

5th August, 2025

National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex, Mumbai
Kind Attn: Manager, Listing Department
Stock Code – SONATSOFTW

BSE Limited
P.J. Towers, Dalal Street, Mumbai
Kind Attn: Manager, Listing Department
Stock Code - 532221

Dear Sirs/Madam,

SUB: TRANSCRIPT OF ANALYSTS/INVESTORS CALL

**REF: REGULATION 46(2)(OA) OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS)
REGULATIONS, 2015**

Further to our disclosures dated 23rd July, 2025 and 30th July, 2025, please find enclosed Transcript of Analyst/Investor call of the Company held on 30th July, 2025. The same is also made available on the website of the Company at <https://www.sonata-software.com/about-us/investor-relations>.

We request you to kindly take the same on record.

Thanking you,

Yours faithfully,

For Sonata Software Limited

Mangal Kulkarni

Company Secretary, Compliance Officer and Head Legal

Encl.: As above

“Sonata Software Limited Q1 FY-26 Earnings Conference Call”

July 30, 2025

**MANAGEMENT: MR. SAMIR DHIR – MANAGING DIRECTOR AND CHIEF
EXECUTIVE OFFICER, SONATA SOFTWARE LIMITED
MR. JAGANNATHAN C. N. – CHIEF FINANCIAL
OFFICER, SONATA SOFTWARE LIMITED
MR. SUJIT MOHANTY – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER; SITL BUSINESS,
MR. SURESH H. P. – CHIEF DELIVERY OFFICER,
SONATA SOFTWARE LIMITED
MR. RAJSEKHAR DATTA ROY – CHIEF TECHNOLOGY
OFFICER, SONATA SOFTWARE LIMITED
MS. SHILPA KOLHATKAR – DEPUTY CHIEF FINANCIAL
OFFICER, SONATA SOFTWARE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Sonata Software Earnings Conference Call for the Q1 of FY '26, ended June 30, 2025.

We have with us on the call today, Samir Dhir – MD and CEO, Jagannathan C. N. – Chief Financial Officer. We also have our extended Leadership Team on the call, namely Sujit Mohanty – MD and CEO, SITL Business, Suresh HP – CDO, Rajsekhar Datta Roy – CTO, and Shilpa Kolhatkar – Deputy CFO.

Please note that all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after Management's "Opening Remarks." Should you need assistance during the conference call, please raise your hand from the participant tab on the screen. While asking questions request you to please identify yourself and your company. Please note this conference is being recorded.

Please note that during this call, Management may make certain forward-looking statements that involve risks, assumptions, and are based on information currently available to Management. Sonata does not undertake any obligation to update any such forward-looking statements that may be made in course of this call. We advise participants to exercise discretion while making any investment decisions.

We will begin with "Opening Remarks" from CEO, followed by a "Business Overview" and "Financial Highlights." After that, we will open the floor for Q&A session.

With that, I now hand over the call to Samir for his "Opening Remarks." Thank you, and over to you, sir.

Samir Dhir: Thank you, moderator. Welcome, and thank you for joining us today. We value your time and appreciate your continued trust and support.

In today's session, we will walk you through Sonata's overall strategy, the progress we have made over the past few quarters, our forward-looking road map, and our financial performance for Q1 FY '26, which concluded on June 30, 2025. We are excited to share the strong momentum we are building as we execute on our long-term vision and growth aspirations.

I will begin with an update on our strategic priorities and objectives and then take you through the highlights of our Q1 FY '26 performance.

Let me start with an update on our "Strategy & Goals":

At Sonata, our ambition is clear to be a differentiated modernization engineering firm, powered by our proprietary Platformation framework, AI-driven solutions, and modern AI-powered accelerators.

We are executing at scale across 3 core strategic dimensions. Number 1, our 4 focused verticals, which is Health Care, Life Sciences; Banking, Financial Services, and Insurance; Retail Manufacturing and Distribution; and Technology, Media, and Telecom. Second, we are focused on 5 geographies. This is North America, U.K., Europe, India, and Australia. And third, we focused on modernization engineering leadership with sustained investments in our IP, proprietary lightning tools, and robust offerings which are enabling continuous modernization for our clients, building digital AI and data platforms that deliver transformative value.

Looking ahead, our aspiration over the next 3 to 5 years is to be a consistent top quartile growth company, helping clients reimagine their business through modernization. We see significant opportunity at the intersection of AI and modernization engineering, which we believe is a pathway to sustainable industry-leading growth.

Our recent momentum has been driven by strategic bets we have made. Number 1, consistently securing large deals and large accounts. Number 2, expanding significantly in BFSI and HLS, Healthcare Life Sciences over the last few years. Number 3, deepening capabilities in data, AI, and modernization engineering, backed by our scaling talent across sales, delivery, HR, and finance operations to support our growth ambitions.

This progress has come despite significant headwinds, which include ongoing pressures in Retail and Manufacturing, global Retail and Manufacturing, budget rationalizations by our large High-Tech and Banking clients. And SITL continued impact of IT and ITES business, and potentially Microsoft going direct for large clients and the broader macroeconomic slowdown.

Let me provide you an update on these strategy and goals, how we are faring:

Our success is anchored on these 3 pillars, focused on large deals. In Q1, we won 3 large deals, underscoring our growing relevance and transformation impact we created for our clients by leveraging AI.

Sharp execution across strategic verticals and geographies. Through our partnership with Microsoft, AWS, and other ecosystem players, we opened 7 new enterprise grade logos in Q1, scaling Sonata for the next phase of growth, which is backed by our continuous investments in AI.

In terms of large deals:

They remain a cornerstone of our growth strategy with approximately 45% of our pipeline comprising of large and strategic opportunities.

I am pleased to share 3 marquee wins in Q1, which underscore our AI differentiation in the industry:

- First win is from a leading BFSI client in lending, who have awarded Sonata a multiyear contract to modernize the core lending platform and cloud and infra model transformation. The engagement focuses on enhancing customer experience, reducing technical debt, and driving AI enablement with data-driven insights.
- The second large deal is from a global TMT leader offering software and cloud services, has renewed and expanded their partnership with Sonata with additional budgets during the course of the year. The engagement includes continued engagement for Dynamics, AI, and data.
- The third win is for a BFSI client to consolidate and modernize their data platform support and core application development.

Across these wins, Sonata differentiated through its AI-led transformation approach, integrating modern engineering practices and platform-driven data modernization to create real outcome-driven value for our clients.

With that, let me provide you an update on the key AI wins during the course of the quarter:

These are significant wins. They are not large, but they are very strategic for our go-forward build-out of Sonata.

- The first win on AI is with a global agriculture leader has awarded Sonata a multi-year engagement to establish an AI co-innovation lab. The initiative will drive AI product development for their enterprise platform, including custom copilots tailored for their trading desk.
- The second win we have secured with a large Europe-based client to transform their digital acquisition strategy from search engine optimization to answer engine optimization. The solution will shift customer experience from rank search listings to position 0.0 answers, delivering a single highly relevant response, boosting engagement and conversion.

With that, let me provide an update on the verticals and geos and SITL:

We remain confident on our investment vertical, which is Health Care, Life Sciences and Banking Financial Services. We are on track to scale to \$250 million in revenue over the next 3 to 5 years' time for these 2 verticals combined. Together, these 2 verticals now contribute to over 30% of our total revenue, a sharp increase from 13% just 3 years ago, a clear reflection of our strategic focus and disciplined execution.

On SITL front:

We are making strong progress across our 4 strategic growths, new partnerships and wins with AWS, Google, and Oracle, scaling our security operations center for India-based clients,

accelerating growth through Microsoft SMC channel, winning large integrated SI deals that combine platform engineering and services. These strategic bids for SITL are helping us build a more diversified, resilient, and future-ready business.

With that, let me provide an update on our capabilities and talent:

For AI, we expect AI-enabled services to contribute 20% of Sonata's revenue over the next 3 years, reflecting our strong market traction and focused execution.

We are actively pursuing AI opportunities across 100-plus clients, helping them unlock operational efficiencies, enhance customer experience, and transform their business models through AI innovation. AI is deeply embedded our strategy and operations. We are driving momentum across 3 key dimensions, which is Engineering, Industry Solutions, and Internal Operations.

Let me provide an update on these 3 dimensions of AI:

On AI-led engineering through our proprietary harmony.ai workbench, we are embedding AI into client delivery and measurable outcomes. IntelliQA automated platform for test case generation is helping our clients improve both speed and quality. We delivered solutions across BFSI, Retail and High-Tech clients across the globe.

Industry differentiation through focus IP, we continue to lead with platform-led agentic AI offerings tailored for industry context. We launched AgentBridge recently, making Sonata one of the first mid-tier firms with enterprise-grade agentic AI workflows. We are seeing strong momentum in customer service, decision automation and data enrichment with clients increasingly co-innovating with us.

We are on our way to become an AI-first enterprise. We are driving AI adoption within Sonata as well. We rolled out Sonata GPT for our HR and support companion for internal functions. We have launched bots for policy access and internal automation queries and developer productivity tools.

In terms of AI partnerships, we are cementing our position at the forefront of enterprise AI through meaningful partnerships. Wharton AI & Analytics Initiative. Sonata is a thought leadership partner with Wharton, collaborating on the next-gen agentic AI research and governance.

Locally in India, we have formed a partnership with IISc, advancing our credibility in deep tech, AI innovation and applied research. Our AI-first strategy is core for our Sonata transformation as we move forward. We are really excited about the road ahead on AI for us.

With that, let me provide an update on talent and leadership capability:

In terms of talent and workforce metrics, our active headcount increased to 6,859, up from 6,810 in Q1 FY '25. Our LTM attrition is at 16%. Our gender diversity remains strong at 31%. Despite challenging macroeconomic conditions, we remain committed to our future-focused talent investments and support our growth ambitions.

We have continued to strengthen our sales leadership. We recently hired Head of Retail and Manufacturing vertical in the U.S. and also Head of BFSI vertical in the U.S. Upskilling through Sonata University that continues to power our upskilling agenda with a focus on AI readiness, 93.5% of our workforce is now trained on AI, reflecting our commitment to building an AI-ready organization.

With that, let me provide an update on the industry recognition we got in the quarter:

We were named among the “ET Best Organization to Work” for in 2025 in Q1. In addition, we featured in Marksmen Daily as the “Most Preferred Workplace” for 2025-'26. We also were rated by HFS Research, they ranked us among the “Fastest 5 Service Provider” by revenue growth for Q1 2025.

Despite the macroeconomic conditions, we are implementing our annual compensation plans, revision plans for our team members globally. The process starts in the current quarter, which is Q2. We continue to invest in our talent through our leading people engagement and learning and development initiatives.

With that, let me provide an update on Q1 FY '26 performance:

Before I get into the numbers, let me talk about the tailwinds and the headwinds we are seeing **in the business:**

In terms of tailwinds during the quarter, we benefited from 3 growth drivers:

#1. We announced a large deal in April timeframe for our TMT client. That is now nearly ramping up or ramped up and that expanded our growth during the course of the quarter.

Our continued strength in Healthcare, Life Sciences and BFSI is continuing to help us gain market share in these 2 verticals. And our strong performance in Data and AI-led deal wins is reflecting our strong growth demand environment. The headwinds impacting our performance, we are navigating through some challenges, specifically around global softness in Retail Manufacturing and distribution after the tariffs were announced and with client uncertainty driven by those tariffs and regulatory changes in this vertical.

#2. Two of our large clients, BFSI client and High-Tech client are seeing budget pressures and cost control pressures right now. So, this discretionary spend is under pressure there.

#3. And lastly, slowdown in IT and ITES sector in SITL, including potential risk associated with a couple of large accounts where the partner wants to go direct engagement model with our customers.

With that, let me get to the numbers:

International Services business, our revenue grew 0.6% quarter-on-quarter, reflecting resilience amid mixed market conditions. Order bookings stood at \$105 million, representing 1.28 book-to-bill ratio.

We secured 3 large deals in Q1. The number of clients with more than \$10 million annual run rate is now 7. AI-led order booking grew significantly from previous quarter. Our pipeline for AI is now nearly about \$46 million in Q1.

In terms of profitability and delivery:

Our EBITDA improved marginally to 16.6%, up from 16.5% in the prior quarter. The utilization remained stable at around 86.6%. SITL, the gross contribution declined 12.6% quarter-on-quarter, largely due to IT and ITES sector softness.

In summary:

Solar delivered a resilient performance in Q1 FY '26 with 0.6% growth in international services and marginal improvement in EBITDA. We secured 3 large deals, grew our AI-led order booking, and now have 7 new clients. And in addition, we have 7 clients with more than \$10 million run rate.

Our long-term ambition to be a differentiated modernization engineering firm, powered by AI and modern technologies continues to drive momentum. The key growth drivers continue to be TMT, BFSI Healthcare and our large deals momentum. The headwinds continue to be from Retail Manufacturing and select large clients of Sonata.

With that let me thank all the Sonata teams globally for their dedication and we remain confident in delivering long-term value to our clients, partners, and shareholders. Their efforts are the foundation of our progress and our future success.

With that, let me hand it over to Jagan to walk you through our financial performance. Jagan.

Jagannathan C. N.:

Thank you, Samir, for the overview. Good morning, good afternoon, good evening, everyone.

Let me walk you through our financial performance for the quarter ending 30 June 2025:

First, starting with the international services:

International Services, in Q1 2026, USD reported revenue of \$81.8 million, a growth of 0.6% quarter-on-quarter, and a degrowth of 1.1% year-on-year. In constant currency terms, it represents a degrowth of 0.9% quarter-on-quarter and 2.4% year-on-year.

Rupee revenue stood at INR 699.9 crores showing a degrowth of 0.3% quarter-on-quarter and growth of 1.8% year-on-year. EBITDA for the Q1 '26 stood at 16.6%, which was a small improvement of 10 bps compared to Q4.

Q1 reported PAT stood at INR 70.7 crores against Q4 PAT of INR 62.3 crores. The ROCE and RONW for the quarter remained at 14.7% and 20.9%, respectively.

Our DSO for Q1, international business, is reported at 62 days.

To update, on Quant about the performance of Quant and the earnout payment, Quant team has exceeded the original estimated performance, and we have signed a new contract incremental performance obligation and rolled over our revised estimate to the new contract.

Now let me provide an update on domestic business:

Domestic business revenue for Q1 stood at INR 2,274.7 crores, a growth of 18.6% quarter-on-quarter and 23% year-on-year. Gross contribution for Q1 stood at INR 68.5 crores, which was a degrowth of 12.6% quarter-on-quarter and a flat year-on-year.

PAT for Q1 '26 stood at INR 38.6 crores against INR 45.2 crores in Q4 '25 with a degrowth of 14.6% quarter-on-quarter, and degrowth of 4.6% year-on-year.

DSO for Q1 FY '26 is 63 days as compared to 43 days in Q4 '25. This has a seasonal impact for this quarter. Last year same period also the DSO was 65 days. And also because of the nature of business, it's a little change is there, the billing happened towards the end of the quarter, which also led to the incremental DSO in this quarter. The ROCE and RONW for the quarter stood at 33.6% and 32.5%, respectively.

On the consolidated business:

The revenue stood at INR 2,965.2 crores, a growth of 13.3% quarter-on-quarter and 17.3% year-on-year. PAT before exceptional items, the consolidated business stood at INR 109.3 crores against INR 107.5 crores in Q4 '25, reflecting a growth of 1.7% quarter-on-quarter and 3.5% year-on-year.

The consolidated EPS for Q1 was INR 3.94 per share. It has increased by 1.8% quarter-on-quarter. The overall consolidated ROCE and RONW stood at 18.5% and 24%, respectively.

A quick update on cash flow:

Cash and cash equivalents stood at INR 600 crores at the end of Q1 '26 against INR 707 crores in Q4. This temporary dip is due to final tranche payment of Quant earnout and also incremental loan repayment instalment in this quarter.

Quarter 1 '26, net cash balance stood at negative INR 62.5 crores. And we have also taken an additional loan of \$35 million during this quarter for helping us to pay the Quant earnout.

I would like to update you on this RBI issue on which we were working for a long time:

This issue has been resolved. This will now help us to move the money between the Sonata entities, helping us to gather the investment required for the growth of the business in the coming days.

Company has declared its first interim dividend of INR 1.25 per share and company expects to pay quarterly interim dividend from this year. Update on our operating metrics, business operating performance.

Total headcount moved from 6,810 in Q4 to 6,859 by end of Q1 '26. Our attrition for the quarter looks at 16%. The on-site offshore revenue mix was 47:53 in Q1, compared to 51:49 in Q4. Utilization is 86.6% in this quarter, which is a marginal drop compared to Q4.

We have added 7 new customers in Q1. Top 10 clients contributed a revenue share of 56% this quarter, compared to 61% last quarter. Number of clients with more than \$5 million run rate of revenue increased to 13 in Q1 '26 as against 11 in Q4 '25. Q1 order book stood at \$105 million with a book-to-bill ratio of 1.08x.

In summary:

We remain confident in our long-term strategy and committed to drive sustainable growth and shareholder value.

Thank you for this opportunity for us. With this, I will hand over the call to moderator for question-and answer.

Moderator:

Thank you very much sir. We will now begin with the question-and-answer session. The first question is from the line of Praveen Kumar from Equitas Capital Advisors. Please go ahead.

Praveen Kumar:

Yes. Hi. Thanks for the opportunity. I had a couple of questions. The first one was that I think over the last few quarters, given the increasing uncertainties in the international business, you have stayed away from the guidance of a concrete number and shifted more towards saying that we will keep top quartile growth kind of scenario, right?

So, just wanted to understand the thought process behind this, that on one hand, you have been recording robust deal wins, right? But on the other hand, I understand that you are facing pressure from some of the top customers. So, just wanted to understand the thought process that at what point of time would you be comfortable giving a more concrete kind of guidance?

Samir Dhir:

Yes, Praveen. Hi, this is Samir, let me take that. I think you are right. Like I said earlier, we have tailwinds and headwinds. The tailwind continues to be our large deal win and the tailwinds continue to be our growth in Health Care and Banking. But we also have headwinds much like with the industry. We are seeing continued pressure from Retail Manufacturing clients and also 2 of our large clients are under discretionary budget cut significantly. So, the large deal wins end up offsetting the run-off we see from some of these clients and the Retail Manufacturing industry.

In the past, we never gave guidance. I think last year was the first time we gave a guidance for 2 quarters because a variety of reasons. But I don't think we plan to give guidance, forward-looking guidance.

Our vision remains and our strategy remains clear that as we execute forward, we want to be in the top quartile performance. If you take a look at the mid-tier segment, there are about 20 companies. So, we think we will be in the top 5 or 6 from a growth rate perspective.

In some quarters, we will make it, some quarters we will not make it. We are not consistent there right now, our objective is to keep working towards consistently staying at top quartile is absolutely.

Praveen Kumar:

I understand. In the previous quarter, you had said that in terms of the large client ramp down, you said that we should be seeing probably the end of it, and maybe even the largest client with whom we had issues should come back to growth maybe from Q2 kind of a timeframe. So, any update on that? Are we still maintaining that? Or are there further challenges you see?

Samir Dhir:

So, there are 2 large clients where we have softness right now going on. The High-Tech client, their budget fiscal starts in 1 July. So, they are just finishing up their budgets. The budgets are still not rolled out. So, I think later this quarter, we will get more clarity as to how we will catch some additional budgets to get back on growth. Right now, the budgets are still getting rolled out, so they have not done the process. And for the large Banking client, we continue to see some headwinds there as well.

I think we will have more clarity in the second half of this quarter. And when we can get back in October, November time frame, we will provide more update. But right now, we are just cautiously watching. They definitely have some budgetary pressures, both these large clients.

Praveen Kumar:

I understand. And in terms of the challenges from Microsoft going direct in the domestic part of the business, can you give us some further updates on that? Has the thought process evolved on

that? Has Microsoft got some traction on that? If you could give us some kind of an update on that.

Jagannathan C. N.: We have not yet got an update from them because this is a broad global decision for them. And in the implementation, we have not yet got the final decision from them. We may have impact for one of the largest customers in this year, but the decision is still pending.

However, Samir has articulated about what are the other things we are doing to manage the risk. We are prepared for whatever changes comes up. There can be a short-term impact, but we will try to have our risk management steps will help us to catch up in the medium term.

Praveen Kumar: I understand. But when you say a short-term impact, internally, through these various mitigating measures, including approaching other larger tech players, are you looking at an impact of a few quarters in terms of the gross contribution? Or what are we looking at? Internally, what is...

Jagannathan C. N.: Praveen, it's a good question, but I don't have an answer for it now. Because it depends on where we land, what happens in this. One end of it is completely become zero. The other end is we get back the deals completely, that lies is somewhere in between. We have to wait and watch what happens in this, then only we will be able to give a view about where we land.

Praveen Kumar: I understand. But in terms of what we were providing, in terms of going direct versus going through you, you would have a clear idea of what you are providing. I am sure there have been conversations with these customers, and we would have an assessment of whether they are likely to go direct, right?

Jagannathan C. N.: Still decision is pending from them, both from customers as well as from the partner. We are still discussing it with them. If the decision is there, I would have given it. There is no reason for me to not give it. The decision is still pending. It is still work-in-progress, and nothing has been decided till date.

Praveen Kumar: I understand. Thanks for the response.

Moderator: The next question is from the line of Asis Das from Mirae Asset Capital Market. Please go ahead.

Asis Kumar Das: Hi. Thank you for the opportunity. Question is on the BFS vertical. So, though you mentioned that one of your top clients in Banking vertical is facing some issues. But mostly what I understand that in Q4, the decline in the BFS vertical was due to the seasonality in the Quant, and it usually bounces back. So, could you just let us know like how the Quant account has done in Q1? And what we are expecting from the BFS vertical from next quarter onwards because that is one which usually drives the growth. So, just more view on that BFS vertical.

Samir Dhir: Yes. So, I think overall, we are quite happy with the progress we have made in the last several quarters on BFSI vertical. I think we just announced one large deal as well in the BFSI vertical

with another Banking client. So, I think the overall progress on the Banking side is reasonably good. This one large client of banking, which is the largest client of Banking for us, has had challenges. They had a seasonal impact first in our Q4 quarter and then an ongoing budgetary pressures that we have seen going into Q1 and even continue into Q2.

So, we are watching the situation at this point in time. We will keep you updated. But in general, the Banking industry has done well, but because the large client in the Banking sector for us, we are just watching that, and that's why we just wanted to notify you that we are seeing pressure come through on the Banking client.

Asis Kumar Das: So, we are expecting growth from next quarter onwards? Or do you see that the softness would continue in the Banking vertical?

Samir Dhir: I think we are just waiting for more clarity from this client right now, because especially this particular client, they have been on a budget shrinkage for the last 2 quarters. As we move forward, we will probably learn more and we will update you. But at this point in time, we don't have a line of sight as to how the budget situation evolves for Q2 and our Q3 and Q4. I think that's something that we are just working with them at this point. They have had changes. They have had budget pressures going on internally. So, we are just waiting and watching right now as to how they want to do the discretion spend in the coming part of the year.

Asis Kumar Das: Okay. So, another vertical like TMT. So, we won a large deal and that ramped up. So, we see some sequential growth in the TMT vertical. But last quarter, I think we mentioned that the more growth, the deal would be fully ramped up in Q2. So, how is the progress? Are we expecting more growth in the TMT vertical in Q2? That's one.

And second, HLS vertical, we saw the growth. What is the reason for that?

Samir Dhir: Yes. So, let me take the second part first, and I will let Jagan answer the first part. So, in Health Care, our growth is primarily driven to understand it in 2, 3 dimensions. So, one, we have made quite a lot of progress in the Pharma side or Pharmacy side of the business. The Pharma side of the business. I think we have seen new logos open up. We have been able to disintermediate and dislodge the existing vendor system, and that's largely on the Data and AI space. So, we are very enthused about the progress we have made on the Health Care side of the equation on the Pharma side.

On the Health Tech side as well, we have been really building platforms for them using modern technologies, modern engineering, and AI again. So, I think we have made, in general, quite a lot of progress on both health tech side as well as the Pharma side of the Health Care, largely in the Data and AI space, enabling this growth.

To your first question, sorry, can you just repeat the first part, I forgot. Can you just repeat the first part of your question?

Asis Kumar Das: Yes. My question is on the TMT. So, we won a large deal in the TMT vertical, and I understood that last time you mentioned that some of the revenue would come in Q1, but the deal would be fully ramped up in Q2. So, we will see a strong growth in TMT vertical from Q2 onwards if I remember correctly. So, I want to understand that the growth momentum would remain very strong in Q2 in the TMT.

Samir Dhir: Yes. So, I think the large deal that we won, I think it's predominantly ramped up right now. I think in Q2, we will see a large chunk of it already there. There are some parts which will probably trickle into Q3, but a large chunk of it is getting ramped up in the current quarter. As far as the deal that we announced in the April timeframe, if that's your question.

The other deals that we are pursuing in TMT as well, hopefully as we close them out that will continue to drive growth. In general, if you keep a single large account, we have had pressure and headwinds in the last 3, 4 quarters, if you keep that aside, in general, we are pretty optimistic about the growth pattern in the TMT vertical.

Asis Kumar Das: Okay. And just on the TMT vertical, I just had another question. In your presentation, you earlier mentioned about the deep deal pipeline in Fabric and Dynamics. And how those deal pipelines are converting to the deal, and those TCVs, also just give us some more color on how those TCVs are converting into the revenue. So, how your relationship with the large customer in the TMT vertical is progressing on those areas.

Samir Dhir: Yes. So, I think there are 2 parts of this question. So, as far as sell with the large tech customer is concerned, I think we are making reasonably good progress. Of course, the deal cycles are elongated right now. The deals that we are closing in 2 quarters now are probably closing in 3 quarters, but the pipeline is pretty robust. So, we are continuing to make progress on the sell with side.

When we sell along with our technology partner, I think we are making good progress on Dynamics as well as the Power Apps, Power platform side with an exception of Retail Manufacturing. So, Retail Manufacturing in general is soft, and it continues to be soft for us in the partnership ecosystem for this as well. But if you back out Retail Manufacturing vertical, I think in general, we have made progress with the partner as far as sell with is concerned.

Asis Kumar Das: Okay. Got it. Thank you so much for taking my questions.

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

Amit Chandra: Yes. Thanks for the opportunity. So, my question is on continuation to the TMT vertical. So, is it right to assume that most of the incremental revenue that we are seeing on the TMT is coming from the large deal ramp-up? And if I see Dynamics that has been on a declining phase and about X of the large deal, and obviously the TMT vertical. And also, in terms of the deals that we have

announced, if I see the TCV number that we report the book-to-bill, that is indicating a flat Y-o-Y kind of a TCV number. So, how to read that? So, this is the first question.

Samir Dhir:

Yes. So, like I said, the TMT large deal that we announced in April is nearly ramped up. And that has really helped us offset some of the headwinds from Retail Manufacturing vertical and the largest tech customer. I think that's really how this has played out for us. But the deal that is pretty much, I would say, about 70%, 80% fully ramped up at this point in time.

And I think there are more opportunities in TMT vertical. So, we are generally speaking, quite optimistic about it. But the dynamics part to the question that we just answered, I think if you back out the Retail part of the dynamics that has really dragged us. Historically, Retail was about 40%, 40%, 45% of the business, which is now close to about 30% of business, because Retail has been on the decline for us. If you back that out, we are making good progress in Dynamics, but with the whole picture of Retail included, it is under pressure right now for Dynamics business.

Amit Chandra:

Okay. And sir, secondly, on the BFSI vertical, obviously, you said that there is a specific client issue and headwind there. But if I see the last 2 quarters, the BFSI revenue is down by around 35%, 36%. And also you mentioned that I assume that this client is from the Quant acquisition. And in terms of the renewed earnout deal that we had with Quant, that assumes that the Quant targets are being met. So, how to read this? On one side, the top client for Quant is declining; and on one side, we are renewing the earnouts target for Quant if you can explain that.

Jagannathan C. N.:

Yes. So, on the Quant earnout, what has happened up to calendar year '24, which was as per the original agreement, they have exceeded the target whatever we have agreed for. We have renewed the agreement for 3 more years with the incremental target, and whatever is payable, the incremental target has been met.

Having said this, you were talking about the BFSI customer. Yes, there's some budgetary pressure with this BFSI customer. We are waiting for more clarity and more opportunities. Opportunities are continuing to exist. We will focus on leveraging this opportunity. We have to wait and see. Maybe in a quarter or 2, we will come to know where we are standing on that.

But having said that, they are not one customer, there are many other customers out there. We are waiting for growth to resume for that.

Amit Chandra:

So, Jagan, if you can share what is the earnouts and how it will be placed over the next 2, 3 years? And what are the growth estimates in terms of targets that we have for the Quant earnouts to materialize?

Jagannathan C. N.:

Not exactly, Amit, it's a little confidential at present. We will not be able to share the details.

Amit Chandra: Okay. And secondly, on the margin side, how do you see the margins panning out? Obviously, we have been operating at pretty high margins earlier, but now it has been reset to around 16x, 17x. Earlier, we had a target of scaling up to 19%, 20% earlier. So, where it stands right now in terms of margins, what are the margin tailwinds that we see from here? And seeing the industry scenario, do you see this is the new normal in terms of margins?

Jagannathan C. N.: See, we are continuously working on improving the margin at the various accounts. We are waiting once the revenue growth reasonably stabilizes and we have overcome some uncertainties in the market that will help us along with the various other factors, we will continue to focus on this.

It may take a couple of more quarters for us. We have mentioned that we will be able to come closer to 20% margin, not 20%, closer to 20% margin by the end of the year. We continue to believe in that. And we will keep you posted if there is any other new development that happens. But as of today, we are continuing to focus on reaching coming closer to 20% margin by end of the year.

Amit Chandra: So, any color if you can give because 20% is quite high from where we are currently. So, what will drive these margins, whether it will be operating leverage or it is some kind of cost cutting that we are looking at.

Jagannathan C. N.: This is a different picture, Amit. Yes, we are continuously working on it. One of the factors what we mentioned about the large deal is ramping up, that will also help us to bring the change the mix if you see, there is a change in the mix of on-site offshore mix for us. This will continue to help us to grow. We will also improve on utilization. So, that will also help us to do it. There are many other factors, including pyramids. We are working on various other aspects of it, Amit.

Amit Chandra: Okay, sir. Thank you and all the best.

Moderator: Thank you. We will move on to our next question, which is from the line of Dipesh Mehta from Emkay Global. Please go ahead.

Dipesh Mehta: Thanks for the opportunity. First question about the Quant. Can you give us the number cash payment paid for the earnout in this quarter? So, if you can give that number.

Second thing is you said some revised cemented agreement for 3 years. Now we have made some provision for additional performance target for Quant. Those additional target has not been met. So, do we expect any reversal of those earnout or that reversal is unlikely to take place, because we have signed new agreements. If you can provide that clarity. That is on Quant.

Second question is about the gross contribution weakness in domestic business. It is a bit surprised IT and ITES softness is there for now last many quarters. We are seeing sudden decline

in gross contribution. So, if you can provide some more details, because it seems to be a bit unusual and that weakness is nothing specific for this quarter. If you can give some clarity.

Third question is about TMT. We have signed \$73 million deal in this quarter. If you can provide some sense about how that deal is likely to ramp up. And I presume it is separate than the April month, which the deal we signed. So, TMT might have some better benefit from this new deal ramp-up as well, entering into next 3 quarters. Thank you.

Jagannathan C. N.: So, Dipesh, just to clarify to you on the payment, whatever cost the balance amount to be paid to Quant promoters, shareholders originally agreed has been paid. This has been disclosed earlier also what was the total consideration we have paid and what had been paid earlier. The second element to this is Quant...

Dipesh Mehta: Can you give that number? Let's say in this quarter, what is the absolute number?

Jagannathan C. N.: We have made whatever the balance payment, and this has been total consideration as mentioned, Dipesh. I will avoid mentioning about the numbers now, because this is not being disclosed in financials anywhere.

The second element to this is you were asking about the reversal of provision. I have mentioned in my call that we have done a rollover for considering the new contract, what we have entered with them for 3 years. So, the rollover captures that. We may not have any reversals coming in for them.

Third about the...

Samir Dhir: So, Sujit, do you want to comment on the SITL, and then I will pick up the TMT question.

Sujit Mohanty: Hello?

Samir Dhir: Yes, go ahead, Sujit.

Sujit Mohanty: Yes. So, there are 2, 3 points on this why there is a lowest contribution decline compared to the last quarter. So, one is that, see, as you know, we have almost 80% to 90% dependency on the cloud now. And in the cloud, the concept is land and expand. So, if you see many of our large deals historically, they come in 3rd and 4th Quarter. That's always there is a little bit heaviness for the last 2 quarters.

And then many of the large deals we are working on since last 2, 3 years to build up some of the programmatic revenue earning, which happened during the Q4 of FY '25. So, we had a very heavy effect during the last financial year.

So, compared to that, currently because of the understanding which is there in the market that one of the OEMs is planning to go direct, we wanted to build up some of the risk mitigation data, and one of them was to acquire more platforms, which will help us to recover in future. So, because it is a world-wide phenomenon, most of the...

So, it is not only us, most of the LSPs today are trying to acquire businesses, expecting that the OEM is going to go direct and many of them are going to lose some of the business possibly. So, because of that, in the market, there is a price sensitiveness because everybody is trying to acquire new customers, new business. And because of that, there has been a pressure on the margin.

So, because of these few things, even if our revenue have gone up in this quarter, our margins have been a little bit soft. But we believe that with these new customers with us, we will be able to work on them. And as I said, the fact that we have landed with many of the new customers, we will be able to expand our engagement with them, and the margin is expected to grow in future. Thank you.

Samir Dhir:

Thanks, Sujit. The third part of your question was on TMT deal. I think like I said earlier, the \$73 million deal we announced in April is now nearly ramped up. There are some parts of it which will probably trickle over into Q3. But in this current quarter, during the course of the quarter, it will get nearly ramped up. Those are the 3 parts of your question.

Dipesh Mehta:

So, just to clarify, in Quarter 1 FY '26 international IT press release, you mentioned 7 new customers were added during the quarter, including mega deal of \$73 million. It pertains to Quarter 4 or this is new deal we signed.

Samir Dhir:

So, there are 2 different denominators I will clarify that. So, the 7 new customers that we have signed are outside of the large deal. Those new customers are going to ramp up in Q2, Q3 and Q4. Those are newer customers, they will scale gradually. So, that's sort of point number 1. Point number 2, on the large deal that we announced probably in April timeframe, that started ramping up from May onwards. It is now nearly fully ramped up. There is some staffing that we still have to do, which will probably go in August, September and maybe in October. That is more or less at this point in time, fully in the run rate numbers, when we come to announce the Q2 results in October, it will probably be nearly fully ramped up by the time.

I hope that answers the question.

Dipesh Mehta:

Okay. And if I can squeeze in last question. We indicated about wage hike. If you can give some sense about how we intend to implement it, whether it would be staggered or it would be fully implemented in quarter 2 and likely impact on margin? Thanks.

Jagannathan C. N.:

Yes. The junior management and middle management, we will implement it from August 1 in Q2. We are giving the salary increase from August 1. For the senior management, it will be from

October 1. So, the impact on the margin will be similar to what we have done in the past. Last year also, whatever we have mentioned as an increment amount, we are also targeting to have it at the same levels.

Dipesh Mehta: Thank you.

Moderator: The next question is from the line of Suraj Malu. Please go ahead.

Suraj Malu: Hi, sir. This is Suraj from Catamaran. My first question is on the number of clients in \$3 million to \$5 million bucket; it has decreased from 10 to 6 quarter-over-quarter. So, can you throw some light on that.

Jagannathan C. N.: The customers with more than \$5 million have improved. Some of them have moved to that more than \$5 million also. And on some of the projects, the run rate has come in the \$3 million to \$5 million category. There is a small dip in there. Some have moved up in their level. And a few have come little lesser in the revenue. That is why the drop is there. Nothing operation, it's a just a project completion or completion of the existing run rate for a customer. That's it.

Suraj Malu: Got it. Because of the decrease in 4 clients, 2 can be attributed to increase in the \$5 million bucket. The balance 2?

Jagannathan C. N.: It is lifted the course of the business only. There is nothing alarming or nothing specifically that we have lost or something like this. of the normal, some projects get over.

Suraj Malu: Got it. And the second question is the Q-o-Q increase in TMT revenue is 15%. So, what would this growth be if we were to remove the degrowth from the top client?

Jagannathan C. N.: What is your question?

Suraj Malu: So, the top client revenue has degrown this quarter as well, right? But whereas the revenue from TMT segment has grown 15% quarter-on-quarter. So, what is this actual number, if one were to remove the degrowth from the top client?

Jagannathan C. N.: So, this is also we are mentioning about the mega deal, right? That ramping up of the mega deal has benefited some amount majorly for this vertical. It will continue to have benefit in Q2 also. The ramping up is continuing. So, both quarters there will be a benefit for that.

Suraj Malu: Got it. So, I mean, sir, like how much was the decline in your largest TMT client revenue this quarter?

Jagannathan C. N.: Specifically, at present it's looking very flattish, the revenue. We are waiting for the new budgetary amount to be rolled out by the customer. We are waiting for that. It's not yet concluded.

Suraj Malu: Got it, sir. Okay. Thank you.

Moderator: Thank you. The next question is from the line of Divyesh Mehta from Invesco. Please go ahead.

Divyesh Mehta: So, if you can just give some context regarding the BFSI growth beyond one of the BFSI, do we think this vertical can come back to growth? Will Quant scale up fast enough to offset that impact going forward?

Samir Dhir: Yes. So, in general, we are quite reasonably optimistic about the BFSI growth. However, having said that, we are seeing headwinds in the largest BFSI clients. So, we have to manage that, because there is a concentration of a large client in those BFSI numbers. But if you back out one single client, large client where we are seeing headwinds, I think in general, we will see a good momentum in the course of the year from BFSI. It's a solitary client issue that we are facing. Yes, go ahead please.

Divyesh Mehta: Also, if I am not wrong, this client is a large bank, am I correct?

Samir Dhir: It's a large BFSI client, yes.

Divyesh Mehta: It's a large U.S. bank, that's what I am asking.

Samir Dhir: Correct, yes. The large U.S. BFSI client, yes.

Divyesh Mehta: So, net-net, including this bank, the growth is still unclear, but like if you factor in this large client of what further decline could be possible, Quant still not will be able to offset it, right? That is first.

And second, for TMT, I think your largest TMT client budgets are only the key call here, and whatever ramp-up is going to happen, right?

Samir Dhir: BFSI minus this large client where we are seeing softness right now, I think we will be on the growth side. However, the impact of degrowth from this large client is yet to be ascertained. We are just working with them to understand what impact they are going to have in the remaining part of the year. We cannot answer that question. But minus of this one large client in BFSI, we think we will continue to do well in BFSI.

On the TMT side, like Jagan said, the largest tech client that we have, they are flattish at this point in time. Minus of that, we are seeing good momentum in TMT as well.

Divyesh Mehta: Okay. If I can ask one more, just one more question. So, if you look at Retail and Manufacturing, are we expecting further headwinds here? Or how is that looking? That's one. And for the Health Care also.

Samir Dhir: So, let me answer. Retail Manufacturing, I think it's been quite a tough period for Retail vertical for us over the last, especially 2 to 3 quarters since the time tariffs got announced. We don't believe the impact is still fully behind us. We are cautiously watching. At this point in time, we are talking to our clients, making sure that we stand by them in these days and times. It is still unclear as to what the impact of Retail Manufacturing could be further, but we have seen quite a lot of headwinds in the last 2 to 3 quarters for sure.

As far as the Health Care is concerned, I think like I said earlier, the Pharma and Health Tech has done well. So, overall, in Health Care, we see positive momentum going forward as well.

Divyesh Mehta: Thanks a lot.

Moderator: Thank you. The next question is from the line of Dipesh Mehta from Emkay Global. Please go ahead.

Dipesh Mehta: Just one question on overall, let's say, growth momentum perspective. This year in international IT, we have a negative Y-o-Y growth. Are we confident this year likely to be a positive growth year for us? Or we think the headwinds are fairly high and difficult to predict kind of thing? Thank you.

Jagannathan C. N.: So, just to correct it, for FY '25, we did not have a negative growth. I don't know what basis you are saying that.

Dipesh Mehta: I am referring to Quarter 1 Y-o-Y growth.

Jagannathan C. N.: Y-o-Y, okay. Quarter 1 Y-o-Y growth, there was a negative growth. But for the overall year, we still expect with the kind of order book momentum, we will be able to get a growth. Having said that, Samir has mentioned about the uncertainties in the business. We have to wait and watch how it develops in the course of this year. As of now, based on order book momentum, we are confident of giving a positive growth.

Samir Dhir: Let me articulate it and just build on what Jagan said, we articulated the headwinds and the tailwinds clearly to you. So, I think our tailwinds continue to the Health Care vertical, tailwinds continue to Data and AI side. Our headwinds continue to be our largest Tech client and largest BFSI client and Retail Manufacturing. I think we are just trying to balance out the positives and the negatives. And it's an evolving situation candidly. As you know, tariffs are being signed off by countries and by sectors almost on a weekly basis right now.

So, as things settle down, we will provide you an update, but this is a very evolving situation, especially on the Retail Manufacturing side and the 2 large clients of Sonata. Go ahead, please.

Moderator: Mr. Mehta, do you have any further questions?

Dipesh Mehta: No thanks.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the Management for closing comments. Thank you, and over to you, sir.

Samir Dhir: Thank you, operator, and we thank everybody for joining the call today. We remain from a long-term perspective, buildup of modernization powerhouse in Sonata. We are working towards that. In the recent past, because of industry headwinds and sectoral headwinds, we are cautious.

I just want to thank the operator for orchestrating the call, and all the participants who joined and showed their interest in Sonata. Like I said, there are strong positives in business, especially around Health Care and Banking; strong positives in the large deal momentum; strong positives in AI. But equally, we have had weaknesses with Retail Manufacturing vertical and the 2 large clients of Sonata.

I think the Management team and all of us are really working judiciously to navigate the positives, maximize the positives, and reduce the negatives. And we will keep you updated as we make progress and update you as we move forward. Thank you for your time today. Thank you.

Moderator: Thank you. Thank you, members of the Management. Ladies and gentlemen, on behalf of Sonata Software, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.