULE 15 : OPERATING AND OTHER EXPENSES		
Salaries, Wages, Bonus and Allowances [Including Directors' remuneration]	206,541,712	156,950,596
Contribution to Provident Fund and other Funds	12,527,127	9,810,172
Staff Welfare Expenses	<u>3,038,803</u>	<u>2,784,353</u>
	222,107,642	169,545,121
Consumable Stores	26,297	134,407
Power and Fuel	9,234,679	4,784,235
Freight Outwards	673,101	659,292
Rent	19,198,680	14,218,633
Rates & Taxes	536,115	1,361,114
Insurance	6,615,047	4,595,578
Repairs to :		
Plant and Machinery	1,319,360	1,168,314
Others	12,722,077	5,942,985
Travelling and Conveyance Expenses	77,322,499	49,289,421
Subsistence/Living Cost	271,904,515	250,109,823
Legal, Professional and Technical Fees	12,912,002	7,257,633
Communication Cost	13,823,114	11,473,486
Auditors Remuneration		
Audit Fees	900,000	900,000
Tax Audit fees	225,000	236,250
Other Services	2,555,598	734,600
Out of pocket expenses	<u>166,605</u>	<u>402,783</u>
	3,847,203	2,273,633
Royalty	9,215,350	8,849,759
Commission on Sales	1,586,658	1,100,167
Bank Charges	5,626,489	7,032,203
Miscellaneous Expenses	25,264,585	25,954,847
Foreign exchange variation	-	9,174,360
Loss on fixed assets discarded/sold	15,467	-
Loss on valuation of short term investments	1,155,946	-
Deferred Revenue Expenditure written off	-	21,336,965
	<u>695,106,826</u>	<u>596,261,976</u>

SCHEDULES (Contd.)

	Year ended 31.03.2000 (Rs.)	Year ended 31.03.1999 (Rs.)
SCHEDULE 16 : INTEREST		
Interest on Fixed Loans	2,488,429	16,152,944
Other Interest	<u>1,608,160</u>	<u>12,473,094</u>
	<u>4,096,589</u>	<u>28,626,038</u>
SCHEDULE 17 : (INCREASE)/DECREASE IN STOCKS		
Opening Stock :		
In process	6,070,817	4,937,389
Finished Products	<u>22,780,070</u>	<u>43,686,085</u>
	<u>28,850,887</u>	<u>48,623,474</u>
Closing Stock :		
In process	5,133,540	6,070,817
Finished Products	<u>24,399,447</u>	<u>22,780,070</u>
	<u>29,532,987</u>	<u>28,850,887</u>
(Increase)/Decrease in Stocks	<u>(682,100)</u>	<u>19,772,587</u>

SCHEDULES (Contd.)

SCHEDULE 18 : NOTES FORMING PART OF THE ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

a) FIXED ASSETS AND DEPRECIATION

- Fixed assets are stated at cost less depreciation. For this purpose cost comprises of cost of acquisition and all costs directly attributable to bringing the asset to the present condition for its intended use.
- Depreciation has been provided on Plant & Machinery, on straight line basis and on other assets on written down value at the rate specified in Schedule XIV of the Companies Act, 1956, or at the rates adopted by the company for the following items:

Rates of Depreciation

	Sch. XIV Rate	Rate Adopted
Computers	16.21 %	33.33 %

b) INVESTMENTS

Long term Investments are stated at cost. Provision for diminution in long term investments is made, if it is permanent.

Short-term investments are stated at Cost or Fair market value whichever is lower.

c) INVENTORIES

- Finished goods are valued at lower of cost or net realisable value.

- Software products under development are stated at cost. Software development cost incurred on products ready for marketing are amortised equally over a period of three years or earlier based on Management's evaluation of expected sales volumes and duration of the product life cycle.

d) SALES

Sales is recognised on despatch of goods to the customer. Technical Service Contracts/Software Revenue is recognised on the basis of achievement of prescribed milestones as relevant to each contract or proportionate completion method as applicable.

e) FOREIGN CURRENCY TRANSACTIONS

Purchases and Sales are accounted at the monthly standard rates. Exchange fluctuations arising on payment or realisation are dealt with in the Profit and Loss Account. Current Assets and Current Liabilities are restated at the year-end rate/forward contract rate as applicable and any differences arising thereof have been dealt with in the Profit and Loss Account.

f) RETIREMENT BENEFITS

- Company's Contributions to Provident Fund have been made to an approved Fund.
- Company's Contributions to Superannuation (based on a percentage of Salary) and Gratuity (on actuarial valuation basis) have been made to respective recognized Funds.

SCHEDULES (Contd.)

SCHEDULE 18 : (Contd.)	31.03.2000 (Rs.)	31.03.1999 (Rs.)
2 Estimated amount of contracts remaining to be executed on capital account and not provided for as on 31st March 2000 (net of advances)	17,960,398	6,585,063
3 Contingent Liabilities not provided for		
a) Bills receivables discounted with Scheduled Banks	-	21,764,709
b) Contingent Liabilities for Income Tax of Rs.4,61,42,861/- in respect of Assessment years 1995-96, 1996-97 & 1997-98 in respect of which the Company has gone on appeal. However, as a matter of prudence the Company has paid the aforesaid amount		
c) Contingent liability for ESI of Rs. 1,80,097/- for which company has gone on appeal and stay has been granted by the ESI court. However, as a matter of prudence the Company has paid Rs. 90,049/- against the aforesaid amount		
4 Remuneration and perquisites of Wholetime Directors :		
Salaries	2,024,965	999,180
Contribution to Provident Fund and Superannuation Fund	322,998	162,000
Actual Reimbursement of Medical Expenses and personal accident Insurance premium	25,355	13,062
Other Perquisites as calculated under Income Tax Act 1961	481,232	175,900
Commission	6,606,169	2,813,114
	<u>9,460,719</u>	<u>4,163,256</u>
5 Computation of Net Profit in accordance with Section 309(5) of the Companies Act, 1956:		
Profit before taxes as per Profit and Loss account	252,134,632	103,566,949
Add : 1) Depreciation as per accounts	32,763,216	41,528,618
2) Wholetime Directors Remuneration	9,460,719	4,163,256
3) Profit on sale of fixed assets - as per Section 350	16,402	314,942
4) Loss on fixed asset sold/written off as per books	50,868	-
	<u>294,425,837</u>	<u>149,573,765</u>
Less : 1) Depreciation as per Section 350	32,792,329	28,539,341
2) Profits on sale of Fixed assets - as per books	35,401	73,715
3) Loss on fixed asset sold/written off as per Sec 350	59,896	226,209
Net Profit as per Section 309 (5)	<u>261,538,211</u>	<u>120,734,500</u>
10% of eligible profit	26,153,821	12,073,450
Commission on Net Profit to :		
Managing Director @ 1.00%	2,615,382	1,207,345
Wholetime Director @ 0.33%	863,077	398,424
Wholetime Director @ 0.50%	512,328	-
Non Wholetime Directors @ 1%	2,615,382	1,207,345
	<u>6,606,169</u>	<u>2,813,114</u>

SCHEDULES (Contd.)

SCHEDULE 18 : (Contd.)

	31.03.2000 (Rs.)	31.03.1999 (Rs.)
6 Value of Imports calculated on CIF basis		
Traded Goods	530,462,819	221,694,372
Capital Goods	16,214,843	24,922,952
	<u>546,677,662</u>	<u>246,617,324</u>
7 Expenditure incurred in foreign currency on account of		
Travelling	59,342,928	34,520,783
Subsistence / Living Cost	271,904,515	250,109,823
Royalty	9,215,350	8,849,759
Overseas Salaries	9,933,500	13,102,203
Others	4,677,722	12,281,740
	<u>355,074,015</u>	<u>318,864,308</u>
8 Earnings in Foreign Exchange		
Software Services rendered	<u>785,621,863</u>	<u>624,936,138</u>

9 Quantity and value particulars of trading activities for the year ended 31st March 2000

Particulars	Opening Stock		Purchases		Sales		Closing Stock	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
	Nos	Rs.	Nos	Rs.	Nos	Rs.	Nos	Rs.
Computer Software	2337	15,925,689	104994	776,980,542	105077	917,583,399	2254	13,081,859
Packages	(5509)	(42,453,424)	(63273)	(465,327,476)	(66445)	(597,220,092)	(2337)	(15,925,689)

10 The liability for uncalled amount of USD 0.374 on 500,625 Shares in Abisko Development Limited amounts to USD 187234.

11 Previous year's figures as shown in brackets and have been regrouped, wherever necessary to conform to current year's classification.

SCHEDULES (Contd.)

ADDITIONAL INFORMATION PURSUANT TO PROVISIONS OF PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

12 BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I) REGISTRATION DETAILS

REGISTRATION NO.	82110	STATE CODE	11
BALANCE SHEET DATE:	31.03.2000		

II) CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS.)

PUBLIC ISSUE	NIL	RIGHTS ISSUE	NIL
BONUS ISSUE	NIL	PRIVATE PLACEMENT	NIL

III) POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS.)

TOTAL LIABILITIES	636,250,294	TOTAL ASSETS	636,250,294
SOURCES OF FUNDS			
PAID UP CAPITAL	100,006,800	RESERVES & SURPLUS	536,243,494
SECURED LOANS	NIL	UNSECURED LOANS	NIL

APPLICATION OF FUNDS

NET FIXED ASSETS	125,170,291	INVESTMENTS	40,848,542
NET CURRENT ASSETS	470,231,461	MISCELLANEOUS EXPENDITURE	NIL
ACCUMULATED LOSSES	NIL		

IV) PERFORMANCE OF COMPANY (AMOUNT IN RS.)

TURNOVER	1,761,740,295	TOTAL EXPENDITURE	1,509,605,663
PROFIT BEFORE TAX	252,134,632	PROFIT AFTER TAX	233,963,777
EARNINGS PER SHARE	23.40	DIVIDEND RATE (INCL. INTERIM 15%)	40%

V) GENERIC NAMES OF PRINCIPAL PRODUCTS OF THE COMPANY

ITEM CODE NO. (ITC CODE) : 852499.02
PRODUCT DESCRIPTION : FLOPPY DISK/CARTRIDGE TAPE
CONTAINING COMPUTER SOFTWARE.

As per our Report annexed

For and on behalf of the Board

For N M RAJI & Co.
Chartered Accountants

S B GHIA
Chairman

M D DALAL
Executive Vice Chairman

B RAMASWAMY
Managing Director & President

Y N THAKKAR
Partner

PRADIP P SHAH
Director

P SRIKAR REDDY
Sr. Vice President & Director

THOMAS K JOSEPH
Sr. Vice President &
Chief Financial Officer

Bangalore, 12th April, 2000

N EBENEZER DEVASAHAYAM
Associate Vice President - Finance
& Company Secretary

AUDITORS CERTIFICATE

We have examined the attached Cash Flow Statement of Sonata Software Limited for the year ended 31st March 2000. According to the information and explanations given, the aforesaid Cash Flow Statement has been prepared, based on and derived from the audited accounts of the Company for the year ended 31st March 2000.

For N M Rajji & Co.
Chartered Accountants

Bangalore, 12th April 2000

Y N Thakkar
Partner

CASH FLOW STATEMENT

	Year ended 31.03.2000 (Rs.)	Year ended 31.03.1999 (Rs.)
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before Tax and extraordinary items	252,134,632	103,566,949
Adjustments for:		
Depreciation	32,763,216	41,528,618
Interest	4,096,589	28,626,038
Bad Debts written off	1,340,590	9,495,611
Preliminary expenses written off	-	188,255
(Profit)/loss on sale of fixed assets	15,467	(73,715)
Miscellaneous Expenditure written off	-	21,336,965
Operating Profit before working capital changes	290,350,494	204,668,721
Adjustments for:		
Decrease/(Increase) in Sundry Debtors	6,466,083	(75,369,271)
Decrease/(Increase) in Inventories	(682,100)	19,772,588
Decrease/(Increase) in Other current assets	(77,965,496)	(31,716,862)
Decrease/(Increase) in Loans and Advances	(19,259,685)	(31,368,257)
(Decrease)/Increase in Current Liabilities and Provisions	28,985,430	(124,384,027)
Cash generated from operations:	227,894,726	(38,397,108)
Interest paid	(4,096,589)	(28,626,038)
Direct taxes paid	(1,644,890)	(16,420)
Net Cash from operating activities (A)	222,153,247	(67,039,566)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(50,607,456)	(55,812,045)
Sale of Fixed Assets	72,010	1,843,635
Miscellaneous Expenditure	-	(8,849,616)
Purchase of Investments	(38,032,071)	(2,539,971)
Net Cash used in Investing Activities (B)	(88,567,517)	(65,357,997)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital	1,501,366	204,651,731
Proceeds from long term Borrowings (net)	(109,935,984)	(10,139,953)
Repayment of Finance Lease Liabilities	(2,278,746)	(1,515,196)
Dividends Paid	(37,602,770)	(7,153,520)
Net cash from financing activities (C)	(148,316,134)	185,843,062
Net increase / (decrease) in Cash and Cash Equivalents (A + B + C)	(14,730,404)	53,445,499
Opening Cash and Cash equivalents	87,824,618	34,379,119
Closing Cash and Cash equivalents	73,094,214	87,824,618

As per our Report annexed

For and on behalf of the Board

For N M RAJJI & Co.
Chartered Accountants

S B GHIA
Chairman

M D DALAL
Executive Vice Chairman

B RAMASWAMY
Managing Director & President

Y N THAKKAR
Partner

PRADIP P SHAH
Director

P SRIKAR REDDY
Sr. Vice President & Director

THOMAS K JOSEPH
Sr. Vice President &
Chief Financial Officer

N EBENEZER DEVASAHAYAM
Associate Vice President - Finance
& Company Secretary

Bangalore, 12th April, 2000

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANY

1. Name of the Subsidiary : Abisko Development Limited
2. Financial year ended : 31st March, 2000
3. Holding Company's interest : 80.10% in Share Capital
4. Shares held by the holding Company in the subsidiary : 500,625 shares of USD1 each
5. The net aggregate of profits or losses for the above financial year of the subsidiary so far as it concerns the members of the holding company
 - a. dealt with or provided for in the accounts of the holding Company : Nil
 - b. not dealt with or provided for in the accounts of the holding Company : Loss: USD 1103
6. The net aggregate of profits or losses for the previous financial year of the subsidiary so far as it concerns the members of the holding company
 - a. dealt with or provided for in the accounts of the holding Company : Nil
 - b. not dealt with or provided for in the accounts of the holding Company : Loss: USD 1706

For and on behalf of the Board

S B GHIA
Chairman

M D DALAL
Executive Vice Chairman

B RAMASWAMY
Managing Director & President

PRADIP P SHAH
Director

P SRIKAR REDDY
Sr. Vice President & Director

THOMAS K JOSEPH
Sr. Vice President &
Chief Financial Officer

N EBENEZER DEVASAHAYAM
Associate Vice President – Finance
& Company Secretary

Bangalore, 12th April, 2000

ABISKO DEVELOPMENT LIMITED

Financial Statements for the period ended 31st March, 2000

DIRECTORS

Palem Srikar Reddy
Chairman

Dilip K Bharatee
Director

Bjorn Eriksson
Director

Sergey Shvedov
Alternate to Bjorn Eriksson

SECRETARY

Melina Pyrgou

AUDITORS

Ernst & Young
Nicosia Tower Centre
36 Byron Avenue, Nicosia

REGISTERED OFFICE

29 A Annis Komninis Street, Nicosia

ABISKO DEVELOPMENT LIMITED

DIRECTORS' REPORT

The directors submit their report together with the second audited financial statements of the company for the period ended 31 March 2000.

BUSINESS OF THE COMPANY

The principal activity of the company is the development of computer software products. During the period under review the company was involved in the development of a computer software package.

COUNTRY OF INCORPORATION

The company was incorporated in Cyprus on 21 December 1998.

BOARD OF DIRECTORS

There is no requirement for the retirement of directors by rotation, and consequently all directors shall remain in office.

AUDITORS

The auditors, Messrs Ernst & Young, have signified their willingness to continue in office and a resolution approving their reappointment and fixing their remuneration will be proposed at the Annual General Meeting.

By order of the Board

Melina Pyrgou
Secretary

4th April 2000

REPORT OF INDEPENDENT AUDITORS

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF ABISKO DEVELOPMENT LIMITED

We have audited the accompanying balance sheet of Abisko Development Limited as of March 31, 2000 and the related statements of income and cash flows for the period then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Abisko Development Limited at March 31, 2000 and the results of its operations and its cash flows for the period then ended in conformity with International Accounting Standards.

International Accounting Standards do not conform with accounting principles generally accepted in the United States. A description of the differences and a complete reconciliation to U.S. generally accepted accounting principles is set forth in Note 2.

Ernst & Young
Chartered Accountants
Nicosia

4th April 2000

ABISKO DEVELOPMENT LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 1 APRIL 1999 TO 31 MARCH 2000

		Year ended 31.3.2000	For the period 21.12.1998 to 31.3.1999
		US\$	US\$
TURNOVER			
Sales	2	3,749,632	-
Cost of sales		(3,731,356)	-
Gross profit		18,276	-
Administration expenses		(19,421)	(2,130)
LOSS FROM OPERATIONS		(1,145)	(2,130)
Interest received		729	-
Bank charges		(893)	-
Foreign exchange differences		(68)	-
		(232)	-
LOSS FOR THE PERIOD	3	(1,377)	(2,130)

BALANCE SHEET AT 31 MARCH 2000

	Notes	As at 31.3.2000	As at 31.3.1999
		US\$	US\$
CURRENT ASSETS			
Accounts receivables	4	8,671	-
Work in progress	5	477,919	914,111
Formation expenses		16,870	21,088
Cash at bank		206,000	184,450
		709,460	1,119,649
CURRENT LIABILITIES			
Accounts payable	6	21,560	23,218
Amount due to shareholders	7	-	914,111
		21,560	937,329
NET CURRENT ASSETS		687,900	182,320
		687,900	182,320
CAPITAL AND RESERVES			
Share Capital	8	437,566	184,450
Accumulated loss		(3,507)	(2,130)
		434,059	182,320
Loans	9	253,841	-
		687,900	182,320

Palem Srikar Reddy
Chairman

Dilip K. Bharatee
Director

Bjorn Eriksson
Director

ABISKO DEVELOPMENT LIMITED

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2000

	<i>Notes</i>	<i>Year ended 31.3.2000 US\$</i>	<i>Period ended 31.3.1999 US\$</i>
Cash flows from operating activities			
Loss for the period		(1,377)	(2,130)
Operating loss before working capital changes		(1,377)	(2,130)
Decrease/(Increase) in work in progress		427,522	(914,111)
(Decrease)/Increase in accounts payable		(1,658)	23,218
Decrease/(Increase) in amount due to shareholders		(914,111)	914,111
Decrease/(Increase) in formation expenses		4,217	(21,088)
Cash generated from operations		(485,407)	-
Net cash from operating activities		(485,407)	-
Cash flows from financing activities			
Proceeds from issuance of share capital		253,116	184,450
Proceeds from loan		253,841	-
Net cash used from financing activities		506,957	184,450
Net increase in cash and cash equivalents		21,550	184,450
Cash and cash equivalents at beginning of period	10	184,450	-
Cash and cash equivalents at end of period	10	206,000	184,450

DETAILED PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 1 APRIL 1999 TO 31 MARCH 2000

	<i>Year ended 31.3.2000 US\$</i>	<i>For the period 21.12.1998 to 31.3.1999 US\$</i>
INCOME		
Sales	3,749,632	-
Cost of sales	(3,731,356)	-
	18,276	-
Interest receivable	729	-
	19,005	-
EXPENSES		
Formation expenses written off	4,218	-
Professional charges	7,200	-
Accounting fees	1,875	463
Audit fees	5,274	1,295
Postages and courier expenses	360	-
Telephones and faxes	206	-
Bank charges	893	-
Foreign exchange differences	68	-
Sundry expenses	288	372
	20,382	2,130
Loss for the period	(1,377)	(2,130)

ABISKO DEVELOPMENT LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2000

	<i>Share Capital</i> US\$	<i>Retained earnings</i> US\$	<i>Total</i> US\$
At 21 December 1998	-	-	-
Loss for the period	-	(2,130)	(2,130)
Share capital called and paid	184,450	-	184,450
At 31 March 1999	184,450	(2,130)	182,320
Loss for the year	-	(1,377)	(1,377)
Share capital called and paid	253,116	-	253,116
At 31 March 2000	437,566	(3,507)	434,059

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2000

1. **GENERAL**

Country of incorporation

The company was incorporated in Cyprus on December 21, 1998.

Activities

The principal activity of the company is the development of computer software products. During the period under review the company was involved in the development of a computer software package.

2. **SIGNIFICANT ACCOUNTING POLICIES**

Accounting convention

The financial statements are prepared under the historical cost convention.

Exchange rates

The financial statements are expressed in US Dollars. Transactions in other currencies are translated to US Dollars at the average rates of exchange for the period. Balances in other currencies are translated to US Dollars at the rates of exchange ruling at the end of the period. Any resulting gains or losses are dealt with in the Profit and Loss Account.

Taxation

Taxation is provided for in accordance with Cyprus fiscal regulations. Deferred taxation is provided using the liability method on all temporary differences at the reporting date. It is calculated at the tax rates that are expected to apply to the period when it is anticipated the liabilities will be settled, and it is based on tax rates (and laws) that have been enacted at the balance sheet date.

Cash and cash equivalent

Cash and cash equivalents consist of balances with banks.

Work in progress

Work in progress is valued at cost comprising of all costs incurred in the development of a computer software packages including capitalised borrowing costs.

ABISKO DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2000 (Contd.)

Formation expenses

These consist of all legal and other costs incurred in the establishment of the Company. These costs will be written off over five years starting from the current year.

Sales

Turnover comprises of the invoiced value of computer software maintenance services supplied by the company during the year.

U.S. Generally Accepted Accounting Principles

The accounting principles applied in all material respect, comply with U.S. generally accepted accounting principles ("U.S. GAAP") except that the amount of long term liabilities payable within one year under U.S.GAAP is required to be included as a current liability. Current liabilities would therefore be increased by the amounts of long term liabilities falling due within one year as disclosed in Note 9 to the financial statements. The net current assets would be similarly reduced had U.S GAAP rather than International Accounting Standards been applied.

	31.3.2000 US\$	31.3.1999 US\$
3. LOSS FOR THE PERIOD		
This is stated after charging the following : Audit fees	5,274	1,295
4. ACCOUNT RECEIVABLE		
Interest receivable	8,671	-
5. WORK IN PROGRESS		
Development of computer software products		
- "Time and expense"	209,678	914,111
- "Seva" project	268,240	-
	477,918	914,111
6. ACCOUNTS PAYABLE		
Accured expenses	21,560	23,218
7. AMOUNT DUE TO SHAREHOLDERS		
Sonata Software Ltd	-	914,111
Scala ECE (Overseas) Ltd	-	-
	-	914,111
The amount due to Sonata Software Ltd results from the software development activities conducted between the Company and Sonata Software Ltd.		
8. SHARE CAPITAL		
Authorised and issued	625,000	625,000
625,000 shares of US\$1 each		
Less : Amounts not yet called	234,000	550,000
	391,000	75,000
Add : Amounts paid in advance	46,566	109,450
	437,566	184,450
9. LOAN		
Scala ECE (Overseas) Ltd	253,841	-
The balance with Scala ECE (Overseas) Ltd carries interest at 7% per annum.		
10. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of balances with bank and comprise the following balance sheet amount in the cash flow statement:		
Cash at bank	206,000	184,450

ABISKO DEVELOPMENT LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 1 APRIL 1999 TO 31 MARCH 2000

	Year ended 31.3.2000 (Rs.)	For the period 21.12.1998 to 31.3.1999 (Rs.)
TURNOVER		
Sales	163,558,948	-
Cost of sales	(162,761,749)	-
Gross profit	797,199	-
Administration expenses	(847,144)	(90,419)
LOSS FROM OPERATIONS	(49,945)	(90,419)
Interest received	31,799	-
Bank charges	(38,953)	-
Foreign exchange differences	(2,966)	-
	(10,120)	-
LOSS FOR THE PERIOD	(60,065)	(90,419)

BALANCE SHEET AT 31 MARCH 2000

	As at 31.3.2000 (Rs.)	As at 31.3.1999 (Rs.)
CURRENT ASSETS		
Accounts receivables	378,229	-
Work in progress	20,846,827	38,804,012
Formation expenses	735,869	895,185
Cash at bank	8,985,720	7,829,903
	30,946,645	47,529,100
CURRENT LIABILITIES		
Accounts payable	940,447	985,604
Amount due to shareholders	-	38,804,012
	940,447	39,789,616
NET CURRENT ASSETS	30,006,198	7,739,484
	30,006,198	7,739,484
CAPITAL AND RESERVES		
Share Capital	19,086,629	7,829,903
Accumulated loss	(152,975)	(90,419)
	18,933,654	7,739,484
Loans	11,072,544	-
	30,006,198	7,739,484

ABISKO DEVELOPMENT LIMITED

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2000

	<i>Year ended</i> 31.3.2000 (Rs.)	<i>Period ended</i> 31.3.1999 (Rs.)
Cash flows from operating activities		
Loss for the period	(60,065)	(90,419)
Operating loss before working capital changes	(60,065)	(90,419)
Decrease / (Increase) in work in progress	17,578,956	(38,804,012)
(Decrease) / Increase in accounts payable	(45,157)	985,604
(Decrease) / Increase in amount due to shareholders	(38,804,012)	38,804,012
Decrease / (Increase) in formation expenses	159,317	(895,185)
Reinstatement gain/(loss)	(2,492)	-
Cash generated from operations	(21,173,453)	-
Net cash from operating activities	(21,173,453)	-
Cash flows from financing activities		
Proceeds from issuance of share capital	11,256,726	7,829,903
Proceeds from loan	11,072,544	-
Net cash used from financing activities	22,329,270	7,829,903
Net increase in cash and cash equivalents	1,155,817	7,829,903
Cash and cash equivalents at beginning of period	7,829,903	-
Cash and cash equivalents at end of period	<u>8,985,720</u>	<u>7,829,903</u>

Note:

1. Currency Conversion Rate:

Current year figures are converted at the exchange rate (1US\$ = Rs. 43.62) prevailing on 31st March 2000.

Previous period figures are converted at the exchange rate (1US\$ = Rs. 42.45) prevailing on 31st March 1999.

2. Financial Statements in Rupees are provided in accordance with approval No.47/63/99/CL-III, Government of India, Ministry of Law, Justice and Company Affairs, Department of Company Affairs, dated 29th March 2000.

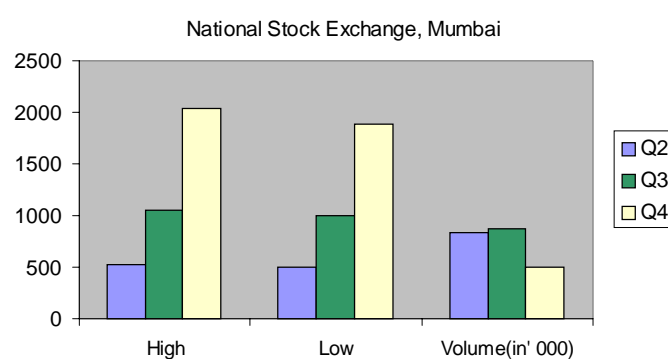
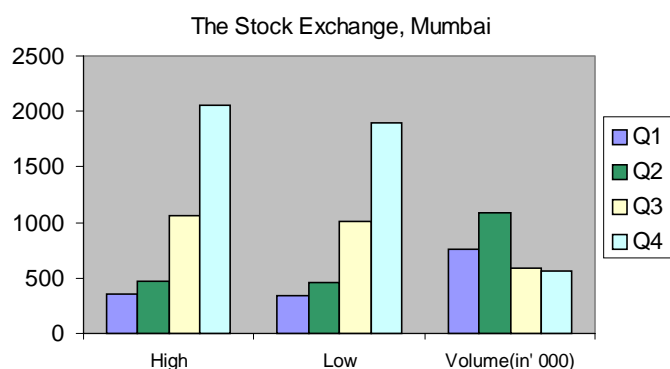
SHAREHOLDERS' INFORMATION

- 1 Exchanges listed at : The Stock Exchange, Mumbai; National Stock Exchange, Mumbai; Bangalore Stock Exchange Ltd, Bangalore
- 2 Stock Code : 32221 (The Stock Exchange, Mumbai)
- 3 Date of Book closure : 18th May 2000 to 22nd May 2000 (both days inclusive)
- 4 Date, Time and Venue of the Annual General Meeting : 22nd May 2000 at 4.00 pm
at Patkar Hall, Sir Vithaldas Thackersey Marg, Mumbai 400 020
- 5 Dividend Payout date : On or before 29th May, 2000
- 6 Stock Market Data

Quarterly high and low quotations (average) and total volume of shares traded at BSE & NSE during Financial Year 1999-00 are :

Quarter ended	The Stock Exchange, Mumbai (BSE)			National Stock Exchange, Mumbai (NSE)		
	High (Rs)	Low (Rs)	Volume (in 000)	High (Rs)	Low (Rs)	Volume (in 000)
30th June, 1999 (Q1)	359	342	759	*	*	*
30th September, 1999 (Q2)	478	454	1086	521	497	840
31st December, 1999 (Q3)	1057	1003	587	1055	994	868
31st March, 2000 (Q4)	2051	1900	568	2036	1889	494

* Listed at NSE from 28th July, 1999



- 7 Market Capitalisation as on 31.03.2000 (As per BSE) : Rs.16.71 Billion
- 8 No. of Employees as on 31.03.2000 : 827
- 9 No. of Shareholders as on 31.03.2000 : 6257
- 10 No of shares traded during 1999-2000 (approx.) : 30 Lacs (BSE)
: 22 Lacs (NSE)
- 11 Communication regarding share transfers, share certificates, dividends, and change of address etc may be addressed to : Karvy Consultants Ltd
Registrars & Share Transfer Agents
No.51/2, TKN Complex, Vanivilas Road
Opp. National College, Basavanagudi, Bangalore - 560 004
Tel: (080) 6621192, 6621193, 6621184. FAX: (080) 6621169
Email : karvy.bgl@karvy.sprintrpg.ems.vsnl.net.in

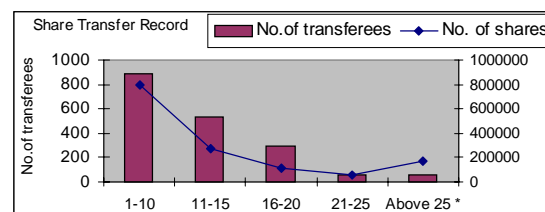
SHAREHOLDERS' INFORMATION (Contd.)

12 Share transfer system

A. The Share Transfer Committee meets approximately five times a month. Share sent for physical transfers would be registered and returned within an average period of 20 days from the date of receipt, if the documents are clear in all respects.

Total number of shares transferred during the year ended 31st March 2000 :

Transfer Period (Days)	No. of transferees (Folios)	No of shares	%
1-10	891	800510	56.82
11-15	533	274535	19.49
16-20	293	114980	8.16
21-25	55	52280	3.71
Above 25 *	57	166525	11.82
Total	1829	1408830	100.00



*Delay beyond 25 days were due to compliance of legal requirements

B. The Company has with effect from 21st January, 2000 offered transfer-cum-demat facility to shareholders/investors under National Securities Depository Limited (NSDL) and under Central Depository Services (India) Limited (CDSIL) with effect from 7th April 2000.

13 Investors' services :

Complaints/queries received during the year ended 31st March 2000, most of which were attended to within 7 days from date of receipt;

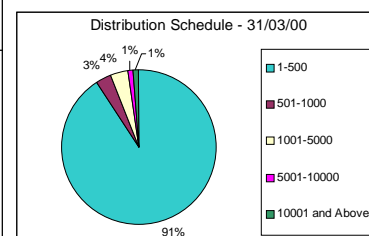
Nature of Complaints/Queries	Received	Cleared
Non-receipt of share certificates after transfer	71	71
Loss of Share Certificate	29	17*
Demat related queries	45	45
Letters from Stock Exchanges, SEBI etc	1	1
Non-receipt of dividend warrants	27	27
Total	173	161

* 12 cases are pending for compliance of legal requirements

BSE, NSE & BgSE have confirmed that as of 31st March, 2000 there are no investor complaints/queries pending to be resolved by the Company/Registrar.

14 Distribution Schedule as on 31st March

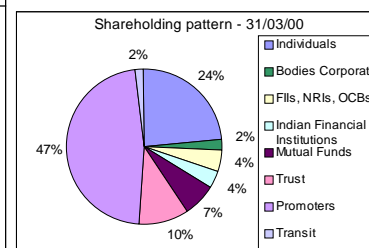
Category	2000				1999			
	No. of share holders	% of share holders	No. of shares	% of share holdings	No. of share holders	% of share holders	No. of shares	% of share holdings
1-500	5682	90.81	850639	8.51	9103	94.02	1427985	14.28
501-1000	204	3.26	146230	1.46	180	1.86	127005	1.27
1001-5000	235	3.76	513910	5.14	253	2.61	546035	5.46
5001-10000	70	1.12	471840	4.72	77	0.80	515420	5.15
10001 and above	66	1.05	7864108	78.63	69	0.71	7384235	73.84
Shares in Transit	—	—	153953	1.54	—	—	—	—
Total	6257	100.00	10000680	100.00	9682	100.00	10000680	100.00



SHAREHOLDERS' INFORMATION (Contd.)

15 Shareholding pattern as on 31st March

Category	2000				1999			
	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
Individuals	6074	97.07	2350277	23.50	9564	98.78	3308960	33.09
Bodies corporate	106	1.69	227949	2.28	71	0.73	279800	2.80
Flls, NRIs, OCBs	30	0.48	439441	4.39	16	0.17	258800	2.59
Indian Financial Institutions	5	0.08	370000	3.70	2	0.02	92000	0.92
Mutual Funds	28	0.45	673650	6.74	15	0.16	324700	3.25
Trust	1	0.02	1029825	10.30	1	0.01	980835	9.80
Promoters	13	0.21	4755585	47.55	13	0.13	4755585	47.55
Transit	—	—	153953	1.54	—	—	—	—
Total	6257	100.00	10000680	100.00	9682	100.00	10000680	100.00



16 Sonata's Market Capitalisation at the Stock Exchange, Mumbai hit an all time high of Rs.29.37 Billion during 1999-00. However, Sonata's market capitalisation was Rs.16.71 Billion as on 31st March 2000.

17 Dematerialisation of shares and liquidity :

The Company shares are available for demating under both the depository systems namely, National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd (CDSIL). The Company has paid one-time custodial fees to NSDL whereby Company's shareholders are exempt from payment of custodial fees.

With effect from 21st March, 2000, the Company's shares have been put under Compulsory demat trading (for all investors). As on 31st March, 2000, 24.31% of shares of the Company are already in demat form.

During the year, the Stock Exchange, Mumbai has moved Company's scrip from category B2 to B1, thereby increasing liquidity of your Company's shares.

18 Financial calendar (subject to change) :

Extra Ordinary General Meeting	20th April, 2000
Annual General Meeting for the year ended March 31, 2000	22nd May, 2000
Financial reporting for the first quarter ending June 30, 2000	July, 2000
Financial reporting for the second quarter ending September 30, 2000	Oct, 2000
Financial reporting for the third quarter ending December 31, 2000	Jan, 2001
Financial results for the year ending March 31, 2001	Apr, 2001
Annual General Meeting for the year ending March 31, 2001	May, 2001

19 Investors' correspondence may be addressed to :

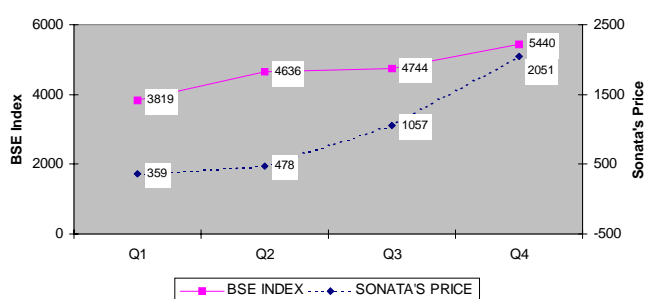
Mr N Ebenezer Devasahayam
Associate Vice President - Finance & Company Secretary
Sonata Software Ltd
1/4 APS Trust Building, Bull Temple Road
N R Colony, Bangalore 560 019, India
Tel : (080) 6610330 Fax: (080) 6610972
Email : edev@sonata-software.com

Karvy Consultants Ltd
Registrars & Share Transfer Agents
No. 51/2, TKN Complex, Vanivilas Road
Opp. National College, Basavanagudi
Bangalore - 560 004 Ph: (080) 6621192, 6621193, 6621184
Fax: (080) 6621169
Email : karvy.bgl@karvy.sprintprg.ems.vsnl.net.in

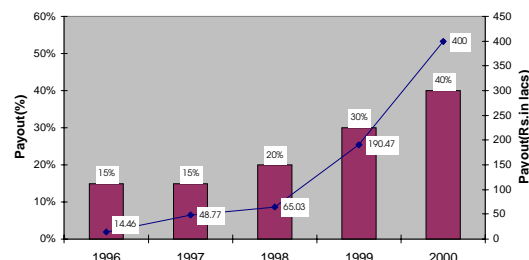
20 Website Address of the Company

: <http://www.sonata-software.com>

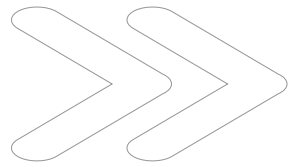
Share Performance Graph



Dividend Payout Record



Note: During 1999-00 interim dividend @ 15% was paid and now a final dividend @ 25% has been proposed



THE WORLD OF SONATA

We address the needs of our clients across the world through our offices in India, USA and Europe.



Sonata offices ●

Client locations ●

USA: San Diego, San Jose, Sunnyvale, Fremont, San Fransisco Bay Area, Seattle, Oakland, Concord, Santa Clara, Las Vegas, Pasadena, New York, Washington, Boston, Philadelphia, Jacksonville, Alameda, Foster City, Milpitas, Woodland Hills, Thousand Oaks, Nashville, Des Moines, Stamford, Tulsa.

EUROPE: Sweden: Stockholm; Switzerland: Zurich; Netherlands; Finland: Helsinki, Espoo; France: Cedex; Russia: Moscow; Germany: Frankfurt, Weiden, Berlin, Bad Camberg.

INDIA: Bangalore, Calcutta, Chennai, Mumbai, Delhi, Pune, Secunderabad.

OTHERS: Australia: Sydney; Kenya: Nairobi; Japan: Tokyo, Hongkong, Singapore,



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