



## Sonata Software Limited Conference Call

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### **CORPORATE PARTICIPANTS**

**Sanjay Viswanathan**  
Chief Executive Officer & Managing Director

**Srikar Reddy**  
Deputy Managing Director & Chief Operating Officer

**N Venkatraman**  
Head - Strategic Finance and Risk Management

**Sathyanarayana R.**  
Head - Finance and Accounts

**Praveen Kumar D.**  
Company Secretary

**Swati Sengupta**  
Head - Corporate Marketing and Communications

### **CONFERENCE CALL PARTICIPANTS**

**Anshul Sehgal**  
Mumbai

**Sangam Iyer**  
Mumbai

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### **PRESENTATION**

Good morning ladies and gentlemen. I am Vani, the moderator for this conference. Welcome to the conference call of Sonata Software Limited. Mr. Srikar Reddy will be your call leader today. For the duration of the presentation, all participant lines will be in the listen-only mode. After the presentation, the question and answer session will be conducted for all the participants on this call. I now hand over the call to Mr. Srikar Reddy.

Thank you and over to you sir.

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### **Srikar Reddy - Deputy Managing Director & Chief Operating Officer – Sonata Software Limited**

Good morning everybody. This is Srikar Reddy. I am the Chief Operating Officer and Member of the Board of the Company. We have the pleasure of introducing to you Sanjay Vishwanathan, who has just joined us as the Chief Executive Officer and Managing Director. We also have with us Venkatraman who is the Head of Strategic Finance and Risk Management, Sathyanarayana who is the Head of Finance and Accounting, Praveen Kumar our Company Secretary, Swati Sengupta, Head of Corporate Communications.

The purpose of today's call is to really introduce to you Sanjay and so that he can take you through his plans and visions for the company going forward, and give

you a quick update on where we see the current position of the company and where we see the market heading in the immediate future. The objective of this is not to share any financial figures during this call. Hope you understand because we are on a silent period. Thank you very much everybody. I hand over the floor now to Sanjay.

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### **Sanjay Viswanathan – CEO & MD – Sonata Software Limited**

Thank you Srikar. Thank you all for making the time for us. I am definitely looking forward to meeting with many of you in person and hopefully over the next few years, building in platform of solid relationship. Let me start off by giving you a brief background to myself. I essentially come from the outsourcing and off-shoring industry. This is the only industry I know, having spent about two decades. Broadly my career can be split both "buy side" and "sell side", as in "sell side" from a service provider perspective, which is broadly across Infosys and GE / Genpact, and from a client side ("buy side" perspective) when I was most recently a Chief Outsourcing and Offshoring officer at Reed Elsevier Plc. So clearly what I bring to this role is an understanding of how service providers work, what the market landscape is about, what the game changing trends are and also sales and delivery /operational expertise. And combined that with my client side expertise what I bring to the table is the clear understanding of how clients think, what makes them buy, what they buy, who they buy from and how they want to work in partner with service provider firms like us. So hopefully, that expertise and experience along with Srikar who I respect and our senior leadership team like Venkat, Swati and the others will help us transform Sonata to become one of the finest firms in this sector again, and that really is my vision. How we can make Sonata one of the finest firms in this sector. The mandate that has been given to me by our board is quite clear, and it is really around driving growth. So if you look at my expertise, it's around being a growth leader and what I bring to the table here, given my range that I talked to you about, is to catalyze the growth of Sonata along with my colleagues in the company. So very clear mandate the focus is to put Sonata on a growth platform again, identify those growth engines, execute on them flawlessly and make Sonata a growth company. My long term vision and plan for the firm, around the fact that I said I want us to be one of the finest firms in the sector, is built on really three things. This is the firm that will be built on the bed rock of profitable growth, revenues and margin. So growth both in the margin and revenue capacity can only happen when you have the velocity behind it. So that really is the mission that I am looking to embed within Sonata, is the ability for us to have our revenue and margin velocity, therefore to deliver profitable growth. If that is the long term play, there are several things we need to do today for us to be able to deliver on that:

Number one is to transform and grow our Joint Venture in Germany. I think we are one of those few mid tier firms that has the position of being in the Germanic



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region, as we do, and this through a Joint Venture means that we have even better access to growth platforms than the organic route. So clearly one of my first and most important business priorities for our firm is how can we transform our Joint Venture with TUI InfoTec.

The second priority and it not necessarily be in that order. This will all need to be executed simultaneously. The second priority is to build our sales engine. Now the good thing about Sonata is so far we have worked on fostering a co and loyal band of clients. We got a few who I met and have interacted with and am pleased to report that there is a solid relationship and access in these key accounts. The plan now is to build on that (a) How can we deepen and widen our footprint within those clients, but more importantly the second aspect i.e (b) is how we can now leverage our expertise and footprint in those countries and grow new accounts. So we are building as we speak putting our plan together that will help us hire our sales engine both in Europe and North America and therefore over the next few quarters I am hoping to report progress on that front.

The third priority for us is to grow our India business. Now for many of you who have been tracking our stock regularly and consistently know that we have a solid India business, a business that is probably one of the best performing in our peer group, whether you look at it from a return on capital employed, whether you look at it on cash flow perspective, our client penetration, market share or simply growth. The time has come for us to leverage on this platform and take our India business to another level. So we are going to be focusing on how we can deepen and widen our client footprint in India. But also take advantage of an economy that is growing between 7% to 8% a year, by adding our services portfolio, leveraging on the Sonata brand.

The fourth aspect is to look at specific horizontals of strength. Now having been on the client side and having bought services and having been a client of Infosys, Cognizant, TCS and several others, I can say with great degree of confidence that today's clients as they look at outsourcing over the next few years want to work with services specialists and the fortunate thing for us is that we have some very strong services capability. Thanks to what Srikar and his team has built over the years in areas such as Remote Infrastructure Management, Testing, Enterprise Solutions and emerging areas that we are looking to invest in such as Mobility, Cloud and so on. Now these give us a solid foot print for us to build on and therefore what we are doing is building a plan that will allow us to pick our spots take some swings and make an impact over the next few years.

And therefore the fourth priority for me and our business is focusing on those key horizontals where we want to build on. And finally, I would say a critical priority which we are beginning to execute on the short term, which you will see an impact on over the next few quarters, is how we could reduce our cost of operation and improve our margins. Now clearly there is

opportunity for every business to take advantage of these downtimes to become a leaner and a more efficient operation. We have always been an effective operation, what we are now doing is to take our operation to the next level by identifying those pockets that we could leverage and become more efficient. So we are looking at every layer within the organization for delivery and support and as we come out of the next 2-3 quarters, we want to be leaner and more efficient. And therefore those are the 5 big priorities that we are building our blue print on and I am hoping that in the next few weeks, I can come back to you with solid plan in terms of where we are headed in the company.

Having said that there are some head wins that we need to be prepared for, one is the Euro Zone crisis, I mean there is no question that the trepidation that countries have in the Euro zone is fairly significant. It is not just Greece. I was talking to some of our prospective clients in Italy and that is the market that we want to stay away from for sometime because it is a market where even basic bills and hospitals are not being paid and that is an early warning signal in many economies of what would happen next. Then of course there is Spain, so if you just take these three countries or even Portugal that could join them you have got a serious crisis looming in the Euro zone region.

Now, the good thing for us is our strongest market in the Euro Zone is Germany and Germany as we all know is the healthiest person standing in that region. Therefore clearly we want to see what we can do to leverage our Germanic footprint, however, given the contagion in that region we expect that our clients will be holding on to spends over the next few quarters. So I would expect that there are some fairly serious head winds coming to us from that region. The second is the element of currency issues, the fluctuation that we are seeing whether it is the Rupee to the Euro, Rupee to the Dollar or Rupee to the pound, it certainly is going to have some level of impact. I must say, due credit here to Venkat, Sathya and the team for how they have managed their foreign exchange planning as well as hedging. However as we all know there is no one who can hedge for the uncertainties that we faced in the market, therefore there are clearly issues there and we are doing our best to make sure that we can protect our balance sheet. Then of course there is the overall global scenario. The North America as we know is having a serious debt crisis looming at it, Euro Zone I have talked about, Asia is probably the only bright spot and even within that you have got Japan which is going to drag the region down even further. The Australia-New Zealand region is I would say, suspect at best, so really you have got India China as the two markets of growth and as you can imagine we are already in India, therefore you are going to see us accelerate our footprint here. There are of course plans for us to be in China, as we speak we are evaluating it given that we are going to be a late entrant I want to be careful about the spots we pick in that market. So overall I would say with the growth in the global economy being I would say largely restricted, we have some serious constraints to work with and being a good quality tier II company the only way for us to become high performing is for us to



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pick our spots and it is exactly what we are going to do in the current global outlook. What I request you all is to give me time. Clearly I am working in a situation where none of us as CEOs want to be part of i.e., from a global economic standpoint. Having said that I am fortunate to be part of an organization here that has a good platform to build on, a great team, good solid operational capability. What we need is to identify those growth engines, invest in them and execute flawlessly and this is something you will hear from me on a regular basis "Execution". It is not about the strategy. We may go wrong in our strategy now and then but the one thing that you will not see us being faulted on is the execution of it and that is something that I am absolutely committed to do along with my leadership team here.

I know many of you have valued this firm inconsistently and I respect that because after all you value the firm based on what you hear from us. My request to you is to look at our firm differently. This is not a firm to be viewed in its parts because when you look at the parts in this organization whether it be our Joint venture as we reported i.e. with TUI, our India business as we reported and finally our International Services, I can well imagine where you are all inclined to go. My request to you is as you look at us going forward you would see us working much more as an integrated company. This is going to be ONE Sonata, therefore the valuation of this firm must really be pegged against the whole rather than the parts of the company and hopefully over the next few quarters as Srikar, Venkat, the leadership team and myself begin to communicate in a more transparent manner with you, you will see the value of that. I also want to make sure we have a rhythm of our calls going. We will come back to you with exactly what the rhythm is, but be rest assured that apart from our quarterly rhythm I also want to make sure that along with Venkat and Srikar we have a more regular rhythm going with you. This is not just going to be a phone call. I also want to be able to meet with many of you in person. I hope you will make the time and the date for us because after all we are a small stock in the grand scheme of things but hopefully you will find us one of those stocks that will become part of the game changers in the landscape. At this point in time I would like to hand this over to Srikar so that he could cover the domestic and the TUI business.

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### **Srikar Reddy - Deputy Managing Director & Chief Operating Officer – Sonata Software Limited**

A quick update on the short term business outlook as mentioned during our last analyst call after the quarterly results, we see on the international services business there was a flatness of revenue growth. We continue to see that trend, in fact we also see that there are certain deferrals of projects from our customer side. On the margin side we have not yet implemented our HR compensation for the year, so that could have an impact going forward. On the TUI InfoTec as I mentioned in the last call, we see a continuous trend of decreasing revenues with a flat cost based structure and as Sanjay mentioned in his talk just before, that we

will take some time to transform this company before it starts showing the results we expect out of it.

On the India business, again as I mentioned, we are changing our product mix and moving to a services oriented company. We will see some effect of that going forward immediately but again as I mentioned in my last call we will take a few quarters before it actually starts a true transformation and we will see the result in the next few quarters. Thank you very much. I now hand over to Venkat for a more detailed analysis.

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### **N. Venkatraman - Head -Strategic Finance and Risk Management - Sonata Software Limited**

What I will do is I will quickly cover the short-term aspects because I think Sanjay has given you a view of where we are headed in the long term and the investments or the changes that we are likely to make as we progress during the journey. Just to go forward from an investor and analyst perspective we have been showing our financials in three independent business lines which is the International services, the domestic and the TUI JV. Large part of the profits do come from the International services, so if you delve in to that what we are seeing in the short term are certain cost pressures on the HR front, which is again what we had talked about in the last call and what Srikar emphasized on. We should hopefully see stabilization on that front in the next couple of quarters. The cost management steps that have been taken should start yielding results sometime during early December, early January kind of a time frame. On the revenue side, yes, we have had a little bit of a flat growth over the last couple of quarters but the most critical piece is to get that going and which is where Sanjay's mandate clearly is to get the growth engine completely pumped up. As far as our existing business, yes, we have been showing good traction in getting business from our existing customers which has been stable. We get about 44% of our current business from five year old relationships, so our existing pipeline is very good, just that new project sign ups and start up of projects that have been signed are getting delayed. So that is essentially due to the uncertainty that you are seeing outside that people are all trying to play a wait and watch game. On the forex situation, what Sanjay covered is absolutely right, if we knew where we are headed then I guess we could rightfully do what makes maximum financial sense, but given what where we are we follow the normal hedging principal laid out by the board which is we are hedged for 18 months, six quarters forward. Current average rate of realization is about 47.5 which is what we have shared with you. We have covered to an extent of averaging between 75% to 80% for every quarter for the next six quarters, so whatever is open should hopefully give us the upside given the way the Rupee has been moving.

On the general business environment, yes we did highlight the Euro Zone issues, in fact today The Economic Times published a very good article on companies which have got exposure to Euro Zone are getting valued by the markets, and in fact we also thought we would be covered in that.



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On the domestic business front, yes the business model is very robust, just that like Srikar mentioned in the last conference call, we need to get the product mix changed a little to ensure that it is sustainable as we go forward which is what we have been doing and it will take another one or two quarters to stabilize.

On the tax issues, which we have been quite upfront in sharing with you people, things seem to have stabilized. The older issues should hopefully go away in the next couple of years or as we see because it is an industry issue and we continue to fight the battle with the tax authorities on that front. As we go forward, I think the focus is to invest in the existing lines of business, also the new lines which Sanjay talked about and make this a stronger company. Thanks I now hand this over to Sanjay for his last comments and then we will open it up for questions.

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### Sanjay Viswanathan – CEO & MD – Sonata Software Limited

To sum up, I would like to say that Sonata is a company that has the right ingredients in terms of its people, the processes and the clients, for us to make this a great company again. I would like you to repose your faith in us again, give this leadership team a chance, and allow us to execute on it over the next few quarters. We may not have great news to report to you every month or every quarter. There will be certain areas where we will drip, certain areas where we will make mistakes. One thing you will get from us in this call is absolute transparency and integrity and what we want from you is that trust, so that we can build on this quarter on quarter, and that is something that we assure you as a team. On that basis I am happy to open the call for questions.

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### Moderator

Thank you very much Sir. We will now begin the question and answer interactive session for all the participants. Participants who wish to ask questions may please press \* and 1. On pressing \* and 1 participants will get a chance to present their questions on a first-in-line basis. To ask a question please press \* and 1. The first question comes from Mr. Anshul Sehgal from Mumbai. Mr. Anshul you may ask your question now.

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### Anshul Sehgal – Mumbai

Could you explain the pressure on margins that you are seeing in the recent quarters?

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### N. Venkatraman - Head -Strategic Finance and Risk Management - Sonata Software Limited

The pressure on margins essentially is on account of the manpower cost as you know large part of what we earn is distributed as wages, so it is essentially that and in the last couple of quarters we had certain element of other income which is also likely to go away, which will have its impact on the operating margins which we had highlighted in the last calls as well. We had certain write backs and provision write backs, so other than this we should not have any cost pressures.

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### Srikar Reddy - Deputy Managing Director & Chief Operating Officer – Sonata Software Limited

One more point, anticipating the growth we had built up a little bit of buffer, as Venkat mentioned, we are going to start reviewing it closely, so we will take some actions on that so that could be one more reason why the margins are bit lower.

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### Anshul Sehgal – Mumbai

Sorry, I did not get that?

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### Srikar Reddy - Deputy Managing Director & Chief Operating Officer – Sonata Software Limited

Anticipating growth at the beginning of the year or before that, we had started putting some investments into resources so that had led to little bit under utilization, so going forward as Venkat mentioned, we are going to review it, so that could be one reason why the margins were little bit lower.

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### Anshul Sehgal – Mumbai

In terms of pricing of your services, has that been an issue?

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### N. Venkatraman - Head -Strategic Finance and Risk Management - Sonata Software Limited

Pricing we are not seeing any pressures right now, essentially like we said we have to see those huge contracts which I have covered in earlier calls as well. Pricing pressure is typically seen in contracts which are talking about 10 million plus kind of a TCV deals which are three years and four years kind of a deal. Our sweet spot has been between the 1 million to 4 million kind of deal sizes which we have been signing up or which we have reported whenever we have signed up, so at that point they are more concerned about quality of delivery, services, the niche capabilities that we bring to the table kind of a thing. So at that point in time they are not really talking about prices rather.



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### Anshul Sehgal – Mumbai

What one hears is that there is also a vendor consolidation which is impacting the relatively smaller players, is that something of concern to you?

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### Srikar Reddy - Deputy Managing Director & Chief Operating Officer – Sonata Software Limited

No I think this is a standard question now, which has been going on for 12 quarters I think. I do not know whether it is being planted by the big players, but it is very clear that wherever in this space where we co-exist with the big players, we are considered as specialized service provider and customers are today very keen to have a mix of bigger and second tier providers, because as they see the second tiers providers are the guys who are bringing in innovation, new commercial models, we actually do some outcome, output based models. They believe that we are the guys who are actually keeping the bigger guys honest, so if somebody is telling you this is happening we do not believe in it.

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### Anshul Sehgal – Mumbai

In terms of the growth catalyst for the future could you just detail us as to what those will be?

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### Sanjay Viswanathan – CEO & MD – Sonata Software Limited

Sure. I think as I alluded to in terms of the business priorities, clearly our first growth catalyst is going to be around the TUI Joint Venture. Identifying these opportunities within TUI and the Travel related market segment, because as we know that market segment is margin constrained and therefore there is an opportunity for us to help them improve the margins, by lowering the cost of operations when it comes to IT, so clearly that is a growth catalyst for us. The second growth catalyst for us is the India business, so the opportunity for us to leverage on the India platform exists. So we will continue to grow, I mean, clearly we are convinced that this is a market that we want invest in. The third growth catalyst is to take some of our service horizontals whether it is Remote Infrastructure, ADM / Testing services, thirdly our alliance with Microsoft which is extremely strong both in the product and the services side to some of the other clients within Microsoft are all going to be growth engines we are going to focus on.

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### Anshul Sehgal – Mumbai

Any sort of internal targets for say a five year time horizon as to how much you would be looking to grow in CAGR terms?

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### Sanjay Viswanathan – CEO & MD – Sonata Software Limited

I would love to give it to you on this call, however I think if you can give us a little more time we will come back to you with some numbers, because we are in the process of as I said building our growth blue print and we definitely want to come to you all with some clear guidelines of where we want to go.

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### Anshul Sehgal – Mumbai

Alright, thank you.

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### Moderator

The next question is from Sangam Iyer from Mumbai. Mr. Iyer you may ask your question now.

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### Sangam Iyer – Mumbai

Thanks a lot for the opportunity. Sir, in the growth guideline in the previous call you mentioned in terms of how you are looking at identifying the key opportunities in TUI as well as in India, if you could just illustrate a little bit more how in India you are looking to improve the margin, because if you look at it, 78% of our business, the margin profile is very weak as compared to our international business but it is only 2% of the total business?

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### Sanjay Viswanathan – CEO & MD – Sonata Software Limited

Okay let me take the first part of the question and then I will invite Srikar to address it as well. The India business story at this point in time is largely product driven, so clearly we want to be able to leverage that, however try and get in to higher margin products. The other opportunity for us is the services story and clearly we want to see how we can leverage our client relationships to start packaging and selling higher value added services so we can not only drive revenues but also margins.

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### Srikar Reddy - Deputy Managing Director & Chief Operating Officer – Sonata Software Limited

The third model we are really looking at is non-linear transaction based models, and we believe India is right market to do these things, where customers would not pay the kind of charges which we charge our international clients. So we are going to start executing on this, thinking about it. So it is going to be really platform based, transaction based models where we are going to create the platforms and have multiple players to use these platforms. This you will start actually, I mean there is a plan but you will really start seeing it may be six quarters from now when you will



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actually see a slowly scalable platform actually working in the market place. But we are making a fairly decent big bet on non-linear and platform based models for India business.

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### Sangam Iyer – Mumbai

Sir, in terms of the high margin business which is currently at around 22%, how do we expect that business to grow going forward, if I was looking at the presentation post Q1 wherein our million dollar clients or even the contribution from top clients etc., it is kind of getting stagnated for the last few quarters, I mean it is not moving, so what is the initiative that the company is making internally, I understand that cross selling is something that you are trying out but is it easy to replace some other vendor in this kind of a scenario and garner more clients or would there be any other compromise on that front in order to get the clients there?

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### Sanjay Viswanathan – CEO & MD – Sonata Software Limited

Sure, I think one has to really look at it from a client perspective. What we are seeing our key clients tell us is firstly, they are waiting and watching to see how the economy pans out. So we are observing this on almost on a monthly basis to track what the change in spends are going to be from them. Secondly, a lot of our clients today are key clients sitting on piles of cash, so their focus really is inorganic activity from their growth perspective rather than looking at cost perspective. Third is they are looking at deploying some of the cash towards developing new products and services and that is the area where we want to be in with them. So our focus over the next few quarters with our key clients is going to be, and for a moment if you could leave Microsoft out because that is a very different client and I will come to that in a moment. If you look at some of our other key clients, it is going to be very much around identifying those pockets of opportunity within those clients, so that we can deepen and broaden our relationships and footprint, therefore we can tap in to new revenue streams. With Microsoft, why I said is a different story, is because a lot of our growth today has come from within Microsoft, now what we want to do is leverage a world class delivery capability at Microsoft to partner with Microsoft and go to Microsoft's client i.e. the sell with strategy and Microsoft is very keen to take us to a lot of their mid-sized clients, where they see Sonata as just the right sort of partner, so therefore that is the difference that you are going to see in the way we mine our client businesses to drive growth. Having said that, given the unpredictability in the market, I would like you to give us anywhere between four and six quarters before you start seeing revenue impact.

### Sangam Iyer – Mumbai

On a steady state basis, say in four to six quarters down the line when we see our initiatives fructifying what is the kind of margin profile on a segmented basis for the three segments would you be internally targeting?

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### N. Venkatraman - Head -Strategic Finance and Risk Management - Sonata Software Limited

This is something, which will have to be taken as part of the blueprint which Sanjay mentioned, but to just give you an indication of what we are trying to achieve. On the international business we want to touch EBITDA levels of 20%-22% ,with respect to the TUI Joint Venture we had touched an EBITDA level of 10% which is what we would like to head back to in fact given all the cost management exercises we have put in place there, we should be able to target for that number but the real key would be to increase more business from the TUI world to the Joint Venture and build it as part of the transformation plan that we have in place. As far as domestic business is concerned, that is where I think your focus is on when you say margin as a percentage, there are two lines inside the domestic business that is products and services, like Srikar mentioned, we continue to focus on the products but we will change the mix there a little bit so that we are able to leverage on the higher value add sell products. On the services side we will try to build these non-linear growth models which is essentially the platform business that we are talking about. We will have to work on the platform base as well with our existing principals but we will also look out for new principals and new products to actually offer to the market and typically the margins on the platform based business model are much higher than what you would typically see in the normal services front. So we are looking as to how to increase the blended EBITDA to somewhere between 9% to 10%, which is what our target is as far as the India business is concerned. The products business would be at an EBITDA of about 4%, the services business would be at an EBITDA of let us say 10% to 15% India business and non-linear platform based business would be EBITDA range of anything upwards of 30% to 40%, so that is how we are trying to get the mix together to see if we can stabilize on an internal target of 10% EBITDA on the India business as well.

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### Sangam Iyer – Mumbai

Sir, when we say the product business the margins at around 4% I mean are we writing off all the product development expenses in the same quarter itself or what policy internally?



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### **N. Venkatraman - Head -Strategic Finance and Risk Management - Sonata Software Limited**

Mr. Sangam, what I will tell you about product business is we are in the product resale business. We represent top 14 companies in India as their channel partners and partners, so we buy these products and sell these products to all the 1000 top customers in India, so you can name a customer in the Business Standard 1000 list or ET 1000 list and they would be our customer, that is what we are talking about, so here we are not doing any product development of our own at all.

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### **Sangam Iyer – Mumbai**

Going forward when you said that for the nonlinear platforms etc., I just wanted to understand when you develop the platforms the expenditures over there that would be for the know how etc., or would it be kind of expensed out or is it like over a period of certain five years or something wherein you would be writing off those kind of R&D expenditures.

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### **Srikar Reddy - Deputy Managing Director & Chief Operating Officer – Sonata Software Limited**

It is a good question. I think we are looking at both options today. We may not build all the platforms ourselves but we will be working with people who have these platforms who do not have scale, who do not have market reach, who do not have the integration capability etc., etc., so most probably it will be more of a partnership basis, I doubt very much we are going to build the platforms ourselves.

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### **Sangam Iyer – Mumbai**

Sir finally, there was this mention of this tax refund that was expected from the government and you said that during the last call, in a couple of months time may be we might get some more ideas and when we might get that some Rs.80 crores or something, so where are we currently on that front?

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### **N. Venkatraman - Head -Strategic Finance and Risk Management - Sonata Software Limited**

The total amount which is stuck over various assessment years in the domestic business is about Rs. 64 crores and we have to go year by year and get the refund. We are very close to getting the first refund but we are keeping our fingers crossed because you know how the status of litigation in the country is. Some untoward judgment by some court in another state would have its cascading effect on us as well, but we are pretty confident as we stand to get the refund in the next quarter or thereafter.

At the end of the day, domestic business just to sum up the key performance indicator that is not really the

EBITDA, it is return on capital employed. We effectively work on a negative working capital in that business and if the working capital has actually gone to positive just on account of this tax refund, so it is in our best interest to get that money released in to the business so that we can then invest in the platform based approach that we are talking about, taking on possibly lesser known principals and other products on to our product lines.

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### **Sangam Iyer – Mumbai**

On the yield that we are generating currently on our 160 odd crores of cash that we are holding?

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### **N. Venkatraman - Head -Strategic Finance and Risk Management - Sonata Software Limited**

The total Rs.160 crores, large part of it is with our JV, the JV partner holds it and he has invested it in money market securities. As far as we are concerned we have invested in fixed deposits. We deploy it internally with the domestic business, so what we do is instead of letting the domestic business which is run through a separate company Sonata Information Technology Limited, we do an ICD to our own 100% subsidiary and make returns.

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### **Sangam Iyer – Mumbai**

Rs.160 crores is your component of the total cash right or does it also include your JV partner's cash component in it?

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### **N. Venkatraman - Head -Strategic Finance and Risk Management - Sonata Software Limited**

About Rs.40 crores to Rs.45 crores is the JV partner and the balance is on our books.

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### **Sangam Iyer – Mumbai**

So Rs.120 crores is in your books?

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### **N. Venkatraman - Head -Strategic Finance and Risk Management - Sonata Software Limited**

About Rs.110 to Rs.120 crores is in our books.

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### **Sangam Iyer – Mumbai**

Sir, the tax rate that we should be expecting going forward for this year and next year onwards?



## Sonata Software Limited Conference Call

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**N. Venkatraman - Head -Strategic Finance and Risk Management - Sonata Software Limited**

Average ATR on our International service has been about 12% in the past but with all the STPI benefits going and we also have an SEZ unit in Bangalore so we are consolidating, all our expansion is taking place in that unit, so that way we are trying to mitigate the tax exposure but nevertheless, that said, we should be heading towards an ATR of about 19% to 20%. That is in line with the industry.

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**Sangam Iyer – Mumbai**

Sir, when are we going to report the quarterly numbers this time around?

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**N. Venkatraman - Head -Strategic Finance and Risk Management - Sonata Software Limited**

We have our board meeting scheduled for the first week of November, so that is also one of the reasons we had to have this call much before, because with the change happening, this time the board meeting just got pushed to November first week because we could not get all the calendars synced up. November first week would be the board meeting and we would have the conference call immediately after that.

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**Sangam Iyer – Mumbai**

Thanks a lot for that Sir.

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**Moderator**

At this moment there are no further questions from the participants. I would now hand over the call proceedings to Mr. Reddy.

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**Srikar Reddy - Deputy Managing Director & Chief Operating Officer – Sonata Software Limited**

Thank you very much for attending this call and I would now request Swati to close the call.

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**Swati**

Hi, this is Swati here, I thank you all for being on the call. This is going to be part of our regular initiative to be in touch with all of you. If you would like to get in touch with us, if you have further queries, please feel free to write in. Our e-mail address is [investor@sonata-software.com](mailto:investor@sonata-software.com). Thank you once again and we will now end the call.

**Moderator**

Ladies and Gentlemen, this concludes the call. You may now disconnect your lines. Thank you for connecting to conference services from Airtel. Have a pleasant day.