SONATA

CIN: L72200MH1994PLC082110

SONATA SOFTWARE LIMITED

1/4, A.P.S. TRUST BUILDING, BULL TEMPLE ROAD,
N.R. COLONY, BANGALORE - 560 019, INDIA
TEL : +91-80-67781999 FAX : +91-80-26610972

July 11, 2014

The Listing Manager
Bombay Stock Exchange Ltd
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001.

Dear Sir/Madam,

SUB : ANNUAL REPORT FOR THE YEAR ENDED 31st MARCH, 2014
REF : CLAUSE 31 OF THE LISTING AGREEMENT

With reference to the above, please find enclosed Six copies of the Annual Report – 2013-14 together with Notice calling the Nineteenth Annual General Meeting and setting out the business to be transacted at the Annual General Meeting.

Also enclosed is Form A duly signed by Mr P Srikar Reddy, MD & CEO, Mr Venkatraman N, CFO and the Auditors of the Company. However, since Mr B K Syngal, Chairman of the Audit Committee is travelling overseas and is returning only by the last week of this month, we wish to inform you that we are presently filing the Form without his signatures and shall subsequently re-submit the form duly signed by him.

Kindly acknowledge receipt of the same.

Thanking you,

Very truly yours,
For **SONATA SOFTWARE LIMITED**

PRIYA MANOJ JASWANI
COMPANY SECRETARY

CC to : The National Stock Exchange Ltd - Mumbai
All Other recognised Stock Exchanges in India (one copy)

Sonata Software Limited
Audit for the year ended March 31, 2014
Form A (Standalone financial statements)

FORM A

1	Name of the Company	Sonata Software Limited
2	Annual standalone financial statements for the year ended	March 31, 2014
3	Type of audit observation	Un-qualified
4	Frequency of observation	Not Applicable
5	To be signed by- CEO/Managing Director Audit committee Chairman CFO Place: Bangalore Date: July 11,2014 Refer our Audit Report dated May 26, 2014 on the standalone financial statements of the Company. **For Deloitte Haskins & Sells** Chartered Accountants (Firm Registration No. 008072S) **V. Srikumar** Partner (Membership No.: 84494) Place: Bangalore Date: July 11, 2014	 P. SRIKAR REDDY B K SYNGAL VENKATRAMAN NARAYANAN

Sonata Software Limited
Audit for the year ended March 31, 2014
Form A (Consolidated financial statements)

FORM A

1	Name of the Company	Sonata Software Limited
2	Annual consolidated financial statements for the year ended	March 31, 2014
3	Type of audit observation	Un-qualified
4	Frequency of observation	Not Applicable
5	To be signed by- CEO/Managing Director Audit committee Chairman CFO Place: Bangalore Date: July 11, 2014 Refer our Audit Report dated May 26, 2014 on the consolidated financial statements of the Company. **For Deloitte Haskins & Sells** Chartered Accountants (Firm Registration No. 008072S) **V. Srikumar** Partner (Membership No.: 84494) Place: Bangalore Date: July 11, 2014	 P. SRIKAR REDDY B K SYNGAL VENKATRAMAN NARAYANAN

Annual Report 2013-14

Sonata Software Limited

SONATA

SONATA SOFTWARE

Depth makes the Difference.

Leveraging the strategic power of IT.
Enhancing stakeholders' value.

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Forward Looking Statements
Certain statements in this annual report concerning our future growth prospects are forward-looking statements, which involve a number of risks, and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. We have tried wherever possible to identify such statements by using words such as anticipate , estimate , expect , project , intend , plan , believe and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, our actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

From the developed to the developing socio-economic regions, lives are getting bettered at a rapid pace. The number of netizens (those using internet) today is far bigger than the number of citizens of the most populous country. From daily supply of milk to hourly weather updates to real-time wireless communication, IT is fast deepening its entrenchment in bettering our lives. Governments, corporations and not-for-profit institutions, all are deploying IT in sharpening their delivery mechanism and the end user experiences. The spectrum of its impact today, in quantum and precision, is way beyond what could have been imagined a few years ago.

Given the fast global spread of smartphones, online access of information is growing at an equally rapid pace. Riding the m-commerce platform, the customers of tomorrow would shop 24x7, from their homes, workplaces and even when on the move. Enterprise customers, hence, would need to proactively engage their customers, incorporate their feedback and deploy useful insights in their business strategy and business model. IT decisions, a traditional bastion of the CIOs, would increasingly be influenced or taken by a larger pool of stakeholders including CMOs, CFOs and line-of-business Heads. Rightly then, enterprise customers today, in order to stay ahead of time as well as peers, expect IT to help them club foresight, innovation, precision and speed.

At Sonata Software, we have always leveraged our understanding of customers' business domain, our technology expertise and an unparalleled commitment to customers' success. Quite cognizant of the big opportunity that this change holds for our customers, we are going that extra mile in every sphere of our engagement in order to help them maximize ROI from their IT investments.

Depth makes the Difference.

Sharper
Focus.
Deeper
Insight.

Domain Knowledge

Technology's ability to reshape key business processes and at times the core business itself is well established. From how it is to how best it could be, Sonata's thinkers and innovators leverage technology to convert process challenges of today into business opportunities of tomorrow for our clients.

Our domain experts deep dive into customers' business universe, understand symbiotic relationships of the business ecosystem, spot gaps, shape technology-led solutions and help our customers seize the future opportunities. In our everyday working as well as continued capability building, the focus remains on innovating with technology to impact key business aspects such as customer engagement, enterprise efficiency and management of the cost of ownership of the very it solutions that drive them.

We are further sharpening our expertise in travel, retail and CPG (Consumer Packaged Goods) verticals in order to fortify our position as the vendor of choice. The accumulated knowledge and insight is also helping us strengthen our value proposition for allied verticals with similar business processes such as consumer financial services, manufacturing, supply chain and logistics.

A global F&B CPG behemoth decided to empower their sales team with superior work systems. Sonata's deep understanding of CPG and supply chain processes enabled it to provide a mobile-enabled Account Investment Plan and Performance Review Process for better demand generation. A real-time Account Deal Calendar with online Deal Approval streamlined sales operations. Integration with the ERP for end-to-end supply chain efficiencies lowered costs further. The delivered solution resulted in significant savings of sales time and overall costs courtesy the supply chain integration. The CIO went on to win a 'Best of Best' award internally!

"This was a very challenging project and has taken considerable amount of effort and commitment. I would like to say "thank you" to the members of the Sonata team for the successful delivery. The team members displayed great dedication and commitment."

A Fortune 100 CPG Company

Deeper
Technology.
Smarter
Solutions.

Technology Expertise

Sonata's longstanding and ever-expanding alliances with the world's leading technology solution companies are aimed at enabling them and enterprise customers derive maximum value from the most relevant technology trends.

Having successfully partnered many a product engineering and early adoption initiatives for leading software vendors over recent years, we have assimilated deeper expertise with precise understanding on critical aspects such as technology, architecture, integration, assurance and scalability. All this enables Sonata in deploying cutting edge technologies and in delivering customized accelerators and frameworks that bring innovation, reliability and faster time to market to its customers.

Sonata partnered a global software major as it made an entry into the ERP market and established itself to be a significant player in the segment. In a relationship spanning a decade, Sonata's deep knowledge of ERP solutions and focus domains of application, along with its commitment to a 360 degree partnership across value added engineering, early adoption, implementation, go to market and support services, have made it a valuable partner to the customer and their eco-system in making the product a success.

"Sonata has been a key partner in our commitment to provide best-of-breed 'People Ready' solutions to our customers. Sonata's deep domain knowledge and technical skills help us ensure accelerated development cycles, improved time-to-market and increased competitive agility"

Global Software Major

Pro-active engagement. Measurable Impact.

Customer Commitment

The ambit of the desired IT partner has fast transcended delivery excellence. The technology, customer offerings, market competition and consumer behavior all keep evolving at a rapid pace all the time. IT partners need to align solutions to customers' evolving business needs while staying the course with strategic solutions from a long-term perspective.

Sonata's customer-specific Center of Excellence (CoE) model endeavors to deliver enhanced value to every customer, in every project. Each CoE brings with it the requisite technology pool, people skills, solution assets and best practices and processes; offering superior customer focus, deeper collaboration and innovation, thereby enhancing the impact on pre-defined client objectives. With a mindset to co-create value, deep involvement of our leadership teams and intrinsic impactful governance, our CoEs play a pivotal role in strengthening our customer relations many of which have prospered for well over a decade and counting. Not surprising then, Sonata is delivering sustained value to its customers around the globe.

Sonata was a partner of choice for a world leader in Travel for well over a decade and helped the client in staying ahead of the digital shift that reshaped competition in travel industry. In a recent initiative, Sonata enabled the firm to move to an omni-channel commerce platform, integrating retail and web businesses, offering a single view of the customer, along with superior package search, personalization and yield management solutions. The business objective of enhanced web sales growth, higher click-to-brick revenue-mix and profit improvement were achieved. Sonata's ability to absorb a new technology and deliver results at scale under-pinned success.

"Overall performance is excellent. Flexibility to adapt to challenging situations has been very good. Recent events have resulted in changing project priorities at very short notice and the offshore team has adapted to these requests very well"

A Fortune 100 travel company

Business Highlights

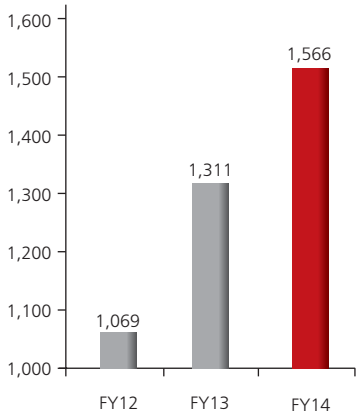
Financial Highlights

Consolidated

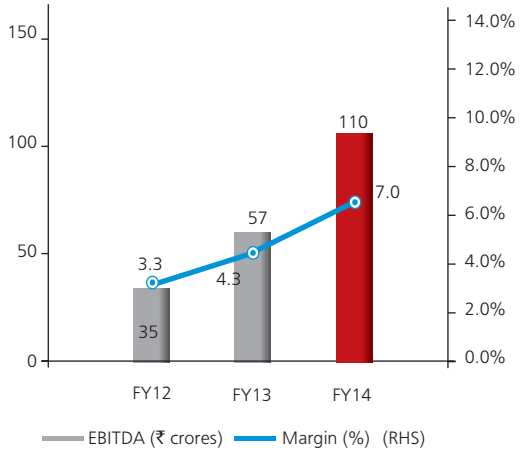
Key Financials (₹ crores)	FY14	FY13*	FY12*
Net Sales	1,566	1,311	1,069
EBITDA	110	57	35
PAT	78	30	11
Net Worth	374	342	375
Debt	6	17	41
Debtors	208	141	113
Cash	245	157	120
Per Share Ratio, ₹			
EPS	7.4	2.9	1.0
DPS	3.7	1.7	0.7
BVPS	35.6	32.5	35.6
Margin Ratios (%)			
EBITDA Margin	7.0	4.3	3.3
Net Profit Margin	5.0	2.3	1.0
RoE	21.8	8.4	2.8
RoCE	21.8	9.3	4.0

** FY 12 & 13 re-casted numbers are for continuing operations excluding results of TUI InfoTec GmbH*

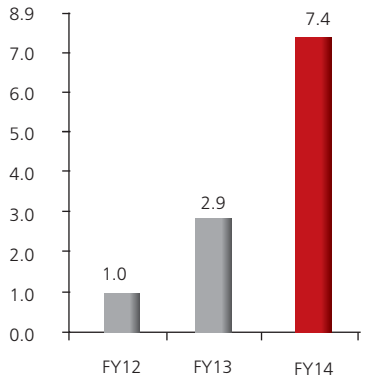
Net Sales, ₹ crores



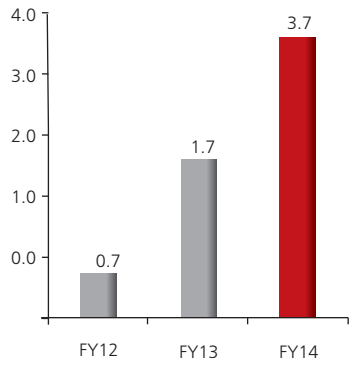
EBITDA and EBITDA Margin



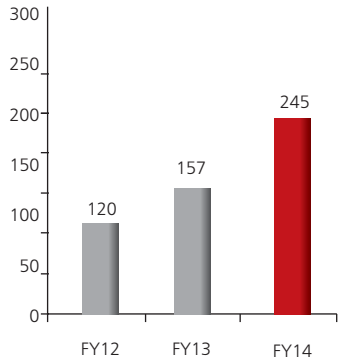
Earning Per Share, ₹



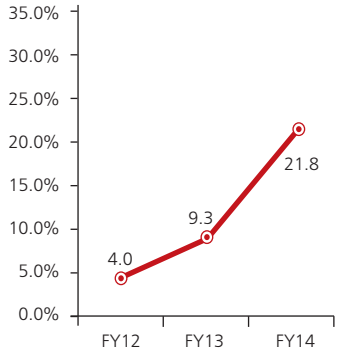
Dividend Per Share, ₹



Cash, ₹ crores



Return on Capital Employed (RoCE), %



Operational Highpoints

- Expanded services footprint within Top 10 accounts
- Won 21 new customers including Fortune 100 customers in focus verticals
- Added a new Development Center in US
- Partnered MEEZA for serving Middle East and North Africa (MENA) region
- Added a new office in Australia
- Adjudged "Cloud partner of the Year 2014" by Microsoft
- Advisory board, comprising of global thought leaders, formed to stay abreast on technology trends, market opportunities and industry specific solution
- Launched a Mobile App for INTACH, for Bangalore's Heritage Sites

This is Sonata Software

Sonata is a global IT services company with a track record of serving leading Independent Software Vendors and Enterprise Customers around the globe. Its unrelenting focus on going deeper with domain knowledge, technology expertise and customer commitment, coupled with people skills, strong delivery mechanism and expanding global footprint makes it a strategic IT partner of choice for best of breed customers. Maintaining its growth momentum across businesses and geographies, Sonata has been enhancing stakeholders' value sustainably.

Vision

To become a world class firm that is a benchmark for Catalyzing Business Transformation for our Clients, Fulfilling Employee Aspirations & Caring for our wider Community through Depth of Thought Leadership, Customer Centricity and Execution Excellence

Business Division

- IT Services
- Product Distribution

IT Services: Key Verticals

- Travel
- Retail
- Consumer Packaged Goods
- Independent Software Vendors

IT Services: Key Priorities

Customer Engagement	Enterprise Efficiency	IT Cost Management
Multi Channel Commerce	ERP	Managed Services & Infrastructure
Analytics & Personalization	Business Intelligence	Cloud & Virtualization
CRM & Loyalty	Supply Chain Management	Legacy Systems Management
Mobile & Social Engagement	Mobile & Social Workforce	

Strategic Alliances

Company	Level of Partnership
Microsoft	Gold Certified Partner
SAP	Gold Partner
IBM	Business Partner
Oracle	Platinum Partner
HP	Platinum Business Partner

Key Technology Partners

- Microsoft
- SAP
- Oracle

Business Footprint

USA	UK & Europe	Asia Pacific	Australia	Middle East
Redmond, WA	London, UK	Bangalore, India	Sydney	Dubai
Atlanta, GA	Amsterdam, Netherlands	Hyderabad, India		Qatar
Fremont, CA		Singapore		
Bridgewater, NJ				
Schaumburg, IL				

Service Offerings

A range of services that go deep

enabling customers to get more from one another

PRODUCT SERVICES

Product Engineering
- Architecture & Development, Mobile & Cloud Deployment, Platform Development, Performance Engineering

Professional Services
- Consulting, Customer Support, Version Support

Go to Market
- Early Adoption, Joint Business Plans, Licensing & Distribution

ENTERPRISE IT SERVICES

Solution Design
- Needs & IT Landscape Assessment, Process Engineering, Benchmarking, Solution Design

Development & Implementation
- Application Development, Package Implementation, Maintenance, Testing & Assurance

Support Services
- Managed Services & Infrastructure, Cloud & Virtualization, Legacy Solutions

TECHNOLOGY INFRA-STRUCTURE

Solution Design
- Independent Software Audit, License Consulting & Optimization, System Integration Planning

Systems Deployment
- License Fulfillment, Software Installation, Configuration & Integration, Value -added System Solutions, Software Asset Management

Profile of Directors

Pradip P. Shah
Chairman & Non-executive Director

He assisted in founding Housing Development Finance Corporation (HDFC) in 1977 and was the founder Managing Director of The Credit Rating Information Services of India Ltd. (CRISIL), India's first and largest credit rating agency. In April 1998, he started IndAsia Fund Advisors Private Ltd, a corporate finance and private equity advisory business. He is also a Director and Committee member on the Board/ Committees of several other leading companies.

He holds a Degree in Commerce and is an ACA, AICWA and MBA from Harvard University, USA.

P. Srikar Reddy
Managing Director & Chief Executive Officer

He has been with Sonata since 1986 and has been pivotal in building Sonata as a trusted and reliable IT services partner. His vision for Sonata is based on building the organisation with empowered people and providing a differentiated value proposition to its clients. His philosophy of driving business growth through a single minded focus on customer and investment in people and technology has enabled Sonata to be recognized as a high value solutions driven company. He is also a Member of the Board of Directors of Sonata Information Technology Limited.

He holds a Engineering degree from REC, Tiruchirapalli and is a Post Graduate in Management from the Indian Institute of Management, Calcutta.

M. D. Dalal
Executive Vice-Chairman

He is one of the first Directors of Sonata named in the Articles. Currently he is also the Joint Managing Director of Futura Polyesters Ltd.

He holds a Bachelor's Degree in Chemical Engineering from Salford University, UK and Master of Science Degree in Chemical Engineering from the Massachusetts Institute of Technology, USA.

Brijendra K. Syngal
Non-executive Director

He is an Independent Director of the Company since 2004. He also sits on the Board and Committees of several listed and unlisted companies in the Information and Communications Technology sector. In his earlier role as Vice-Chairman of BPL Communications, he was responsible for all licensing, regulatory and policy making decisions of the company. As Chairman of Reliance Telecom, he defined the vision and strategy of the Telecomm Unit for the group. He was also Chairman and Managing Director of Videsh Sanchar Nigam Limited (VSNL). He has also assumed important roles with global companies, including the Commonwealth Telecommunications Organisation (CTO), London, where he was Chairman.

He holds a M. Tech. degree from the Indian Institute of Technology Kharagpur (IIT) and is further qualified as a C. Eng (UK), M.I.E.E. (UK), Sr M.I.E.E.E (USA) and F.I.E.T.E (India). He has won many awards in the area of Telecommunication, both in India and abroad.

Viren Raheja
Non-executive Director

He is Director/Alternate Director of several companies. He holds a Bachelor's degree in Commerce from the Mumbai University. He has passed all 3 levels leading to the CFA charter and has an MBA degree from the London Business School.

S. N. Talwar
Non-executive Director

He is an Advocate & Solicitor and was a Partner of M/s Talwar, Thakore & Associates till 31st March, 2014. Prior to that he was a Partner of M/s Crawford Bayley & Co. a well known law firm. He is also a Director/ Alternate Director and Committee member on the Board/Committees of several other leading companies.

He holds a Bachelor's Degree in Commerce and Law from Bombay University.

S. B. Ghia
Non-executive Director

He is an industrialist with interests in a variety of fields including chemicals and fiber/polyester. Currently he is Chairman & Managing Director of Futura Polyesters Ltd. He is also a Director and Committee member on the Board/Committees of several other leading companies.

He holds a Degree in Science (Chemistry) and MBA from Bowling Green University, USA.

Corporate Information

BOARD OF DIRECTORS

Pradip P Shah
Chairman

S B Ghia
Director

M D Dalal
Executive Vice Chairman

Viren Raheja
Director

P Srikar Reddy
Managing Director & CEO

S N Talwar
Director

B K Syngal
Director

COMMITTEES OF THE BOARD

AUDIT COMMITTEE
B K Syngal, *Chairman*
S B Ghia
Pradip P Shah

STAKEHOLDERS RELATIONSHIP COMMITTEE
S B Ghia, *Chairman*
P Srikar Reddy
M D Dalal

NOMINATION & REMUNERATION COMMITTEE
S N Talwar, *Chairman*
S B Ghia
B K Syngal
Viren Raheja

CSR COMMITTEE
S B Ghia, *Chairman*
S N Talwar
P Srikar Reddy

SOLICITORS

M/s Talwar, Thakore & Associates
M/s Dua & Associates
Mr William E Horwich
M/s Fladgate Fielder

AUDITORS

M/s Deloitte Haskins & Sells

COMPANY SECRETARY

Priya Manoj Jaswani

INVESTOR QUERIES

investor@sonata-software.com

WEBSITE

www.sonata-software.com

BANKERS

Standard Chartered Bank
Axis Bank
Bank of America
HSBC
State Bank of India
BNP Paribas

REGISTERED OFFICE

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S K Ahire Marg, Worli
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Email : info@sonata-software.com

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127/2, Flat No.2, Above Vidya Sahakari Bank
Next to Hotel Sarjaa, Sanewadi
Aundh, Pune 411 007, India
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Email : info@sonata-software.com

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Redmond, WA 98052, USA
Tel : 1-425-296-4625, Fax : 1-425-484-7799
Email : info@sonata-software.com

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1040 HD Amsterdam
Tel : 020-577-3530, Fax : 020-577-3539
Email : info@sonata-software.com

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High Street Center, Singapore 179094
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Email : info@sonata-software.com

1901 North Roselle Road, Suite 800
Schamburg, IL 60195, USA
Tel : 847-517-6310, Fax : 847-517-6313
Email : info@sonata-software.com

I Floor, 20 Albert Street
Blackburn, Victoria 3130, Australia
Tel : 61 39894 2500, Fax : 61 39894 1622
Email :info@sonata-software.com

SUBSIDIARY COMPANIES

Sonata Information Technology Limited
208, T V Industrial Estate
S K Ahire Marg, Worli
Mumbai 400 030, India
Tel : 91-22-24943055, Fax : 91-22-24936973
Email : info@sonata-software.com
Auditors : Deloitte Haskins & Sells

Sonata Software North America Inc.
39300 Civic Center Drive, Suite 270
Fremont, CA 94538, USA
Tel : 510-791-7220, Fax : 510-791-7220
Email : info@sonata-software.com
Auditors : Deloitte Haskins & Sells

Sonata Software GmbH
BCM Buero-Center an der Messe GmbH
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60325, Frankfurt am Main, Germany
Tel : 49-69-975-543-37, Fax :49-69-975-541-00
Email : info@sonata-software.com
Auditors : O&R Oppenhoff & Radier AG

Sonata Europe Ltd.
5, Churchill Court
58, Station Road, North Harrow
Middlesex HA2 7SA
Tel : 44-20-8863 8833, Fax : 44-20-8863 5533
Email : info@sonata-software.com
Auditors : Lubbock Fine

Sonata Software FZ LLC
Office # 2117, 21st Floor
Shatha Tower No.1
PO Box : 502818 Dubai Internet City
Dubai, United Arab Emirates
Tel : 971-4-375 4355, Fax : 971-4-424 0132
Email : info@sonata-software.com
Auditors : Russell Bedford (Dubai) Limited

Sonata Software (Qatar) LLC
401 at GRIDCO 1 Building
No.27, C –Ring Road, P O Box 30557
Doha, Qatar
Email : info@sonata-software.com
Auditors : Russell Bedford (Dubai) Limited

Directors' Report

TO THE MEMBERS OF SONATA SOFTWARE LIMITED

Your Directors have pleasure in presenting the Nineteenth Annual Report of your Company together with the Audited Statement of Accounts (both standalone and consolidated) for the financial year ended 31st March, 2014.

FINANCIAL RESULTS

(₹ in Crores)

Description	Standalone		Consolidated	
	Year ended 31st March 2014	Year ended 31st March 2013	Year ended 31st March 2014	Year ended 31st March 2013
Total Income	**351.09**	243.48	**1576.62**	1315.09
Total Expenditure	**274.69**	210.01	**1466.29**	1258.08
EBIDTA	**76.40**	33.47	**110.32**	57.01
Depreciation and Amortization Expense	**7.39**	9.72	**7.96**	10.08
Finance Cost	**0.17**	0.05	**2.43**	5.89
Profit before Tax and Exceptional Items	**68.84**	23.69	**99.92**	41.04
Exceptional (Income)/Expenses	**-**	-	**(7.15)**	55.57
Provision for Tax (Net)	**15.00**	7.93	**29.35**	13.56
Minority Interest	**-**	-	**0.04**	0.04
Net Profit/(Loss)	**53.84**	15.76	**77.77**	(28.05)
Appropriations:				
Proposed / Final Dividend	**28.92**	13.14	**28.92**	13.14
Interim Dividend	**10.52**	5.26	**10.52**	5.26
Provision for Dividend Tax	**6.27**	3.09	**7.13**	3.09
Transfer of Capital Redemption Reserve	**-**	**-**	**-**	6.58
Transfer to General Reserve	**6.00**	1.60	**8.00**	1.60
Earnings in ₹ per share	**5.12**	1.50	**7.40**	(2.67)

BUSINESS PERFORMANCE

Your Company is primarily engaged in the business of providing IT Services and Solutions to its customers in the US, Europe, Middle East and Asia Pacific and distribution of software products in India. The consolidated results of your Company include operations of its Indian and overseas subsidiaries and are best explained and analyzed under the two distinct segments of:

a) International IT Services and

b) Domestic Products and Services.

On an overall basis, for the year that ended on 31st March, 2014, we are very pleased to report that your Company has declared a record financial performance both on a consolidated basis and also in each of the individual business segments it operates in.

This remarkable growth coupled with a strong balance sheet has been the result of our continued efforts to engage with our customers as a transformational IT Services provider, deeper knowledge, client commitment, and bringing to bear our expertise on technologies like omni-channel commerce, mobile, big data analytics, social and cloud to their business processes.

The above focused approach was invigorated by adopting the value statement of "Go Deeper", essentially meaning go deeper into a customer to emerge higher in what we do for them. Your Company continues to build on its traditional vertical of strength - Travel and Outsourced Product Development (OPD) while entering new verticals like Retail and CPG (Consumer Products & Goods). During the year, your Company was fittingly named Hybris' Most Innovative Partner and Microsoft named it the Azure Cloud Partner of the year. While strengthening existing partnerships with large firms such as Microsoft and IBM, your Company forged new partnerships with leading technology firms and solution providers such as StorSimple, Moovweb etc. As a part of expanding near shore service delivery capabilities your Company opened a Development Centre facility at Redmond, USA and has also opened operations in Australia.

Notable steps taken by your Company during the year which supported its solid financial performance and which we believe will have a continued positive effect on the Company were:

- Establishment of an advisory board consisting of eminent technocrats and academicians to guide the CEO;
- Strengthening the Sales, Account Management, Alliances and Product Management processes and teams; and

- Further strengthening the Senior Management capabilities through additions in key positions such as - Head of Sales for USA, UK, Australia.

Our people are our greatest asset. They build lasting relationships with our customers and are key to the continued success and growth of our business. We continue to enhance our employee capability with continued investments in hiring the best, imparting training in areas of improvement of soft skills, management, technology and our domains of focus.

Coming to the results, both on a Standalone and Consolidated basis your Company has shown growth in all its financial metrics.

Standalone financials

Total income has shown a growth of 44%, Earnings before Interest, Depreciation and Taxes (EBIDTA) a growth of 128% and Net Profit growth of 242%. Earnings per share at 5.12 showed a growth of 242%.

Consolidated financials

Total income has shown a growth of 20%, EBIDTA a growth of 94% and Net Profit a growth of 159%.

Analyzing your Company's consolidated results by the two segments it operates in, International IT services contributed 31% of total revenues and 75% of PAT while Domestic products and services contributed to 69% of the total revenues and 25% of PAT.

International IT Services total revenue is ₹ 484 crores, growth of 45% and $ 79 million in US$ terms with a growth of 29% in revenues, 96% in EBIDTA and 184% in PAT. The growth figures shown by your Company were despite facing headwinds in the largest economies it served of US and Europe which contributed to 55% and 30% of the total revenues of this business. Further, profits take into account the foreign exchange losses of ₹ 4.25 crores. Your Company has managed to declare such results on account of its focus on serving and growing its existing customers, new customer additions of 21 through the year and maintaining resource utilization at levels in excess of 83% over the year.

Domestic products and Services showed growth of 11% in revenues, 57% in EBIDTA and 104% in PAT. During the year, this business received an Income-Tax refund of ₹ 63.60 crores including an Interest of ₹ 6.83 crores. This business had in earlier years faced certain industry typical Income-Tax related issues which have now been considerably addressed and risks around this have been substantially mitigated. Refund of Income-Tax as above is testimony to the risk mitigation efforts taken by your Company. The focus in this business has always been to manage Return on Capital Employed, which was approximately 37% for the year.

You Company during the year ended the year with a stronger consolidated balance sheet and has approximately ₹ 240 crores of cash and equivalents, showing Return on Capital employed of 22% and growth in earnings per share from ₹ (2.97) to a positive ₹ 7.4 per share.

DIVIDEND / TRANSFER TO RESERVES

Considering the better liquidity position of the Company and the record profits, your Directors are pleased to recommend payment of a final dividend of ₹ 2.75 per equity share @ 275% on par value of ₹ 1/- each), subject to the approval of shareholders at the forthcoming Annual General Meeting, which along with the interim dividend of ₹ 1/- per equity share adds upto a total dividend of ₹ 3.75/- per equity share for financial year 2013-14 (Previous year – ₹ 1.75 per equity share of ₹ 1/- each).

If approved, the final dividend will be paid to all those equity shareholders whose names appear on the Register of Members of the Company on 4th August, 2014 and to those whose names appear as beneficial owners in the records of the National Securities Depository Limited and Central Depository Services (India) Limited as on the said date.

Your Company proposes to transfer ₹ 6,00,00,000 (Rupees six crores) to the general reserve.

QUALITY

Your Company continues to enhance the effectiveness and efficiency of its operations by ongoing improvement to its systems and processes. Due to knowledge-intensiveness involved in the services rendered, your Company plans to enhance the competencies of its people at all levels. Your Company has imparted advanced project management training to the Project Managers and Program management training to Delivery Managers. Your Company has also trained all its operational level people in appropriate soft skills.

In order to provide competitive edge to customers by way of reduced time to market and increased flexibility in aligning to the changing business priorities, your Company has increased the adoption of Agile and Lean methods into more engagements. The Project Managers and teams have been trained in Agile concepts and practices by a renowned Agile expert.

Your Company is improving the maturity of customer-specific centers of excellence (CCoE) whereby the delivery capability to its strategic customers is being continually enhanced.

Your Company has successfully undergone enterprise level surveillance audits for ISO 9001, 20000-1 and 27001. During the current year, your Company has also planned for successful re-appraisal for CMMI-Level 5, v1.3.

LISTING / LISTING FEES

Your Company's equity shares are listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited, exchanges having nation-wide terminals.

The Annual listing fees for the year under review has been paid to Bombay Stock Exchange Limited and National Stock Exchange of India Limited, where your Company's shares are listed.

SUBSIDIARY COMPANIES

The statement pursuant to Section 212(1)(e) of the Companies Act, 2013 in respect of subsidiaries is attached. The Consolidated Accounts of your Company and its subsidiaries viz., Sonata Information Technology Limited, Sonata Software

North Amercia Inc., USA (formerly known as Offshore Digital Services Inc), Sonata Software GmbH, Germany, Sonata Europe Limited, UK, Sonata Software FZ LLC, Dubai and Sonata Software (Qatar) LLC duly audited by the Statutory Auditors are presented as part of this Report in accordance with Accounting Standard 21 and the Listing Agreement with the Stock Exchanges, wherever applicable.

The Ministry of Corporate Affairs vide General Circular No. 2/2011 dated 8th February, 2011 has provided an exemption to Companies subject to certain conditions from attaching the audited accounts of subsidiary companies. Accordingly, the audited accounts of the above mentioned overseas subsidiary companies are not attached and your Company has complied with all the conditions of the aforesaid circular.

The audited accounts of overseas subsidiaries have been made available for inspection by any shareholder at the Company's Registered office and at respective registered offices of overseas subsidiary companies. Copies can be made available on request to the shareholders of the holding and subsidiary companies.

During the year, your Company has applied for closure of Sonata Technology Solutions (India) Limited, a wholly owned subsidiary Company in India under Fast Track Exit Scheme as there were no transactions in the Company from inception.

RECOGNITION

During the year under review, your Company won two awards at the Microsoft Partner Summit held in Bangalore- the National Award for Cloud Partner of the year 2013 and the Regional Award for Best SI Partner of the Year- South 2013.

Your Company became a SAP certified AMS provider and entered into a gold-level partnership with Moovweb, a leading mobile platform and Cloudthat, a Company that provides consulting, design and architecture services on cloud and Big Data Analytics.

Your Company was also cited for its service capabilities in two Forrester Research, Inc. July reports titled "The Changing Value Proposition for Midsized Outsourcers as well as the 2013 research report titled "Midsize Offshore Vendor Snapshots, Part 2".

Your Company maintained its position in the Leader category in the 2013 Zinnov Global Service Provider Rating in the 'Enterprise Software' and 'Consumer Software' verticals. According to the study, Sonata was ranked as an established, niche R&D service provider on the overall front.

Your Company signed an agreement with Microsoft as a Master Vendor Affiliate Recorded (MVAR) for Microsoft Dynamics and under this program, affiliates will be recruited and managed to grow the Microsoft Dynamics network and business in India.

CORPORATE GOVERNANCE

As required under Clause 49 of the Listing Agreement with Stock Exchanges, a Report on Corporate Governance is being provided elsewhere in this Annual Report along with the Auditors' Certificate on the compliance thereof.

During the year under review, your Company has not specifically adopted the voluntary guidelines of 'Corporate Governance Voluntary Guidelines 2009' though the Company has been practicing some of them.

SECRETARIAL COMPLIANCE REPORT

As a reflection of your Company's commitment to transparency, the Board is pleased to enclose the Secretarial Compliance Report for the financial year 2013-14, as part of this Directors' Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors, to the best of their knowledge and belief, state that the Company maintains proper accounting records which disclose with reasonable accuracy, the financial position of the Company.

Further, your Directors state that these accounting records have formed the basis for the preparation of financial statements of the Company in compliance with the provisions of the Companies Act, 1956, including any amendments thereto.

Your Directors also confirm that the financial statements of the Company are prepared in such a manner to give a true and fair view of the state of affairs of the Company as at the end of 31st March, 2014 and of the profit of the Company for the year to that date.

Your Directors state that in preparing the aforesaid financial statements of the Company, appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates, whilst applicable accounting standards have been followed and that these financial statements have been prepared on "going-concern basis".

Further, your Directors to the best of their knowledge and belief, state that appropriate internal control systems are in place which are reasonably expected to safeguard the assets of the Company and to prevent and detect fraud and irregularities.

ENERGY CONSERVATION, RESEARCH & DEVELOPMENT, FOREIGN EXCHANGE

The particulars, as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, with regard to conservation of energy, research and development and foreign exchange earnings and outgo are set out in the annexure attached to this Report.

Your Company has nothing to report on Technology absorption, adaption and innovation.

PUBLIC DEPOSITS

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

HUMAN RESOURCES MANAGEMENT

Particulars of employees as required under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Amendment Rules, 2011, is attached to this Report.

COMMUNITY SERVICE

During the year under review, your Company and its employees were part of following activities:

- Your Company announced the launch of a walking-tour application for heritage sites for the Bangalore chapter of an NGO – The Indian National Trust for Art and Cultural Heritage (INTACH). It is one of the innovative mobile apps created by Sonata which combine useful information with a great user experience.
- Employees donated generously to help victims of the Uttarakhand floods. 50% of the contributions were given to HOPE Foundation who intend setting up a Vocational Training Centre to help the locals rebuild their lives. The balance money was set aside to be given to PLAN India.
- Sonatians came together in October to participate in the annual Joy of Giving Week across all offices in Bangalore and Hyderabad. Employee contributions and enthusiasm made this event a great success. The programs organized were as follows:
  - Blood Donation camps were organized across Sonata Bangalore locations in partnership with Rotary Bangalore
  - Employees in our Bangalore facility donated money towards purchase of new furniture for a Government Primary School in Hadosiddapura as well as money to purchase software and toys for children with Autism at Ankura. Funds were also allocated towards purchase of chairs and steel cupboards for Manonandana- a school for special children as well as donation to help with medical expenses of an ailing ex-caretaker of one of our guest houses.
  - Employees in our Hyderabad facility donated solar LED lamps to the students of Rassolpura Government High School.

GO GREEN INITIATIVES

As part of initiatives to promote eco-friendliness, your Company pursued its annual New Year initiative in which it planted over 5000 trees on behalf of its valued customers in the forests of Chintamani in Karnataka, in association with Grow Trees.

DIRECTORS

Mr P Srikar Reddy and Mr Viren Raheja, Directors, retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

In accordance with the provisions of Section 149, 150 and 152 of the Companies Act, 2013, the Company has proposed the appointment of the Independent Directors of the Company, Mr B K Syngal, Mr Pradip P Shah and Mr S N Talwar for a term of five years from the date of the ensuing Annual General Meeting and whose office shall not be liable to retirement by rotation.

Brief profiles of these Directors is given in the notes to the Notice of the ensuing Annual General Meeting.

AUDITORS

M/s Deloitte Haskins & Sells, Chartered Accountants, Bangalore, Statutory Auditors of the Company retire at the forthcoming Annual General Meeting and have expressed their willingness to continue as Statutory Auditors from the conclusion of this AGM to the conclusion of the fourth consecutive AGM, (subject to ratification of appointment by the members at every AGM held after this AGM) and accordingly, a resolution proposing their appointment is being submitted to the shareholders at the ensuing Annual General Meeting.

ACKNOWLEDGEMENTS

Your Directors would like to place on record their gratitude for all the guidance and co-operation received from all its clients, vendors, bankers, financial institutions, business associates, advisors, regulatory and government authorities.

Your Directors also take this opportunity to thank all its shareholders and stakeholders for their continued support and all the Sonatians for their valuable contribution and dedicated service.

For and on behalf of the Board

Place : Mumbai
Date : 26th May, 2014

Pradip P Shah
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

Particulars pursuant to Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988.

1. **CONSERVATION OF ENERGY**

Though your Company does not have energy intensive operations, it continues to adopt energy conservation measures. Adequate measures have been taken to conserve energy by using energy-efficient computers and equipment with the latest technologies, which would help in conservation of energy. Other energy management measures include:

- Installation of sensors at work space area
- Control measures at HVAC vertical to create advanced air cooling since HVAC contributes 70% of the energy utilization
- Installation of LCD monitors (energy efficient) in place of normal CRT monitors, thereby saving energy
- Usage of LED lighting in common areas
- Turning off air conditioners during non-peak hours and on weekends
- Consolidation of facilities

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

- Replacement of tube lights with CFL/LED fittings
- Installation of individual controls for A/c systems in some floors to reduce power consumption
- Individual controls for lighting systems
- Turning off lights in all floors when people are not working
- Operating only one elevator in buildings having two elevators after 7 pm

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

1. **RESEARCH AND DEVELOPMENT (R & D)**

During the year under review, your Company's competency groups continue to focus on building Technology in competencies in Mobility, Analytics and Cloud Technologies that will have a major impact on the global technology landscape with the objective of increasing the sales volumes and improving delivery capability.

a) Specific areas for R&D at Sonata:

(i) Mobility

During the year, your Company saw validation of its approach to mobility by signing a long term and large mobility deal with a US based Company. Your Company will co-create a mobility Center of Excellence and its mobility engineers will participate in developing the various mobile properties for the customer.

(ii) Cloud

During the year your Company continued its focus on cloud computing by releasing end to end cloud services that include cloud consulting services, application development services, deployment services and managed services. Your Company continues to strengthen its relationship with Microsoft on their cloud platform, Azure by developing additional capability and capacity on the Azure platform.

(iii) Big Data Analytics

In the year gone by, your Company conceptualized, designed and executed proof of concepts for a leading airline using Microsoft's HDInsight Big Data Platform. Your Company invested in developing platforms related to supplier analytics and reputation management. Your Company has begun actively utilizing these assets in pre- sales situations.

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

Your Company has invested considerably in the new technologies like big data analytics, mobility and cloud computing. Your Company has begun to see a definite uptick in the demand for these services in its target market and therefore plans to go deeper in these areas.

c) Future plan of action

In the current year, your Company will sharpen its focus on Big Data Analytics by developing industry specific solution accelerators. Your Company will deepen its focus on mobility by developing assets that are core to Retail, CPG and Travel verticals. In cloud computing, your Company will deepen competency and look to develop assets that accelerate time to value for customers.

d) Expenditure on R&D

R&D is carried on by the Company as a part of ongoing software development activity and the expenditure thereof is considered as part of operating expenditure. Hence, there is no amount that can be shown separately under the head of R&D expenses.

2. **FOREIGN EXCHANGE EARNINGS AND OUTGO / INITIATIVES TO IMPROVE EXPORTS**

During the year under review, 95.27% of the revenue came from exports of developed software and related services to clients in USA, UK, Australia, Germany, UAE, Japan, Singapore, Denmark and Europe.

Foreign Exchange outgo on account of travelling, professional charges, subsistence/living costs, overseas salaries, capital goods, etc was ₹ 51.75 crores and foreign exchange inflow on account of export of software services (net), and other operating revenues was ₹ 316.46 crores.

Financial Year 2013-14 saw changing market environment and regulatory environment. As per the data released by the National Association of Software and Services Companies (NASSCOM), Indian IT-BPO services exports expected to grow by 9-12 per cent during the year. Customers today seek more efficient and effective operations along with technology based innovation and business transformation before they make any technology investments. Your Company has been successful in growing the size of existing teams, as well as branch into newer divisions within these customers.

During the year under review, your Company has in line with its expansion plans, become operational in the new geographies like Australia and Singapore by leveraging its existing connection with Global Alliance Partners like SAO and Microsoft and also working towards finding new customer connects in these Geographies. This apart, your Company has identified a strong set of prospective customers globally based on research and data analysis and has strategized plans for converting these prospects into wins. A robust sales team with Senior leadership at the helm of affairs has been sufficiently enabled to venture into all possible market opportunities across all geographies.

3. A detailed Management Discussion and Analysis Report is attached.

For and on behalf of the Board

Place : Mumbai
Date : 26th May, 2014

Pradip P Shah
Chairman

Information u/s 217(2A) of the Companies Act 1956 - read with Companies (Particulars of Employees) Rules 1975 as amended and forming part of the Directors' Report for the year ended 31st March, 2014

Sl. No.	Name	Age (Years)	Qualification	Designation & Nature of Duties	Remuneration (₹)	Experience (Years)	Date of Joining	Previous Employment
1	P Srikar Reddy	56	BE (Electrical) PGDBM (IIM)	Managing Director & CEO	29,491,474	32	02.04.1986	Manager - Systems & projects Betamatics Pvt. Ltd.
2	N Venkatraman	43	B.Com., FCA	Chief Financial Officer	7,558,880	20	02.06.2009	Chief Financial Officer - TeamLease Services Pvt.Ltd.
3	PVSN Raju	49	B.Tech, PGDIE	Head - Delivery	6,614,434	26	01.02.1988	-

Notes:-

1 Remuneration includes Basic Salary, Allowances, Incentives, Commission, Company's contribution to PF, Superannuation Fund and taxable value of perquisites.

2 Appointment is contractual.

3 Not related to any Director of the Company.

4 None of the employees own more than 2% of the outstanding shares of the Company as on 31st March,2014.

Management Discussion and Analysis

Economic Overview

Global activities recorded gradual recovery in 2013. Strengthening of activities was recorded in the second half of the year, a trend likely to continue through much of 2014. Global output growth, though, moderated slightly to 3 percent for 2013 from 3.2 percent recorded in 2012. GDP growth in Advanced Economies dropped marginally to 1.3 percent from 1.4 percent achieved in 2012 whereas Emerging Markets and Developing Economies posted a GDP growth of 4.7 percent in 2013, down from 5 percent recorded in 2012. Global economy is projected to maintain its growth momentum to post a GDP growth of 3.6 percent in 2014 and 3.9 percent in 2015.

Indian economy too witnessed some improvements in the second half of the fiscal year 2013-14 (FY14). Hovering inflation, high cost of capital, subdued demand and investment sentiments, policy inaction – Indian economy confronted multitude of intertwined problems. Deprecating rupee coupled with drying up of foreign capital pushed the government into damage control mode, pressing ahead with few policy reforms and fast tracking of infrastructure and industrial projects. All this did not prove enough, as the economy posted its second consecutive sub 5 percent growth. At 4.7 percent, the provisional estimated GDP growth for FY14, though, was marginally higher than 4.5 percent achieved in FY13.

Return of a stable government with revival of economic growth its stated priority, Indian economy is likely to accelerate its growth momentum, going forward. Gradually stabilizing growth in advanced economies bode well for country's exports sector and Foreign Exchange Reserves. These factors shall put the economy back on higher growth trajectory; the recovery though would be gradual-but-sustainable. A trend that gets reflected in IMF's growth projection of 5.4 percent and 6.4 percent respectively for calendar years 2014 and 2015.

Global IT Scenario

Incongruent to the contemporary economic and socio-political upheavals, the world around us continues to change rapidly. On the one hand, inflation including the food price one is challenging monthly budgets of average household. Yet at the other hand, spread of smartphones and tablets coupled with e-commerce and m-commerce continues at a rapid pace.

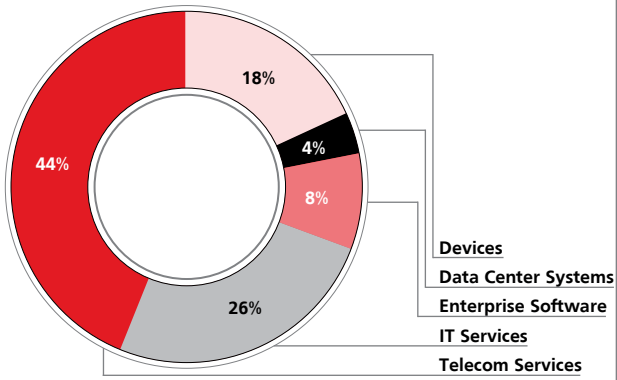
As global boundaries blur fast, the competition for acquiring the same set of customers is fast intensifying. Winning enterprises of tomorrow are going to be defined by their ability to go digital and thereby leverage data to the fullest. Winners of tomorrow's hyper competitive world would be those who can transform themselves into agile and responsive organizations with added edge of innovation and customer centricity.

Technology, thus, will fuel business transformation and determine the way businesses engage with customers, their speed at which they deliver services. It will also impact the resilience and reliability of their operations and also their innovation capabilities.

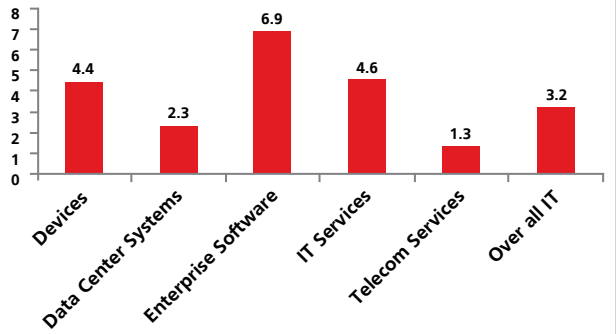
Their ability to help create digital enterprises for the customers is fast becoming the critical differentiator for providers of technology. Having undergone the fast churn from hardware to enterprise software to SMAC and artificial intelligence, information technology has become an integral part of every industry. As we fast usher into an increasingly multi-device connected world; smart machines, cognitive computing and 'internet of things' are narrowing the divide between humans and machines.

Growth in IT spends bears a very direct and close reflection of the momentum of overall economic growth. Global IT spends stood at USD 3.7 trillion in 2013, near flat growth of 0.4 percent over the previous year. With global GDP growth picking momentum, IT spends are estimated to grow by 3.2 percent to reach USD 3.8 trillion in 2014.*(Source: Gartner)*

Worldwide IT Spending Share, 2014



Projected Growth in IT Spending, 2014, (%)



Source: Gartner

Indian IT-BPM Industry is estimated to have grown by 8.8 percent to reach USD 118 billion in FY14.

- Exports are estimated to have grown by 13 percent to cross USD 86 billion in FY14. The growth was fueled by return of discretionary spending and increased demand from US and Europe. US continues to be the largest geographic market for India, accounting for about 62 percent. An encouraging demand growth of about 14 percent was recorded from Europe. Accounting for over 41 percent of overall exports, BFSI continues to be the largest vertical segment. Emerging verticals such as retail, healthcare, utilities are estimated to grow faster. IT services continues to be the fastest growing segment, generating exports of USD 52 billion.
- In domestic market, IT-BPM industry is estimated to have recorded its lowest growth of last 12 years in FY14. At an estimated ₹ 1,910 billion, the domestic market is likely to grow by 9.7 percent. IT services is estimated to have grown at 9.7 percent whereas software products growth of 9.5 percent was aided by increased demand for vertical-specific and SMAC-based solutions.

Company business review

- **Operational review**

  Covered in Directors' Report.

- **Financial review**

Consolidated Financial highlights

1. **Revenue**

Revenue increased by 19 percent at ₹ 1,566 crores for the year ended 31st March 2014 as compared to ₹ 1,311 crores for the same period last year. International IT services contributed 31 percent of revenues while Domestic products and services contributed 69 percent of the total revenues for the year ended 31st March 2014.

2. **EBITDA**

The EBITDA was at 7 percent at ₹ 110 crores for the year ended 31st March 2014 as compared to 4 percent at ₹ 57 crores for the same period last year. International IT services contributed 71 percent while Domestic products and services contributed 29 percent of the EBITDA for the year ended 31st March 2014.

3. **Profit after Tax after minority interest**

Profit after Tax was at 5 percent at ₹ 78 crores for the year ended 31st March 2014 as compared to Loss after tax of 2 percent at ₹ 28 crores for the same period last year. International IT services contributed 75 percent while Domestic products and services contributed 25 percent of the PAT for the year ended 31st March 2014.

4. **Interest and Borrowings**

During the year the Company has incurred ₹ 2.43 crores as interest cost.

The Company had a Net Cash balance of ₹ 239 crores (including investment in Mutual Funds and net of bank borrowing).

5. **Capital Employed**

The Return on Average Capital Employed (ROCE) for the year ended 31st March 2014 was 21.7 percent.

6. **Net Worth**

The Return on Average Net Worth (RONW) for the year ended 31st March 2014 was 21.7 percent.

7. **Fixed Assets**

The Company added fixed assets to the extent of ₹ 3.3 crores.

Net cash generated from operations is ₹ 122 crores for the year ended 31st March 2014.

8. **Manpower**

The total employee strength as on 31st March 2014 was 2,565 as against 2,375 as on 31st March 2013.

Financial highlights of SSL standalone

1. **Revenue**

Revenue increased by 43 percent at ₹ 334 crores for the year ended 31st March 2014 as compared to ₹ 233 crores for the same period last year.

2. **Operating Expenses**

The ratio of operating expenditure to total income has decreased by 8 percent over the same period last year.

3. **EBITDA**

The EBITDA was at 23 percent for the year ended 31st March 2014 as compared to 14 percent for the same period last year.

4. **Profit after Tax**

Profit after Tax was at 16 percent for the year ended 31st March 2014 as compared to 7 percent for the same period last year.

5. **Interest and Borrowings.**

The Company has availed packing credit from bank and the balance for the year ended 31st March 2014 is ₹ 5.69 crores.

During the year the Company has incurred ₹ 0.17 crores as interest cost.

The Company had a Net Cash balance of ₹ 189 crores (including investment in Mutual Funds and net of bank borrowing).

6. **Capital Employed**

The Return on Average Capital Employed (ROCE) for the year ended 31st March 2014 was 16.6 percent.

7. **Net Worth**

The Return on Average Net Worth (RONW) for the year ended 31st March 2014 was 17.1 percent.

8. **Fixed Assets**

The Company added fixed assets to the extent of ₹ 1.8 crores, mainly in the corporate office and Global Village SEZ units in Bangalore.

Net cash generated from operations is ₹ 58 crores for the year ended 31st March 2014.

9. **Manpower**

The total employee strength as on 31st March 2014 was 2,242 as against 2,026 as on 31st March 2013.

Outlook

Looking forward, we are positive that investments made during the past year in MACS, new geography expansion in Australia, Singapore, Qatar, a stronger sales team, establishing large bid pursuit team, focused alliances, strategic account management, and focus on a few verticals will yield us the results and more strongly establish us as a specialized services organization focusing on deep customer relationships and transformation. Our plan during the year is to stay on course as earlier and make further investments in areas such as human capital, development of customer centers of excellence, alliances with firms which are in line with the IT strategy of our customers to ensure we grow deeper into them while building reference and replicable capabilities to help build our new customer base and prospects. As regards the Domestic products business, the strategy of creating more value to our customers and principals and looking for more opportunities to bring advanced technology products to the Indian market and also to expand overseas market, we expect the business to grow at a higher pace.

Risk Management

In a rapidly evolving world, marked with increasing globalization and economic consolidation, risk management becomes even more critical for enterprises that have multi-country business operations. As a leading IT services and products company, Sonata's business risks are similar to most of its peers. It has put in place a robust risk management framework that identifies key material risks, defines the corresponding mitigation measures, monitors various risks as they become relevant and assesses Company's response to the ongoing basis.

An unstable environment in the European region, tougher immigration laws in US, regulatory environment in India with specific reference to Domestic Products business, competition from the other specialized players in our focused verticals of operations, continue to remain a threat to our existing business and prospects. Business is subject to risks arising out of business combinations like mergers, acquisitions, take over etc.

Risks that the Company faces are those which others in our Industry face. The Company monitors these risks consistently

and periodically. Business risks faced by the Company include reduction in IT budgets of our customers, currency volatility, geo political risks as we operate across geographies, etc.

Sonata's risk management framework includes steps like identifying risks, quantifying and measuring risks, monitoring and controlling the risks, and mitigating the risks.

The risk management audit carried out periodically includes review of the following areas:

- The internal control systems and its continuous functioning,
- Application and effectiveness of operational risks,
- Management and financial information system,
- Safeguarding of assets,
- Compliance requirements.

Further, Planning and risk reporting cycles are co-ordinated so that current information about risk issues is incorporated into the business planning. Controls are optimized to improve effectiveness, reduce costs and support increased business performance. Key risk and control metrics in operations are established and updated periodically to address influences on the business.

Economic Risk

Risk: The economic slowdown and adverse movement of key macroeconomic indicators can impact Company's business operations.

Mitigation: Geographic diversity, in terms of two distinct markets namely developed and developing regions coupled with diversity in business lines namely IT Services and Software Products helps protect Sonata from economic slowdown. Its longstanding relationship with key clients together with long-term contracts helps abate the impact to a greater extent.

Concentration risk

Risk: Regional concentration as well as vertical concentration can adversely impact Company's business in case of a slowdown. As like for all mid-tier IT services companies client concentration is a significant risk. Top 10 clients contribute nearly 80 percent of our revenues in IT services. The Company monitors this risk and mitigation efforts through diversification of our client base are worked on continually. Geographical spread, competition and financial stability of our customers are other customer centric risks that the Company faces.

Mitigation: Diversity, both in terms of region and verticals, is intrinsically woven into the DNA of Sonata. The Company continues to further diversify its business in terms of regional and vertical exposure on ongoing basis.

Currency Risk

Risk: With a significant portion of Company's revenues coming from exports, volatility in exchange rates may impact Company's business adversely. During the year, currency fluctuations played truant and was a challenge. The Company, despite a time tested hedging policy of taking simple forward covers incurred losses on account of wild currency fluctuations.

Mitigation: Sonata protects its business interest with a well-defined currency hedging. Our external Foreign Exchange Advisor reviews our Foreign Exchange Risk Management policy. Based on expert advice, the Company has moved to taking forward covers for only 4 quarters. Our advisors play a very active role in reviewing our foreign exchange exposure and provide risk mitigation strategies.

Competition risk

Risk: The ever-increasing competition poses a key risk in terms of acquiring client business as well as human talent.

Mitigation: Sonata stays invested in enhancing the value proposition for its customers by way of deepening its domain expertise, technological capabilities and customer engagement. On the human capital front, Sonata's brand equity and best-in-class HR principles and practices makes it a preferred employer.

Regulatory risk

Risk: Legislation in various countries in which we operate including the US and UK may place restrictions on companies in those countries from outsourcing work to us, or may enact stricter immigration laws, or may limit our ability to send our employees to certain client sites. The Company has faced significant challenges in the areas of Income-tax related issues in India.

Mitigation: A team of professionals within and outside the Company work on mitigating this on a continuous basis and during the year they have seen quite a bit of success. Issues of tax relate to litigations with Income Tax authorities in India on deduction/ exemption of profits derived from export of software under Section 10A of the Income-Tax Act, treatment of payments for purchase of software as 'royalty' and consequent denial of deductions for such payments on the basis that taxes have not been deducted at source, etc. Management is taking an active role in highlighting these issues and those faced by the Industry with Government Authorities through active representation. These initiatives outside of pure litigation have also helped in resolving long standing disputes.

In our endeavor to provide uninterrupted world class services to our customers, we are planning to set up Delivery centers or operations in these countries to ensure local compliance and customer satisfaction.

Human Resource

Sonata's biggest assets are its employees. We are continuously working on innovative initiatives to attract, train, retain and motivate our employees. Our endeavors are driven by a strong set of values imbibed in us and policies that we abide by and empower Sonatians to "Go Deeper" in pursuit of excellence and to succeed in a dynamic business environment. Our constant goal, and indeed our biggest strength, is a healthy, happy and prosperous work environment for all our employees and thereby also fulfill the aspirations of our people at work.

The Company ended the year with a headcount of 2,565 which was an increase by 8 percent compared to the previous year's headcount of 2,375. During the year, we have attracted talent from leading Business schools including IIMs for managerial, marketing and technical roles.

Internal Control System

Sonata has deployed adequate Internal Control Systems (ICS) in place to ensure a smooth functioning of its business. The processes and the systems are reviewed constantly and changed to address the changing regulatory and business environment. The Control Systems provide a reasonable assurance of recording the transactions of its operations in all material aspects and of providing protection against misuse or loss of Company's assets.

The ERP system which the Company had implemented has helped in further strengthening the internal control systems that are in place.

The existing internal control systems and their adequacy are frequently reviewed and improved upon to meet the changing business environment. The external auditors as well as the internal auditors periodically review the internal control systems, policies and procedures for their adequacy, effectiveness and continuous operation for addressing risk management and mitigation strategies.

Auditor's Certificate

To the Members of SONATA SOFTWARE LIMITED

We have examined the compliance of conditions of Corporate Governance by **Sonata Software Limited** ("the Company") for the year ended on 31st March, 2014, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(ICAI Registration No. 008072S)

V. Srikumar
Partner
(Membership No. 84494)

Place : Bangalore
Date : 26th June, 2014

Declaration

(As required under clause 49 of the Listing Agreement in relation to Code of Conduct)

I, P Srikar Reddy, Managing Director & CEO of Sonata Software Ltd, to the best of my knowledge and belief, hereby declare that all board members and senior management personnel have affirmed compliance with the code of conduct for the year ended 31st March, 2014.

Place : Mumbai
Date : 26th May, 2014

P Srikar Reddy
Managing Director & CEO

Report on Corporate Governance

Your Company is in compliance with the requirements of the guidelines on Corporate Governance stipulated under Clause 49 of the Listing Agreement and hereby presents the following Corporate Governance Report for the year 2013-14 based on the said requirements.

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

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

II. BOARD OF DIRECTORS

The Board of Directors of Sonata as on March 31, 2014 comprised of seven directors of whom three are Promoter directors (out of which two are non-executive directors and one is an executive director), one is an Executive director and three are Independent directors. None of the Directors are related to each other.

During the financial year 2013-14, four meetings of the Board were held with a time gap of not more than four months between any two meetings. These meetings were held on 30th May, 2013, 7th August, 2013, 12th November, 2013 and 8th February, 2014.

The names, designation, categories of the Directors and their shareholding in the Company as on March 31, 2014 are as given below:

Name of the Director	Designation	Category	Equity shareholding in the Company
Pradip P Shah	Chairman	Independent Director	Nil
S B Ghia	Director	Promoter Non-executive Director	5,000
M D Dalal	Executive Vice Chairman	Promoter Executive Director	13,01,260
Viren Raheja	Director	Promoter Non-executive Director	82,50,000
P Srikar Reddy	Managing Director & CEO	Executive Director	13,65,004
S N Talwar	Director	Independent Director	50,000
B K Syngal	Director	Independent Director	Nil

Details of Directors' attendance during the year, directorships/committee memberships held by them as on March 31, 2014 are as given below :

Director's Name	No. of Board Meetings held	No. of Board Meetings attended	Whether attended the last AGM on 6th August,'13	No. of memberships in Boards of other Public Companies	No. of Committee memberships in all Public Companies@
Pradip P Shah	4	4	Yes	11	8
S.B.Ghia	4	3	Yes	5	6
M.D.Dalal	4	4	Yes	1	2
Viren Raheja	4	4	No	3	3
P Srikar Reddy	4	4	Yes	1	2
S N Talwar	4	4	Yes	11	7
B K Syngal	4	4	Yes	2	3

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

As required under Clause 49(IV)(G), particulars of Directors seeking appointment / re-appointment are given in the Explanatory Statement to the Special Businesses proposed in the Notice annexed to the Notice of the Annual General Meeting to be held on 11th August, 2014.

III. AUDIT COMMITTEE

- Terms of Reference

The Audit Committee has interalia the following mandate:

1. To oversee the Company's financial reporting process and disclosure of its financial information to ensure the financial statements are correct, sufficient and credible.
2. To recommend appointment/re-appointment and removal of the Statutory auditors, fixation of audit fees and also approve payment for other services rendered.
3. To review with the Management matters required to be included in the Directors' Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
4. To review with the Management, performance of statutory and internal auditors, the adequacy of internal control systems, changes in accounting policies/procedures, major accounting entries based on the exercise of judgment by Management, significant adjustments in the financial statements arising out of audit findings, statutory compliance, qualifications in draft audit report, default in payments to shareholders/creditors, if any.
5. Discussion with statutory/internal auditors on nature and scope of audit, any significant findings / investigations and follow up there on.
6. To review, with the Management, the audited quarterly and annual financial statements before submission to the Board for approval.
7. To review the Company's financial and risk management policies.
8. To review statement of significant related party

transactions, management letters / letters of internal control, weaknesses and appointment, removal and terms of remuneration of the Internal Auditor.

9. To review the functioning of the Vigil Mechanism / Whistle Blower policy.

Composition

B K Syngal - Chairman (Independent, Non-executive Director)

S B Ghia - Member (Promoter, Non-executive Director)

Pradip P Shah - Member (Independent, Non-executive Director)

Secretary

Priya Manoj Jaswani- Company Secretary

By Invitation

Venkatraman N - Chief Financial Officer

Sathyanarayana R - AVP – Finance & Accounts

V Srikumar - Partner, Deloitte, Haskins & Sells (Statutory Auditors)

V.Raghavendran - Partner, V.Raghavendran & Co. (Internal Auditors)

- **Meetings and attendance during the year**

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

IV. **REMUNERATION COMMITTEE**

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

- **Terms of Reference**

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

- **Composition**

S N Talwar - Chairman (Independent Non-Executive Director)

S B Ghia - Promoter Non-Executive Director

B K Syngal - Independent Non-Executive Director

Viren Raheja - Promoter Non-Executive Director

Secretary

Priya Manoj Jaswani - Company Secretary

- **Meetings and attendance during the year**

Members	Meetings held	Meetings attended
S N Talwar	2	2
S B Ghia	2	1
B K Syngal	2	2
Viren Raheja	2	2

- **Remuneration Policy**

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

Details of remuneration paid/payable to all the Directors during the financial year ended 31st March, 2014

Name	Salary & Perquisites (in ₹)	Commission & Sitting fees (in ₹)	Shares issued under ESOP	Details of service contracts; notice period & severance fees
Pradip P Shah	Nil	1,638,883	Nil	Nil
S B Ghia	Nil	1,678,883	Nil	Nil
M D Dalal	1,250,000	Nil	Nil	Effective 01.04.2012 re-appointed as Executive Vice Chairman for a period of 5 years vide Agreement dated 24.05.2012 Three (3) months notice period and no severance fees
Viren Raheja	Nil	1,598,883	Nil	Nil
P Srikar Reddy	25,603,129	3,888,345	Nil	Effective 14.02.2012 appointed Managing Director & CEO for a period of 5 years vide Agreement dated 24.05.2012; Seven (7) months notice period and severance fees of ₹ 1.20 crores spread over a period of 3 years.
S N Talwar	Nil	1,598,883	Nil	Nil
B K Syngal	Nil	1,678,883	Nil	Nil

- The Criteria for making payments to non-executive directors viz., Mr.S B Ghia, Mr.Viren Raheja, Mr.Pradip P Shah, Mr.S N Talwar and Mr.B K Syngal is the special resolution passed by the shareholders at their meeting held on 6th August, 2013, which authorizes the Board to pay commission to non-executive directors in such amounts or proportions which cumulatively shall not exceed 1% of the net profits of the Company in any financial year.

- Further, as authorized by the Board in the meeting held on 14th February, 2012, all non-executive directors are also being paid a sitting fee of ₹ 20,000/- for each meeting of the Board or Committee attended by them from FY 2012-13 onwards.

V. **INVESTORS' GRIEVANCE COMMITTEE:**

- **Terms of Reference**

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

- **Composition**

  S B Ghia - Chairman (Promoter, Non-executive Director)

  M D Dalal - Member (Promoter, Executive Director)

  P Srikar Reddy - Member (Executive Director)

  Secretary

  Priya Manoj Jaswani - Company Secretary

  Meetings and attendance during the year

Members	Meetings held	Meetings attended
S B Ghia	4	3
M D Dalal	4	4
P Srikar Reddy	4	4

- **Name & Designation of Compliance Officer**

  Priya Manoj Jaswani, Company Secretary

- **Details of complaints received and resolved during the financial year ended 31st March, 2014 has been provided in the "Shareholders' Information for FY 2013-14" section of the Annual Report.**

VI. **SHAREHOLDERS' MEETINGS**

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

Year	Date	Venue	Time
2010-11	15.06.2011	M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg Mumbai – 400 001	4.00 p.m.
2011-12	09.07.2012	M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg Mumbai – 400 001	4.00 p.m.
2012-13	06.08.2013	M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg Mumbai – 400 001	4.00 p.m.

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

  Year 2010-11 – Nil

  Year 2011-12 – Nil

  Year 2012-13 – Yes, one special resolution for payment of commission to non-wholetime Directors pursuant to Section 309 of the Companies Act, 1956 was passed.

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

  No

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

  No

OTHER DISCLOSURES

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

Details are provided in Note 33 under Notes forming part of the Accounts in accordance with the provisions of Accounting Standard 18

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

None

Whistle Blower Policy

The Company has established and put in place a Whistle Blower Policy which has been approved by the Audit Committee at its meeting held on February 14, 2011. The policy covers the aspect of employees or other stakeholders in the Company to report questionable financial or accounting matter, fraudulent financial information, violation of company rules, policies and any other legal requirements. The said Policy has been communicated to the employees and is also available on the Company's website. The Company affirms that no employee has been denied access to the Audit Committee during the financial year 2013-14.

Mandatory/Non-mandatory Requirements

During the financial year 2013-14, the Company

(a) has duly complied with all mandatory requirements of Clause 49 of the Listing Agreement.

(b) has not adopted any of the non-mandatory requirements of Clause 49 of the Listing Agreement except requirements pertaining to constitution of Remuneration Committee and Whistle Blower Policy.

VII. **MEANS OF COMMUNICATION**

- **Quarterly results / Other information**

  - The quarterly results are generally published in Business Standard (all India edition) and in Navshakti (Mumbai edition).
  - The quarterly financial statements, press releases, shareholding pattern and all other information disseminated to analysts/institutional investors are posted on Company's website (http://www.sonata-software.com) under Investor Relations Section.

VIII. **GENERAL SHAREHOLDER INFORMATION**

It is provided in the section styled as "**Shareholders' Information for FY 2013-14**" published elsewhere in this Annual Report.

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

Secretarial Compliance Report for the year ended 31st March, 2014

The Board of Directors

Sonata Software Limited

Bangalore

We have examined the registers, records and papers of **SONATA SOFTWARE LIMITED** as required to be maintained under the Companies Act, 1956 (hereinafter referred to as 'The Act'), the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the year ended 31st March, 2014.

On the basis of our examination as well as information and explanations furnished by the Company and the records made available to us, we report that:

1. The Equity Shares of the Company are listed on BSE Ltd. and the National Stock Exchange of India Ltd.
2. All the registers and other records prescribed under the Act and the Rules made thereunder have been maintained in accordance with the requirements of the Act.
3. All the requisite forms, returns and documents have been filed with the Registrar of Companies and other authorities as required under the Act and the rules made thereunder.
4. All the requirements of the Act relating to the meetings of the Directors, Shareholders and Committees of the Board as well as relating to maintenance of the minutes of the proceedings thereat have been complied with.
5. The Board of Directors of the Company is duly constituted.
6. The Directors have disclosed their interest in other firms/ companies to the Board of Directors pursuant to the provisions of Section 299 of the Companies Act, 1956.
7. There was no issue of shares or any other securities during the year under report.
8. Share certificates have been delivered to the transferee within the time prescribed under the Companies Act, 1956. Applications for transfer and transmission of shares have been registered within the prescribed time and necessary entries have been made in the register prescribed for this purpose.
9. The provisions of the Companies Act, 1956 relating to declaration and payment of interim and final dividend have been complied with.
10. The provisions of the Companies Act, 1956 with respect to borrowings during the year under report have been complied with.
11. The particulars of modification of charge have been filed in compliance with the requirements of the Companies Act, 1956. There were no instances of creation or satisfaction of charge.
12. Necessary approvals of the Directors, Shareholders, Central Government and other authorities wherever applicable and required under the Companies Act, 1956 have been obtained.
13. The Company has not altered the provisions of the Memorandum of Association or the Articles of Association during the year under report.

For **V. Sreedharan & Associates**

Sd/-

Date: 29th April, 2014
Place: Bangalore

V. Sreedharan
Partner
FCS 2347:C.P. No.: 833

CEO / CFO Certification

To
The Board of Directors
Sonata Software Limited
Mumbai

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

(a) We have reviewed financial statements and the cash flow statement for the year ended 31st March, 2014 and :

(i) these statements do not contain any false or misleading statement or figures and do not omit any material fact, which may make the statements or figures contained therein misleading ;

(ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;

(b) Appropriate internal controls for financial reporting are in place which are reasonably expected to safeguard assets of the Company and there are no deficiencies in the design or operation of internal controls, of which we are aware.

(c) During the year ended 31st March, 2014, there were :

(i) no significant changes in internal control over financial reporting ;

(ii) no significant changes in accounting policies; and

(iii) no instances of fraud of which we have become aware.

P Srikar Reddy
Managing Director & CEO

N Venkatraman
CFO

Place : Mumbai
Date : 26th May, 2014

Independent Auditors' Report

TO THE MEMBERS OF SONATA SOFTWARE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of SONATA SOFTWARE LIMITED ("the Company"), which comprise the Balance Sheet as at 31st March, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of the financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2014;

(b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date and

(c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by Section 227(3) of the Act, we report that:

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

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

   (c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

   (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs).

   (e) On the basis of the written representations received from the directors as on 31st March, 2014 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm's Registration No. 008072S)

V. Srikumar
Partner
(Membership No. 84494)

MUMBAI,
26th May, 2014

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

(i) Having regard to the nature of the Company's business/ activities/results during the year, clauses ii, iv (to the extent it relates to purchase of inventory and sale of goods), v, vi, viii, xii, xiii, xiv, xvi, xix and xx of paragraph 4 of the Order are not applicable to the Company.

(ii) In respect of its fixed assets:

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

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

(c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

(iii) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the Register maintained under Section 301 of the Act.

(iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets and the sale of services. During the course of our audit, we have not observed any major weakness in such internal control system.

(v) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.

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

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

(b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2014 for a period of more than six months from the date they became payable.

(c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess which have not been deposited as on 31st March, 2014 on account of disputes are given below:

Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved (₹)
Income-tax Act, 1961	Income Tax and Interest thereon	Commissioner of Income Tax (Appeals)	AY 2008-09, 2009-10	338,362,451
Income-tax Act, 1961	Withholding Tax and Interest thereon	Supreme Court	AY 2000-01, 2001-02 and 2002-03	284,187,956
Income-tax Act, 1961	Income Tax and Interest thereon	Income tax Appellate Tribunal	AY 2007-08	173,112,370
Finance Act, 1994	Service Tax, Penalty and Interest there on	Central Excise and Service Tax Appellate Tribunal	FY 2005-06 to 2008-09	67,653,029

(vii) The Company does not have accumulated losses at the end of the financial year and the Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.

(viii) In our opinion and according to the information and explanations given to us, the Company has been not defaulted in the repayment of dues to banks. There are no borrowings from financial institution and the Company has not issued any Debentures.

(ix) According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks or financial institutions.

(x) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have, prima facie, not been used during the year for long- term investment.

(xi) During the year, the Company has not made any preferential allotment of shares to the parties and companies covered in the Register maintained under Section 301 of the Act.

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

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm's Registration No. 008072S)

V. Srikumar
Partner
(Membership No. 84494)

MUMBAI,
26th May, 2014

Balance Sheet as at 31st March 2014

(₹)

	Note No.	AS AT 31.03.2014	AS AT 31.03.2013
EQUITY AND LIABILITIES			
SHAREHOLDER'S FUNDS			
Share capital	3	105,159,306	105,159,306
Reserves and surplus	4	3,087,994,372	2,992,008,432
		3,193,153,678	**3,097,167,738**
NON-CURRENT LIABILITIES			
Long-term provisions	5	6,958,445	-
		6,958,445	**-**
CURRENT LIABILITIES			
Short-term borrowings	6	56,947,750	167,821,500
Trade payables	7	318,807,156	136,675,732
Other current liabilities	8	59,812,268	60,431,983
Short-term provisions	9	437,418,513	223,615,936
		872,985,687	**588,545,151**
TOTAL		**4,073,097,810**	**3,685,712,889**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	10 (i)	147,329,441	206,224,841
Intangible assets	10 (ii)	32,698	165,240
Capital work-in-progress		189,003	-
		147,551,142	206,390,081
Non-current investments	11	510,001,270	842,637,275
Deferred tax asset	12	96,949,848	28,302,676
Long-term loans and advances	13	585,657,967	645,716,264
		1,340,160,227	**1,723,046,296**
CURRENT ASSETS			
Current investments	14	576,609,962	217,692,746
Trade receivables	15	641,890,767	586,225,089
Cash and cash equivalents	16	1,375,019,758	791,451,514
Short-term loans and advances	17	83,171,205	332,053,719
Other current assets	18	56,245,891	35,243,525
		2,732,937,583	**1,962,666,593**
TOTAL		**4,073,097,810**	**3,685,712,889**

See accompanying notes 1 to 37 forming part of the financial statements

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants

V. Srikumar
Partner

Place : Mumbai
Date : 26th May 2014

For and on behalf of the Board of Directors

PRADIP P SHAH
Chairman

P SRIKAR REDDY
Managing Director & Chief Executive Officer

M D DALAL
Executive Vice Chairman

S B GHIA
Director

VIREN RAHEJA
Director

S N TALWAR
Director

B K SYNGAL
Director

VENKATRAMAN NARAYANAN
Chief Financial Officer

R SATHYANARAYANA
AVP - Finance & Accounts

PRIYA MANOJ JASWANI
Company Secretary

Statement of Profit and Loss for the year ended 31st March 2014

(₹)

	Note No.	FOR THE YEAR ENDED 31.03.2014	FOR THE YEAR ENDED 31.03.2013
Revenue from operations	19.1	3,337,045,345	2,327,597,716
Other income	19.2	173,905,698	107,186,365
Total revenue		**3,510,951,043**	**2,434,784,081**
EXPENSES			
Employee benefits expense	20	1,862,720,620	1,361,107,846
Other expenses	21	884,199,785	738,991,673
Total expenses		**2,746,920,405**	**2,100,099,519**
Earnings before interest, tax, depreciation and amortization (EBITDA)		**764,030,638**	**334,684,562**
Finance costs	22	1,664,222	530,088
Depreciation and amortization expense	10 (iii)	73,921,821	97,215,684
		75,586,043	**97,745,772**
Profit before tax		**688,444,595**	**236,938,790**
Tax expense / (benefit)			
Current tax expense		205,925,614	53,000,000
Short/(excess) provision for tax relating to prior years		12,746,412	(10,359,621)
Deferred tax		(68,647,172)	36,699,703
Net tax expense		**150,024,854**	**79,340,082**
Profit after tax		**538,419,741**	**157,598,708**
Earnings per share - Basic and Diluted (on ₹ 1 per share)	35	5.12	1.50
See accompanying notes 1 to 37 forming part of the financial statements			

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants

V. Srikumar
Partner

Place : Mumbai
Date : 26th May 2014

For and on behalf of the Board of Directors

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Chief Financial Officer

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AVP - Finance & Accounts

PRIYA MANOJ JASWANI
Company Secretary

Cash Flow Statement for the year ended 31st March 2014

(₹)

		FOR THE YEAR ENDED 31.03.2014	FOR THE YEAR ENDED 31.03.2013
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net profit before tax		**688,444,595**	**236,938,790**
Adjustments for :			
Depreciation and amortization expense		73,921,821	97,215,684
Finance costs		1,664,222	530,088
Provision for doubtful trade receivables		13,111,221	2,515,979
Provision for doubtful advances		6,346,135	-
Provisions/Liabilities no longer required written back		(6,647,067)	(388,053)
Interest from fixed deposits with banks and inter-corporate deposits		(31,851,828)	(61,905,046)
Interest on Income-tax refund		(3,137,369)	(24,817,611)
Dividend income from current investments		(56,190,677)	(17,734,193)
Dividend income from long-term investments in subsidiaries		(75,506,466)	-
(Profit)/loss on sale of fixed assets / scrapped		1,282,292	(553,614)
Net loss on sale of current investments		10,208,995	7,381
Provision for diminution in value of non-current investment in subsidiary company		500,000	-
Excess of carrying costs over fair value of current investments		907,340	-
Unrealized foreign exchange (gain) / loss (net)		(19,806,342)	(45,842,267)
Foreign exchange (gain) / loss on redemption of investments		(4,043,995)	(2,163,788)
Operating profit before working capital changes		**599,202,877**	**183,803,350**
Adjustments for :			
Decrease/(increase) in trade receivables		(23,139,243)	68,746,060
Decrease/(increase) in other current assets		(22,509,712)	(23,696,008)
Decrease/(increase) in long-term loans and advances		(18,702,478)	(1,829,273)
Decrease/(increase) in short-term loans and advances		(31,117,486)	58,792,604
(Decrease)/increase in trade payables		179,562,465	(11,839,994)
(Decrease)/increase in other current liabilities		1,925,208	(50,010,099)
(Decrease)/increase in long-term provisions		6,958,445	-
(Decrease)/increase in short-term provisions		36,110,416	63,134,928
Bank balances not considered as cash and cash equivalents		(2,662,594)	-
Cash generated from operations		**725,627,898**	**287,101,568**
Direct taxes/advance tax paid (net)		(145,746,620)	(65,299,155)
Net cash from operating activities	**(A)**	**579,881,278**	**221,802,413**
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets, including intangible assets, capital work-in-progress and capital advances		(18,465,090)	(13,260,656)
Proceeds from sale of fixed assets		1,794,659	6,778,680
Proceeds of current investments (net)		(370,033,551)	1,875,359
Redemption of investment in subsidiary		336,180,000	68,229,077
Interest received		36,715,243	62,937,055
Dividend received		56,190,677	17,734,193
Dividend received from subsidiary		75,506,466	-
Inter corporate deposit to subsidiary (net)		280,000,000	(100,000,000)
Net income tax (paid) / refunds		(4,227,931)	-
Net cash flow from investing activities	**(B)**	**393,660,473**	**44,293,708**

(₹)

		FOR THE YEAR ENDED 31.03.2014	FOR THE YEAR ENDED 31.03.2013
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from/(repayment of) short-term borrowing		(110,873,750)	167,821,500
Dividends paid on equity shares		(234,031,976)	(77,998,050)
Dividend taxes paid on equity shares		(35,909,242)	(12,794,601)
Finance costs		(1,664,222)	(530,088)
Net cash from/(used in) financing activities	**(C)**	**(382,479,190)**	**76,498,761**
Net increase/(decrease) in cash and cash equivalents	**(A+B+C)**	**591,062,561**	**342,594,882**
Opening cash and cash equivalents		784,120,969	434,916,055
Exchange difference on translation of foreign currency cash and cash equivalents		(10,156,911)	6,610,032
Closing cash and cash equivalents		**1,365,026,619**	**784,120,969**
Cash and cash equivalents at the end of the year comprises:			
Cash on hand		-	85,195
Cheques, drafts on hand		4,171,135	425,355
Balances with banks			
In Current accounts		172,206,762	83,610,419
In Deposit accounts		1,188,648,722	700,000,000
		1,365,026,619	**784,120,969**
See accompanying notes 1 to 37 forming part of the financial statements			

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants

V. Srikumar
Partner

Place : Mumbai
Date : 26th May 2014

For and on behalf of the Board of Directors

PRADIP P SHAH
Chairman

P SRIKAR REDDY
Managing Director & Chief Executive Officer

M D DALAL
Executive Vice Chairman

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Director

VIREN RAHEJA
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Director

B K SYNGAL
Director

VENKATRAMAN NARAYANAN
Chief Financial Officer

R SATHYANARAYANA
AVP - Finance & Accounts

PRIYA MANOJ JASWANI
Company Secretary

1. **Corporate information**

Sonata Software Limited (SSL or the Company) is a Company registered in India with its registered office at Mumbai and operationally headquartered at Bangalore. The Company is listed on the National Stock Exchange Limited and The Bombay Stock Exchange Limited. The Company is primarily engaged in the business of providing IT Services and Solutions to its customers in the US, Europe, Middle East and India.

2. **Significant accounting policies**

a. **Basis for preparation of financial statements**

The financial statements of the Company have been prepared under the historic cost convention, on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles ('GAAP') in India to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/2013 Act, as applicable.

b. **Use of estimates**

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognized in the periods in which the results are known / materialize.

c. **Depreciation / Amortisation**

Depreciation / Amortisation has been provided on Plant and Equipment, Computer Software and Buildings, on straight line basis and on other assets on written down value method at the rate specified in Schedule XIV of the 1956 Act, or at the rate based on useful lives as estimated by the Management, whichever is higher:

	Rates of Depreciation / Amortisation	
	Rates as per 1956 Act	**Rate adopted**
Leasehold land	Lease period	Primary Lease period
Leasehold improvements	Lease period	Primary Lease period
Buildings	1.63%	1.63%
Plant and equipment	4.75%	33.33%
Furniture and fixtures	18.10%	18.10%
Vehicles	25.89%	25.89%
Office equipments	13.91%	13.91%

Computer Software are amortised over a period of 3 years

Assets costing less than ₹ 5,000/- each are fully depreciated in the year of capitalization.

d. **Revenue recognition**

Revenues from contracts priced on a time and material basis are recognised when services are rendered and related costs are incurred.

Revenues from fixed price contracts, are recognised over the life of the contract using the proportionate completion method, with contract costs determining the degree of completion. Foreseeable losses on such contracts are recognised when probable.

Revenues from sale of product and licenses are recognised upon delivery where there is no customisation required. In case of customisation the same is recognised over the life of the contract using the proportionate completion method.

Revenues from maintenance contracts are recognised pro-rata over the period of the contract.

Revenues are reported net of discounts.

Dividends are recorded when the right to receive payment is established. Interest income is recognised on time proportion basis taking into account the amount outstanding and the rate applicable.

e. **Tangible and intangible fixed assets**

Fixed assets are carried at cost less accumulated depreciation / amortization and impairment losses, if any. The cost of fixed assets comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use. Subsequent expenditure, if any, on fixed assets after its purchase / completion is capitalized only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

f. **Foreign currency transactions**

Initial recognition

Company: Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Integral foreign operations: Transactions in foreign currencies entered into by the Company's integral foreign operations are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Measurement at the balance sheet date

Company: Foreign currency monetary items (other than derivative contracts) of the Company, outstanding at the balance sheet date are restated at the year-end rates. Non-monetary items of the Company are carried at historical cost.

Integral foreign operations: Foreign currency monetary items (other than derivative contracts) of the Company's integral foreign operations outstanding at the balance sheet date are restated at the year-end rates. Non-monetary items of the Company's integral foreign operations are carried at historical cost.

Treatment of exchange differences

Company: Exchange differences arising on settlement / restatement of foreign currency monetary assets and liabilities of the Company are recognised as income or expense in the Statement of Profit and Loss.

Integral foreign operations: Exchange differences arising on settlement / restatement of foreign currency monetary assets and liabilities of the Company's integral foreign operations are recognised as income or expense in the Statement of Profit and Loss.

Accounting for forward contracts

In respect of forward exchange contracts, the premium or discount arising at the inception of such a forward exchange contract is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss of the reporting period in which the exchange rates change.

g. **Investments**

Long-term investments are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried individually, at the lower of cost and fair value. Cost of investments include acquisition charges such as brokerage, fees and duties.

h. **Employee benefits**

Employee benefits include provident fund, superannuation, employee state insurance scheme, gratuity and compensated absences.

Defined contribution plans

Contribution to defined retirement benefit schemes are recognized as an expense when employees have rendered services entitling them to contribution required to be made and when services are rendered by the employees.

Defined benefit plans

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognized in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognized in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Long-term employee benefits

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

Short-term employee benefits

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

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

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

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

i. **Leases**

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognized as operating leases. Lease rentals under operating leases are recognized in the Statement of Profit and Loss on a straight-line basis.

j. **Earnings per share**

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year.

For the purpose of computing diluted earnings per share, profit / (loss) after tax (including the post tax effect of extraordinary items, if any) and the weighted average number of equity shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

k. **Taxes on income**

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income tax Act, 1961.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognized as an asset in the Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the Company.

Deferred tax is recognized on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognized for all timing differences. Deferred tax assets are recognized for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realized. However, if there is unabsorbed depreciation and carry forward of losses, deferred tax assets are recognized only if there is virtual certainty that there will be sufficient future taxable income available to realize the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realizability.

l. **Impairment of assets**

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognized, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognized for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognized in the Statement of Profit and Loss.

m. **Provisions and contingencies**

A provision is recognized when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes. Contingent assets are not recognized in the financial statements.

n. **Hedge accounting**

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable forecast transactions. The Company designates such forward contracts in a cash flow hedging relationship by applying the hedge accounting principles set out in "Accounting Standard 30 Financial Instruments: Recognition and Measurement" issued by the Institute of Chartered Accountants of India. These forward contracts are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated and effective as hedges of future cash flows are recognized directly in "Hedging reserve account" under Reserves and surplus, net of applicable deferred income taxes and the ineffective portion is recognized immediately in the Statement of Profit and Loss. Amounts accumulated in the "Hedging reserve account" are reclassified to the Statement of Profit and Loss in the same periods during which the forecasted transaction affects profit or loss. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognized in "Hedging reserve account" is retained until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognized in "Hedging reserve account" is immediately transferred to the Statement of Profit and Loss.

3. Share capital

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Authorized		
150,000,000 equity shares of face value ₹ 1/- each	150,000,000	150,000,000
(Previous year 150,000,000 equity shares of face value ₹ 1/- each)		
Issued, Subscribed and paid-up		
105,159,306 equity shares of face value ₹ 1/- each fully paid-up	105,159,306	105,159,306
(Previous year 105,159,306 equity shares of face value ₹ 1/- each)		
Total	**105,159,306**	**105,159,306**
Refer notes (i) to (iii) below		

i) **Reconciliation of number of shares and amount outstanding at the beginning and at the end of the reporting year**

	Opening balance	Fresh issue / Other changes	Closing balance
Equity shares with voting rights			
Year ended 31st March 2014			
Number of shares	105,159,306	-	105,159,306
Amount ₹	105,159,306	-	105,159,306
Equity shares with voting rights			
Year ended 31st March 2013			
Number of shares	105,159,306	-	105,159,306
Amount ₹	105,159,306	-	105,159,306

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

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

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

The shareholders have all other rights as available to equity shareholders as per the provisions of the Companies Act, 1956, read together with the Memorandum of Association and Articles of Association of the Company, as applicable.

iii) **Details of shares held by each shareholder holding more than 5% shares**

	As at 31.03.2014		As at 31.03.2013	
	No. of shares	% of holding	No. of shares	% of holding
Akshay Raheja	8,250,000	7.85	8,250,000	7.85
Viren Raheja	8,250,000	7.85	8,250,000	7.85
Suman Raheja	6,900,000	6.56	6,900,000	6.56
Hemendra M Kothari	9,050,000	8.61	6,500,000	6.18

4. Reserves and surplus

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Securities premium	**450,924,411**	**450,924,411**
General reserve		
Opening balance	649,154,246	633,154,246
Add: Transfer from surplus in Statement of Profit and Loss	60,000,000	16,000,000
Closing balance	**709,154,246**	**649,154,246**
Hedging reserve		
Opening balance	(11,274,506)	(178,722,709)
Additions during the year (net)	14,630,575	167,448,203
Closing balance	**3,356,069**	**(11,274,506)**
Surplus in Statement of Profit and Loss		
Opening balance	1,903,204,281	1,976,503,873
Add : Profit for the year	538,419,741	157,598,708
Less :		
Proposed dividend	289,188,092	131,449,133
(Dividend proposed to be distributed to equity share holders ₹ 2.75/share)		
(Previous year ₹ 1.25/- equity share)		
Interim dividend	105,159,306	52,579,653
(Interim dividend is distributed to equity share holders ₹ 1/share)		
(Previous year ₹ 0.50/- equity share)		
Tax on proposed dividend	49,147,516	22,339,780
Tax on interim dividend	17,871,824	8,529,734
Set-off of tax on interim dividend paid by subsidiary	(4,302,362)	-
Transfer to general reserve	60,000,000	16,000,000
Closing balance	**1,924,559,646**	**1,903,204,281**
Total	**3,087,994,372**	**2,992,008,432**

5. Long-term provisions

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Provision for rent equalization	6,958,445	-
Total	**6,958,445**	**-**

6. Short-term borrowings

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Loans repayable on demand		
From bank - Secured	56,947,750	167,821,500
(Secured by pari passu first charge on all the current assets of the Company both present and future including stocks, book debts and other current assets wherever located)		
Total	**56,947,750**	**167,821,500**

7. Trade payables

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Trade payables - other than acceptances (Refer Note 25)	318,807,156	136,675,732
Total	**318,807,156**	**136,675,732**

8. Other current liabilities

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Income received in advance (Unearned revenue)	3,587,833	1,998,882
Gratuity (Refer Note 31)	-	2,829,940
Unpaid dividend (Refer Note 36)	9,907,008	7,330,545
Other payables		
Statutory remittances	36,287,212	31,658,832
Payable on purchase of fixed assets	1,587,944	1,893,199
Loss on forward contracts (Mark-to-Market)	-	11,274,506
Other liabilities	8,442,271	3,446,079
Total	**59,812,268**	**60,431,983**

9. Short-term provisions

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Provision for employee benefits		
compensated absences	57,766,434	21,656,018
Others		
Provision for tax (net of advance tax - ₹ 277,830,959/- (as at 31.03.2013 - ₹ 130,302,525/-) and net of MAT credit - ₹ 58,482,208/- (as at 31.03.2013 - ₹ Nil))	41,316,471	48,171,005
Provision for proposed equity dividend	289,188,092	131,449,133
Provision for tax on proposed dividends	49,147,516	22,339,780
Total	**437,418,513**	**223,615,936**

10. FIXED ASSETS

10 (i) **Tangible assets**

(₹)

	Gross block				Accumulated depreciation				Net block	
Particulars *	**Cost as at 01.04.2013**	**Additions**	**Deductions/ Adjustments**	**Cost as at 31.03.2014**	**Upto 31.03.2013**	**For the year**	**Deductions/ Adjustments**	**As at 31.03.2014**	**As at 31.03.2014**	**As at 31.03.2013**
Leasehold land	**35,200,000**	**-**	**-**	**35,200,000**	**4,399,626**	**1,076,316**	**-**	**5,475,942**	**29,724,058**	**30,800,374**
	(35,200,000)	(-)	(-)	(35,200,000)	(3,411,775)	(987,851)	(-)	(4,399,626)	(30,800,374)	(31,788,225)
Buildings	**15,493,000**	**-**	**-**	**15,493,000**	**3,220,007**	**252,536**	**-**	**3,472,543**	**12,020,457**	**12,272,993**
	(15,493,000)	(-)	(-)	(15,493,000)	(2,967,240)	(252,767)	(-)	(3,220,007)	(12,272,993)	(12,525,760)
Leasehold improvements	**228,042,522**	**57,000**	**-**	**228,099,522**	**170,293,655**	**32,755,317**	**-**	**203,048,972**	**25,050,550**	**57,748,867**
	(225,623,077)	(4,022,225)	(1,602,780)	(228,042,522)	(137,428,315)	(34,448,241)	(1,582,901)	(170,293,655)	(57,748,867)	(88,194,762)
Plant and equipment	**294,310,116**	**11,388,875**	**13,559,254**	**292,139,737**	**254,076,957**	**27,329,756**	**12,720,239**	**268,686,474**	**23,453,263**	**40,233,159**
	(389,729,804)	(7,591,488)	(103,011,176)	(294,310,116)	(311,694,455)	(43,331,674)	(100,949,172)	(254,076,957)	(40,233,159)	(78,035,349)
Furniture and fixtures	**100,489,883**	**1,836,429**	**906,392**	**101,419,920**	**80,353,881**	**5,162,793**	**872,402**	**84,644,272**	**16,775,648**	**20,136,002**
	(119,706,043)	(5,169,450)	(24,385,610)	(100,489,883)	(97,628,015)	(5,222,287)	(22,496,421)	(80,353,881)	(20,136,002)	(22,078,028)
Vehicles	**9,431,786**	**649,234**	**5,128,364**	**4,952,656**	**6,739,888**	**475,920**	**3,874,454**	**3,341,354**	**1,611,302**	**2,691,898**
	(14,927,567)	(-)	(5,495,781)	(9,431,786)	(10,334,923)	(1,074,277)	(4,669,312)	(6,739,888)	(2,691,898)	(4,592,644)
Office equipments	**105,308,760**	**4,039,294**	**3,379,762**	**105,968,292**	**62,967,212**	**6,736,643**	**2,429,726**	**67,274,129**	**38,694,163**	**42,341,548**
	(110,980,174)	(3,023,217)	(8,694,631)	(105,308,760)	(63,107,166)	(7,146,680)	(7,286,634)	(62,967,212)	(42,341,548)	(47,873,008)
Total	**788,276,067**	**17,970,832**	**22,973,772**	**783,273,127**	**582,051,226**	**73,789,281**	**19,896,821**	**635,943,686**	**147,329,441**	**206,224,841**
	(911,659,665)	(19,806,380)	(143,189,978)	(788,276,067)	(626,571,889)	(92,463,777)	(136,984,440)	(582,051,226)	(206,224,841)	(285,087,776)

Previous year figures are in brackets

* Represents owned unless otherwise stated

10 (ii) **Intangible assets**

(₹)

Particulars *	Gross block				Accumulated amortisation				Net block	
	Cost as at 01.04.2013	Additions	Deductions/ Adjustments	Cost as at 31.03.2014	Upto 31.03.2013	For the year	Deductions/ Adjustments	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Computer software - purchased	**121,167,794**	**-**	**14,481,985**	**106,685,809**	**121,002,554**	**132,540**	**14,481,983**	**106,653,111**	**32,698**	**165,240**
	(121,228,274)	(-)	(60,480)	(121,167,794)	(116,291,598)	(4,751,907)	(40,951)	(121,002,554)	(165,240)	(4,936,676)
Total	**121,167,794**	**-**	**14,481,985**	**106,685,809**	**121,002,554**	**132,540**	**14,481,983**	**106,653,111**	**32,698**	**165,240**
	(121,228,274)	(-)	(60,480)	(121,167,794)	(116,291,598)	(4,751,907)	(40,951)	(121,002,554)	(165,240)	(4,936,676)

Previous year figures are in brackets

* Represents owned unless otherwise stated

10 (iii) **Depreciation and amortization expense**

(₹)

Particulars	For the year ended 31.03.2014	For the year ended 31.03.2013
Depreciation on Tangible assets		
As per Note 10 (i)	73,789,281	92,463,777
Amortization on Intangible assets		
As per Note 10 (ii)	132,540	4,751,907
Total	**73,921,821**	**97,215,684**

11. **Non-current investments**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Trade, Long-term, unquoted and at cost		
In subsidiary companies		
Investment in equity instruments		
3,375,394 Equity shares of ₹ 10/- each in Sonata Information Technology Limited (fully paid) (Previous year - 3,375,394 Equity Shares of ₹ 10/- each (fully paid))	33,753,940	33,753,940
300,000 Equity shares of 1 Dollar in Sonata Software North America Inc, (Previous year - 300,000 Equity Shares of 1 Dollar - (fully paid))	12,232,184	12,232,184
2 Equity shares of Euro 12,500 each in Sonata Software GmbH, Germany (fully paid) (Previous year - 2 shares of Euro 12,500 each (fully paid))	3,166,234	3,166,234
800 Equity shares of 1 Pound each in Sonata Europe Ltd, UK (fully paid) (Previous year - 671,700 share of 1 Pound (fully paid))	68,223	57,281,788
500 Equity shares in Sonata Software FZ LLC of 1,000 AED each (fully paid) (Previous year - 500 Equity shares of 1,000 AED each (fully paid))	6,614,250	6,614,250
98 Equity shares in Sonata Software (Qatar) LLC of 1,000 QAR each (fully paid) (Previous year - 98 Equity shares of 1,000 QAR each (fully paid))	1,242,640	1,242,640
Nil Equity shares of ₹ 10/- each in Sonata Technology Solutions India Limited (fully paid) (Previous year - 50,000 Equity shares of ₹ 10/- each (fully paid))	-	500,000
Investment in preference shares		
5,484,560 2% non-cumulative convertible redeemable preference shares of 1 Pound each in Sonata Europe Ltd, UK (fully paid) (Previous year - 8,813,660 shares of 1 Pound each (fully paid))	452,923,799	727,846,239
Total	**510,001,270**	**842,637,275**
Aggregate cost of unquoted investments	510,001,270	842,637,275

12. **Deferred tax asset**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Tax effects on		
Difference between book balance and tax balance of fixed assets	31,923,372	17,222,071
Others	65,026,476	11,080,605
Total	**96,949,848**	**28,302,676**

13. **Long-term loans and advances**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Unsecured, considered good unless otherwise stated		
Capital advances	-	37,813
Security deposits	103,135,319	84,983,024
Other deposits	11,484,490	12,599,328
Prepaid expenses	1,271,106	5,914,407
Balances with Government authorities		
VAT credit receivable, considered doubtful	6,346,135	-
Less : Provision for doubtful receivable	6,346,135	-
	-	-
Advance Tax (net of provision for tax - ₹ 326,157,031/- (as at 31.03.2013 - ₹ 351,444,718/-))	290,440,235	285,048,400
MAT credit entitlement	179,326,817	257,133,292
Total	**585,657,967**	**645,716,264**

14. **Current investments**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
A) Current portion of long-term investments (at cost)		
Trade, unquoted		
In subsidiary companies		
50,000 Equity shares of ₹ 10/- each in Sonata Technology Solutions India Limited (fully paid) (Previous year - Nil)	500,000	-
Less : provision for diminution in value of current portion of long-term investment	500,000	-
	-	-
B) Other current investments (At lower of cost and fair value, unless otherwise stated)		
Non-trade		
Investments in mutual funds (unquoted)		
Birla Sun Life - Floating Rate fund Nil (Previous year - 2,176,492.16 units at ₹ 100.02 per unit)	-	217,692,746
Birla Sun Life Short Term Opportunities Fund - Quarterly Dividend 14,537,793.33 units at ₹ 10.45 per unit (Previous year - Nil)	151,885,050	-
Tata Floater Fund Plan A-Daily Dividend 25,020.29 units at ₹ 1003.53 per unit (Previous year - Nil)	25,108,585	-
Tata Short Term Bond Fund Plan A - Growth 2,154,494.49 units at ₹ 23.21 per unit (Previous year - Nil)	50,000,000	-
Templeton India Short Term Income Retail Plan - Growth 19,531.59 units at ₹ 2,540.31 per unit (Previous year - Nil)	49,616,327	-
HDFC Short Term Plan - Growth 4,125,514.66 units at ₹ 24.24 per unit (Previous year - Nil)	100,000,000	-
DSP BR Income Opportunity Fund Reg - G 2,494,462.29 units at ₹ 20.04 per unit (Previous year - Nil)	50,000,000	-
Reliance Regular Savings Fund - Debt Plan - Growth Plan Growth Option - SDGP 8,961,214.96 units at ₹ 16.74 per unit (Previous year - Nil)	150,000,000	-
Total	**576,609,962**	**217,692,746**
Aggregate cost of unquoted investments	578,017,302	217,692,746

15. **Trade receivables**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Unsecured		
Trade receivable outstanding for a period exceeding six months from the date they are due for payment		
Considered good	178,636	4,454,638
Considered doubtful	45,094,405	33,530,483
	45,273,041	37,985,121
Less : Provision for doubtful trade receivables	45,094,405	33,530,483
	178,636	4,454,638
Other debts :		
Considered good	641,712,131	581,770,451
Considered doubtful	2,188,459	641,160
	643,900,590	582,411,611
Less : Provision for doubtful trade receivables	2,188,459	641,160
	641,712,131	581,770,451
Total	**641,890,767**	**586,225,089**

16. **Cash and cash equivalents**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Cash on hand	-	85,195
Cheques, drafts on hand	4,171,135	425,355
Balances with banks		
In Current accounts	172,206,762	83,610,419
In Deposit accounts	1,188,648,722	700,000,000
In Earmarked accounts		
Balance held as Margin money	86,131	-

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Unpaid dividend account	9,907,008	7,330,545
The balance that meet the definition of Cash and cash equivalents as per AS-3 Cash flow Statement is ₹ 1,365,026,619/- (As at 31.03.2013 is ₹ 784,120,969/-)		
Total	**1,375,019,758**	**791,451,514**

17. **Short-term loans and advances**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Unsecured, considered good		
Loans and advances to related parties		
Advances recoverable (Refer Note 33)	6,828,199	7,060,274
Inter-corporate deposits (Refer Note 33)	-	280,000,000
Security deposits	1,495,904	755,000
Gratuity (Refer Note 31)	460,234	-
Loans and advances to employees	2,771,392	4,247,726
Prepaid expenses	46,489,861	31,037,116
Balances with Government authorities		
VAT credit receivable	-	5,998,067
Service tax credit receivable	6,674,557	633,862
Other recoverables	18,451,058	2,321,674
Total	**83,171,205**	**332,053,719**
Inter-corporate deposit given to - Sonata Information Technology Limited	-	280,000,000
Maximum amount outstanding	860,000,000	788,000,000

18. **Other current assets**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Unbilled revenue	52,889,822	30,380,110
Interest accrued on bank deposits	-	279,726
Interest accrued on inter-corporate deposit (Refer Note 33)	-	4,583,689
Gain on forward contracts (Mark-to-market)	3,356,069	-
Total	**56,245,891**	**35,243,525**

19.1. **Revenue from operations**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Revenue from Software services	3,328,278,073	2,316,227,434
Other operating revenues	8,767,272	11,370,282
Total	**3,337,045,345**	**2,327,597,716**

19.2. **Other income**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Interest income		
Interest from fixed deposits with banks and inter-corporate deposits	31,851,828	61,905,046
Interest on Income-tax refund	3,137,369	24,817,611
Dividend income		
From current investments	56,190,677	17,734,193
From long-term investments in subsidiaries	75,506,466	-
Other non-operating income		
Net gain on fixed assets sold	-	553,614
Provisions/liabilities no longer required written back	6,647,067	388,053
Miscellaneous income	572,291	1,787,848
Total	**173,905,698**	**107,186,365**

20. **Employee benefits expense**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Salaries, wages, bonus and allowances	1,998,812,327	1,549,473,758
Contribution to provident fund and other funds (Refer Note 31)	101,856,063	89,144,794
Staff welfare expenses	41,556,114	34,787,235
	2,142,224,504	**1,673,405,787**
Less: Deputation cost/Service charges recovered from subsidiary (Refer Note 33)	279,503,884	312,297,941
Total	**1,862,720,620**	**1,361,107,846**

21. **Other expenses**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Power and fuel	52,692,965	50,239,049
Rent (Refer Note 34)	129,669,164	107,253,765
Repairs and maintenance - Buildings	2,426,871	2,774,830
Repairs and maintenance - Machinery	7,461,329	7,679,972
Insurance	18,938,478	18,264,147
Rates and taxes	2,748,320	693,430
Communication cost	31,503,456	26,030,187
Facility maintenance	36,719,635	38,981,911
Travelling and conveyance expenses	228,864,722	156,901,444
Professional and technical fees	62,934,778	56,531,553
Legal fees	5,488,736	4,442,915
Insourcing professional fees	88,361,585	49,539,630
Software license fees	23,327,551	17,767,773
Net loss on foreign currency transaction and translation	103,860,078	180,813,670
Net loss on fixed assets sold / scrapped	1,282,292	-
Provision for diminution in value of non-current investment in subsidiary Company	500,000	-
Excess of carrying costs over fair value of current investments	907,340	-
Net loss on sale of current investments	10,208,995	7,381

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Provision for doubtful trade receivables	13,111,221	2,515,979
Provision for doubtful advances	6,346,135	-
Payment to auditors (Refer Note below)	2,860,412	2,488,815
Miscellaneous expenses	75,501,479	68,950,977
	905,715,542	**791,877,428**
Less: Service charges recovered from subsidiary (Refer Note 33)	21,515,757	52,885,755
Total	**884,199,785**	**738,991,673**
Note - Payment to auditors comprises (net of service tax input credit):		
Statutory audit	2,350,000	2,150,000
Other services (Previous year ₹ 300,000 paid to erstwhile auditors)	350,000	300,000
Reimbursement of expenses (Previous year ₹ 38,815 paid to erstwhile auditors)	160,412	38,815
	2,860,412	**2,488,815**

22. **Finance costs**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Interest expense on:		
Borrowings	1,539,980	449,261
Others	4,593	80,827
Other borrowing costs	119,649	-
Total	**1,664,222**	**530,088**

23. **Contingent Liabilities**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
a) *Guarantees*	50,000,000	50,000,000
The Company has given corporate guarantee to IBM Ltd on behalf of Sonata Information Technology Limited, amount drawn down as at year-end by IBM Ltd of this facility is ₹ Nil (Previous year – ₹ Nil).		
b) *Claims against the Company not acknowledged as debt*	22,863,099	22,863,099
The Company has received a legal notice from its ex-employee towards compensation arising on account of terms of appointment. Based on legal opinion received by the Company, the maximum amount payable in the event the proceeding goes against the Company is ₹ 22,863,099.		

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
c) Disputed demand of Service tax	*67,653,029*	*67,653,029*
The Company renders Information Technology related services to some of its clients in India. The Service Tax department has classified these services as 'Manpower Recruitment or Supply Agency Services'. The Company has contested this re-classification and has preferred an appeal before the Central Excise and Service Tax Appellate Tribunal (CESTAT). One of the clients of the Company has indemnified the Company for any demands that may arise on account of service tax liability up to an amount of ₹ 23,700,000. The amount included as disputed demand is excluding the amount indemnified by the client.		
d) Disputed demands of Income-tax	1,410,577,388	687,173,280

Details of disputed demands of Income-tax by issue and by year are as below:

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

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

The Income-tax department in its assessments has been denying or limiting the benefits of Section 10A to the multiple undertakings of the Company on the ground that they were in fact one single Unit and thus the benefits claimed where in excess of permissible limits, and had raised a demand of ₹ 957,103,606 (As at 31.03.13 - ₹ 229,570,225) for financial year 2005-06, 2006-07, 2007-2008, 2008-09 and 2009-10.

The Commissioner of Income Tax (Appeals) has given a favorable order for financial year 2005-06 and 2006-07 against which during the year the department has filed an appeal before Income Tax Appellate Tribunal.

The Company has challenged the decision of Assessing Officer and has preferred an appeal to the Commissioner of Income-Tax (Appeals) for Financial

Year 2007-08 and 2008-09 and in process of filing appeal for financial year 2009-10.

For the financial year 2001-02 Income Tax Appellate Tribunal has given a favorable order on the ground of Income Accrued under 10A against which the department has filed an appeal before High Court of Mumbai ₹ 14,863,703 (As at 31.03.13 - ₹ 14,863,703).

(ii) **Inter-unit set-off of losses**

As discussed in point (i) above, the Company operates multiple operating units and undertakings under the Software Technology Park Scheme of India. While computing its taxable profits, losses from one undertaking were set off against profits of another or carried forward to the subsequent years. The Income-tax department had disallowed such carry forward of losses. During the year Company received favorable orders from ITAT and the Department has preferred an appeal before Mumbai High Court which is yet to be admitted for financial years 2004-05 and hence there is no contingent liability in the current year (As at 31.03.13 – ₹ 11,900,233). During the year, the Income-tax department has preferred an appeal before ITAT for financial year 2002-03 where the demand is ₹ 7,770,960 (As at 31.03.13 ₹ Nil).

(iii) **Disallowance of Inter-Company Service Charges**

The Company charges Sonata Information Technology Limited, its wholly owned subsidiary, for certain support services rendered. During assessments, the Income-tax department denied Section 10A benefits on such support services and assessed the same as normal business income and raised a demand of ₹ 138,367,875 (As at 31.03.13 - ₹ 138,367,875) for financial years 2001-02, 2002-03 and 2003-04. The Company has received favorable orders from Income Tax Appellate Tribunal. However, the department has preferred an appeal on the said orders before the Honorable High Court of Mumbai.

(iv) **Withholding tax demand**

The Income-Tax department has been contending that amounts paid by the Company for buying the software products is in the nature of 'royalty' and hence had to withhold Income-tax on the same as per the Act and has raised demand of ₹ 284,187,956 (As at 31.03.13 - ₹ 284,187,956) for the financial years 1999-00, 2000-01 and 2001-02. The Company's contention has been that the payments were made for purchase of 'goods' and hence was under no obligation to withhold Income-Tax on the same. The Company had received favorable orders from the Income Tax Appellate Tribunal which were reversed by the Honorable High Court of Karnataka. The Company has preferred a Special Leave Petition Appeal on the said order to the Honorable Supreme Court of India, which has been admitted. However, for these years one of the principal suppliers of software to the Company has paid taxes of ₹ 87,904,913 out of the above demand. The amount included as disputed demand is excluding the amount paid by the supplier.

(v) **Deductions claimed under section 80 O**

Prior to the enactment of Section 10A, the Company claimed deduction for exports made, under Section 80 O of the Act. The Department has re-opened the assessments and disallowed certain aspects of the claims made on the contention that cost allocation principles followed for the claim are erroneous and raised a demand of ₹ 8,283,288 (As at 31.03.13 - ₹ 8,283,288) for the financial year 1994-95. The Company has received favorable orders from Income-Tax Appellate Tribunal. The Department has preferred an appeal on the said order before the Honorable High Court of Mumbai.

e) In addition, the Company, in the ordinary course of business receives various claims from its customers and other business partners. Based on review of such matters and the information available at this time, the company does not anticipate that any of these will result in a settlement that will have a material impact on its financials statements.

24. **Commitments**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Estimated amount of contracts remaining to be executed on capital account and not provided for	3,048,238	207,749

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

There are no Micro and Small Enterprises, to whom the Company owes dues which are outstanding as at the Balance Sheet date. The information has been identified to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

26. **Details on derivative instruments and unhedged foreign currency exposures**

i) Forward exchange contracts (being derivative instruments), which are not intended for trading or speculative purposes but for hedge purposes to establish the amount of reporting currency required or available at the settlement date of certain receivables.

The following are the outstanding forward exchange contracts entered into by the Company and outstanding as at 31.03.2014 (Previous year figures are in brackets).

Currency	Amount	Buy / Sell	Cross currency
USD	16,650,000	Sell	Rupees
	(16,400,000)	Sell	Rupees
GBP	2,350,000	Sell	Rupees
	(6,875,000)	Sell	Rupees
EUR	1,450,000	Sell	Rupees
	(2,300,000)	Sell	Rupees

Note: Figures in brackets relate to the previous year

ii) The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below :

	As at 31.03.2014		As at 31.03.2013		Currency
	Receivable/ (Payable) (₹)	Receivable/ (Payable) in Foreign currency	Receivable / (Payable) (₹)	Receivable/ (Payable) in Foreign currency	
Trade receivables					
	6,459,267	116,678	5,089,165	90,010	AUD
	17,141,428	254,022	5,986,934	105,016	CHF
	33,193,331	403,616	-	-	EUR
	155,907,565	1,566,562	32,344,788	393,489	GBP
	446,726	27,173	-	-	QAR
	-	-	2,767,683	63,290	SGD
	-	-	25,460,612	468,974	USD
Other current assets					
	-	-	5,116,305	89,744	CHF
	9,713,543	97,565	8,328,123	101,649	GBP
	5,390,100	90,000	15,650,404	290,000	USD
	-	-	401,007	9,170	SGD
Short-term loans and advances					
	21,590	390	-	-	AUD
	4,581,358	55,707	415,392	5,976	EUR
	12,888,442	129,454	466,688	4,688	GBP
	-	-	532,631	35,723	QAR
	16,928,874	282,587	4,728,293	87,093	USD
	227,904	4,800	-	-	SGD
Other current liabilities					
	(3,587,833)	(54,582)	(1,998,882)	(45,710)	SGD
Trade payables					
	(12,326)	(223)	(-)	(-)	AUD
	(976,294)	(14,468)	(-)	(-)	CHF
	(2,185,633)	(26,576)	(1,214,826)	(17,477)	EUR
	(1,086,498)	(10,913)	(4,025,631)	(48,974)	GBP
	(1,353,601)	(22,601)	(11,215,412)	(206,583)	USD

27. **Value of imports calculated on CIF basis**

(₹)

	YEAR ENDED 31.03.2014	YEAR ENDED 31.03.2013
Capital goods	-	2,996,323

28. **Expenditure in foreign currency**

(₹)

	YEAR ENDED 31.03.2014	YEAR ENDED 31.03.2013
Travelling and conveyance expenses	103,886,513	76,800,640
Employee benefits expense	330,305,624	158,267,939
Legal, professional and technical fees	60,551,091	11,895,214
Others	22,712,728	20,448,912
Total	**517,455,956**	**267,412,705**

29. **Dividend remittance in foreign currency**

	Year ended 31.03.2014		Year ended 31.03.2013	
	Interim	Final	Interim	Final
Amount remitted (net) (₹)	5,337,472	6,570,149	3,021,300	1,548,361
Number of non-resident shareholders	407	427	488	522
Number of shares on which remittance was made	5,337,472	5,256,119	6,042,600	6,193,443
Year for which the dividend was paid	2013-2014	2012-2013	2012-2013	2011-2012

30. **Earnings in foreign exchange**

(₹)

	YEAR ENDED 31.03.2014	YEAR ENDED 31.03.2013
Export of services	3,156,903,845	2,306,785,205
Other operating revenues	7,678,597	6,064,157

31. **Employee benefit plans**

i) **Defined contribution plans**

a) Provident fund

The Company makes contributions towards a provident fund under a defined contribution retirement benefit plan for qualifying employees. The provident fund is administered by the Trustees of Sonata Software Limited Provident Fund and by the Regional Provident Fund Commissioner. Under this scheme, the Company is required to contribute a specified percentage of payroll cost to fund the benefits.

The Rules of the Company's Provident Fund administered by the Trust require that if the Board of Trustees are unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Company. Having regard to the assets of the Fund and the return on the investments, the Company does not expect any deficiency in the foreseeable future. There has also been no such deficiency since the inception of the Fund.

Provident fund contributions amounting to ₹ 56,312,685 (Previous year ₹ 49,056,749), National pension scheme contribution amounting to ₹ 2,413,390 (Previous year ₹ Nil) have been charged to the Statement of Profit and Loss (as part of Contribution to provident fund and other funds in Note 20 Employee benefits expense).

b) During the year the Company has recognised the following amounts in the Statement of Profit and Loss

Employers contribution to

(₹)

	YEAR ENDED 31.03.2014	YEAR ENDED 31.03.2013
Employee's State Insurance (as part of Staff welfare expenses in Note 20 Employee benefits expense)	283,222	178,011
Superannuation (as part of Contribution to provident fund and other funds in Note 20 Employee benefits expense)	22,871,873	20,120,962

ii) **Defined benefit plans - Gratuity**

As per actuarial valuation

(₹)

	YEAR ENDED 31.03.2014	YEAR ENDED 31.03.2013
Change in Obligation during the year		
Present value of Defined Benefit Obligation at beginning of the year	101,159,121	84,852,507
Current Service Cost	15,455,332	13,460,689
Interest Cost	8,092,730	7,212,463
Actuarial (Gains)/Losses	4,087,798	6,273,987
Benefits Paid	(11,033,061)	(10,640,525)
Present value of Defined Benefit Obligation at the end of the year	117,761,920	101,159,121
Change in Assets during the Year		
Plan assets at the beginning of the year	98,329,181	82,668,394
Expected return on plan assets	8,554,639	7,109,482
Contributions by Employer	23,548,289	19,321,256
Actual benefits paid	(11,033,061)	(10,640,525)
Actuarial Gains/ (Losses)	(1,176,894)	(129,426)
Plan Assets at the end of the year	118,222,154	98,329,181
Actual return on plan assets	7,377,745	6,980,056
Net Asset/(Liability) recognized in the Balance Sheet		
Present Value of Defined Benefit Obligation	117,761,920	101,159,121
Fair value of plan assets	118,222,154	98,329,181
Fund status (Surplus/(Deficit))	460,234	(2,829,940)
Net Assets /(Liability)	460,234	(2,829,940)
Expenses recognized in the statement of Profit and Loss (as part of Contribution to provident fund and other funds in Note 20 Employee benefits expense)		
Current Service Cost	15,455,332	13,460,689
Interest Cost	8,092,730	7,212,463
Expected return on plan assets	(8,554,639)	(7,109,482)
Net Actuarial (Gains)/Losses	5,264,692	6,403,413
Total Expense	20,258,115	19,967,083
The major categories of plan assets as a percentage of total plan		
Insurer Managed Funds	100%	100%

(₹)

	YEAR ENDED 31.03.2014	YEAR ENDED 31.03.2013
Category of funds :		
Secure Fund	15.6%	15.3%
Defensive fund	41.4%	41.9%
Balanced Fund	42.7%	42.5%
Stable Managed Fund	0.3%	0.3%
Actuarial Assumptions:		
Discount Rate	9.38%	8.00%
Rate of return on plan assets	8.70%	8.70%
Retirement Age	60 Years	60 Years
Mortality Table	Indian Assured Lives (2006-08) Ultimate	LIC (1994-96) Ultimate
Salary escalation	5.0%	5.0%
Estimate of amount of contribution in the immediate next year	15,145,239	18,285,272

The expected rate of return on plan assets is determined after considering several applicable factors such as the composition of the plan assets, investment strategy, market scenario, etc. In order to protect the capital and optimise returns within acceptable risk parameters, the plan assets are well diversified.

The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.

The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

Experience adjustments

(₹)

	31.03.2014	31.03.2013	31.03.2012	31.03.2011	31.03.2010
Present value of defined benefit obligation	117,761,920	101,159,121	84,852,507	91,571,625	69,289,040
Fair value of plan assets	118,222,154	98,329,181	82,668,394	92,154,761	83,409,111
Surplus / (deficit)	460,234	(2,829,940)	(2,184,113)	583,136	14,120,071
Experience adjustments on plan liabilities - (gain)/losses	22,425,918	(450,281)	625,583	1,356,633	(171,660)
Experience adjustments on plan assets - (losses)/gain	(1,176,894)	(37,692)	(429,217)	(188,374)	1,125,187

32. **Segment reporting**

The Company prepares consolidated financial statements, hence as per Accounting Standard 17 on Segment Reporting, segment information has not been provided in the standalone financial statements.

33. **Related party disclosure**

i) **Details of related parties :**

Description of relationship	Names of related parties
a) Wholly owned Subsidiaries (WOS)	Sonata Information Technology Limited, India Sonata Software North America Inc., USA Sonata Software GmbH, Germany Sonata Europe Limited, UK Sonata Software FZ-LLC, Dubai Sonata Software (Qatar) LLC, Qatar Sonata Technology Solutions India Limited, India
(b) Key Management Personnel (KMP)	P Srikar Reddy, Managing Director & Chief Executive Officer

ii) Transactions with related parties :

(₹)

	WOS		KMP	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Rendering of services				
Sonata Software North America Inc., USA	1,570,295,763	1,214,565,291	-	-
Sonata Software GmbH, Germany	696,773	10,858,199	-	-
Sonata Europe Limited, UK	69,259,861	-	-	-
Sonata Software FZ-LLC, Dubai	106,902,302	147,741,616	-	-
Software license fees paid				
Sonata Information Technology Limited, India	23,454,567	20,183,535	-	-
Deputation cost/Service charges recovered				
Sonata Information Technology Limited, India	279,503,884	312,297,941	-	-
Service charges recovered				
Sonata Information Technology Limited, India	21,515,757	52,885,755	-	-
Reimbursement of expenses				
Sonata Information Technology Limited, India	11,321,230	6,745,028	-	-
Sonata Software North America Inc., USA	3,523,388	879,351	-	-
Sonata Software GmbH, Germany	1,729,829	1,886,359	-	-
Sonata Software FZ-LLC, Dubai	1,410,552	3,673,388	-	-
Sonata Software (Qatar) LLC, Qatar	-	175,223	-	-
Sonata Europe Limited, UK	9,104,961	-	-	-
Inter corporate deposits given				
Sonata Information Technology Limited, India	3,777,000,000	3,005,000,000	-	-
Inter corporate deposits recovered				
Sonata Information Technology Limited, India	4,057,000,000	2,905,000,000	-	-
Interest on inter corporate deposits received				
Sonata Information Technology Limited, India	25,022,117	60,431,877	-	-
Recovery of rent				
Sonata Information Technology Limited, India	1,495,124	535,368	-	-
Dividend received				
Sonata Information Technology Limited, India	50,630,910	-	-	-
Sonata Software GmbH, Germany	24,875,556	-	-	-
Received on redemption of equity shares				
Sonata Europe Limited, UK	58,266,732	-	-	-
Received on redemption of preference shares				
Sonata Europe Limited, UK	277,913,268	68,229,077	-	-
Remuneration paid				
P Srikar Reddy, Managing Director & Chief Executive Officer	-	-	25,603,129	9,719,373
Commission paid				
P Srikar Reddy, Managing Director & Chief Executive Officer	-	-	3,888,345	1,502,067
Balances outstanding at the end of the year				
Trade receivables				
Sonata Software North America Inc., USA	258,569,083	367,466,139	-	-
Sonata Software GmbH, Germany	-	1,013,018	-	-
Sonata Europe Limited, UK	28,586,016	-	-	-
Sonata Software FZ-LLC, Dubai	21,235,751	30,124,903	-	-
Advances recoverable				
Sonata Information Technology Limited, India	-	2,687,968	-	-
Sonata Software North America Inc., USA	4,351,941	879,350	-	-
Sonata Software GmbH, Germany	430,280	415,392	-	-

(₹)

	WOS		KMP	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Sonata Software FZ-LLC, Dubai	-	1,171,097	-	-
Sonata Software (Qatar) LLC, Qatar	2,045,978	1,854,670	-	-
Sonata Technology Solutions India Limited, India	-	51,797	-	-
Trade payables				
Sonata Information Technology Limited, India	9,823,657	-	-	-
Sonata Software North America Inc., USA	4,458,764	2,942,779	-	-
Sonata Europe Limited, UK	9,104,961	-	-	-
Sonata Software FZ-LLC, Dubai	92,116	-		
Inter corporate deposit receivable				
Sonata Information Technology Limited, India	-	280,000,000	-	-
Interest on inter corporate deposit receivable				
Sonata Information Technology Limited, India	-	4,583,689	-	-
Remuneration payable				
P Srikar Reddy, Managing Director & Chief Executive Officer	-	-	9,000,000	-
Commission payable				
P Srikar Reddy, Managing Director & Chief Executive Officer	-	-	3,888,345	1,502,067
Guarantees given on behalf of Subsidiaries				
Sonata Information Technology Limited, India	50,000,000	50,000,000	-	-

34. **Details of leasing arrangements**

i. The Company has entered into various operating lease agreements for office premises, residential premises, guest houses and certain asstes. These leases are cancellable as well as non-cancellable and are for a period of 11 months to 120 months and may be renewed based on mutual agreement of the parties.

ii. The total of future minimum lease payments are non-cancellable operating leases are as below :

(₹)

	31.03.2014	31.03.2013
Not later than one year	25,745,597	25,584,870
Later than one year and not later than 5 years	26,956,681	9,518,317
Later than 5 years	-	-

iii. The Company has subleased a portion of its leased premises cancelable at the option of either parties.

iv. The lease payments recognised in the statement of Profit and Loss are as under :

(₹)

	31.03.2014	31.03.2013
Included in rent	131,164,288	107,789,133
Less : Sub-lease payment received	1,495,124	535,368
Net rent expenses (Refer Note 21)	129,669,164	107,253,765
Included in travel and conveyance (Refer Note 21)	2,332,536	131,543
	132,001,700	107,385,308

(₹)

v. There are no rents which are contingent in nature.

35. **Earnings Per Share**

	31.03.2014	31.03.2013
Profit attributable to equity shareholders (₹)	538,419,741	157,598,708
Weighted average number of Equity Shares of ₹ 1/- each (No. of Shares)	105,159,306	105,159,306
Earnings Per Share - basic & diluted (₹)	5.12	1.50

36. There is no amount due and outstanding as at Balance Sheet date to be credited to the Investor Education and Protection Fund.

37. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

For and on behalf of the Board of Directors

PRADIP P SHAH *Chairman*

P SRIKAR REDDY *Managing Director & Chief Executive Officer*

M D DALAL *Executive Vice Chairman*

S B GHIA *Director*

VIREN RAHEJA *Director*

S N TALWAR *Director*

B K SYNGAL *Director*

VENKATRAMAN NARAYANAN *Chief Financial Officer*

R SATHYANARAYANA *AVP - Finance & Accounts*

PRIYA MANOJ JASWANI *Company Secretary*

Place : Mumbai
Date : 26th May 2014

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

1. Name of the Subsidiary	**Sonata Information Technology Limited**	**Sonata Technology Solutions India Limited**	**Sonata Software North America, Inc.***	**Sonata Software Qatar LLC**	**Sonata Software FZ LLC**	**Sonata Software GmbH**	**Sonata Europe Limited**
2. Financial year ended	31st March, 2014	31st March, 2014	31st March, 2014	31st March, 2014	31st March, 2014	31st March, 2014	31st March, 2014
3. Holding Company's interest	100% in Equity Share Capital	100% in Equity Share Capital	100% in Equity Share Capital	49% in Equity Share Capital	100% in Equity Share Capital	100% in Equity Share Capital	100% in Equity Share Capital
4. Shares held by the holding Company in the Subsidiary	3,375, 394 shares of ₹ 10/- each	50,000 shares of ₹ 10/- each	300,000 shares	98 shares of 1000 QAR each	500 shares of 1000 AED each	2 shares of EURO 12,500 each	800 shares of 1 Pound each
5. The net aggregate of profits or losses for the above financial year of the subsidiary so far as it concerns the members of the holding company							
a. dealt with or provided for in the accounts of the holding Company	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b. not dealt with or provided for in the accounts of the holding Company	Profit: ₹ 192,621,539	Loss: ₹ 430,717	Profit: USD 849,513	Loss: USD 71,986	Profit: USD 175,997	Profit : EURO 35,945	Loss: GBP 263,670
6. The net aggregate of profits or losses for the previous financial years of the subsidiary so far as it concerns the members of the holding company							
a. dealt with or provided for in the accounts of the holding Company	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b. not dealt with or provided for in the accounts of the holding Company	Profit: ₹ 383,071,099	Loss: ₹ 69,283	Loss: USD 77,834	Loss: USD 138,899	Profit: USD 633,092	Profit: EURO 44,837	Profit : GBP 253,289

** (Formerly known as Offshore Digital Services Inc.)*

For and on behalf of the Board of Directors

PRADIP P SHAH
Chairman

P SRIKAR REDDY
Managing Director & Chief Executive Officer

M D DALAL
Executive Vice Chairman

S B GHIA
Director

VIREN RAHEJA
Director

S N TALWAR
Director

B K SYNGAL
Director

VENKATRAMAN NARAYANAN
Chief Financial Officer

R SATHYANARAYANA
AVP - Finance & Accounts

PRIYA MANOJ JASWANI
Company Secretary

Place : Mumbai
Date : 26th May 2014

Independent Auditors' Report

TO THE BOARD OF DIRECTORS OF SONATA SOFTWARE LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of SONATA SOFTWARE LIMITED (the "Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group"), which comprise the Consolidated Balance Sheet as at 31st March, 2014, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Company's Management is responsible for the preparation of the consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the reports of the other auditors on the financial statements / financial information of the subsidiaries referred to below in the Other Matter paragraph, the aforesaid consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2014;

(b) in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and

(c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

Other Matter

We did not audit the financial statements / financial information of 4 subsidiaries, whose financial statements / financial information reflect total assets (net) of ₹ 532,582,991/- as at 31st March, 2014, total revenues of ₹ 380,114,499/- and net cash flows amounting to ₹ (345,522,129/-) for the year ended on that date, as considered in the consolidated financial statements. These financial statements / financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on the reports of the other auditors.

Our opinion is not qualified in respect of this matter.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm's Registration No. 008072S)

V. Srikumar
Partner
(Membership No. 84494)

MUMBAI,
26th May, 2014

Consolidated Balance Sheet as at 31st March 2014

(₹)

	Note No.	AS AT 31.03.2014	AS AT 31.03.2013
EQUITY AND LIABILITIES			
SHAREHOLDER'S FUNDS			
Share capital	3	105,159,306	105,159,306
Reserves and surplus	4	3,638,794,171	3,312,163,732
		3,743,953,477	**3,417,323,038**
MINORITY INTEREST		**104,793**	**540,648**
NON-CURRENT LIABILITIES			
Long-term provisions	5	7,399,934	-
		7,399,934	-
CURRENT LIABILITIES			
Short-term borrowings	6	56,947,750	167,821,500
Trade payables	7	2,028,911,387	1,483,814,543
Other current liabilities	8	295,216,499	226,218,880
Short-term provisions	9	483,894,071	247,306,489
		2,864,969,707	**2,125,161,412**
TOTAL		**6,616,427,911**	**5,543,025,098**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	10 (i)	166,194,031	216,206,768
Intangible assets	10 (ii)	-	143,254
Capital work-in-progress		3,110,462	-
		169,304,493	216,350,022
Non-current investments	11	30,718	30,718
Deferred tax asset	12	104,044,676	38,176,801
Long-term loans and advances	13	996,324,597	1,640,287,681
Other non-current assets	14	328,958,187	277,300,056
		1,598,662,671	**2,172,145,278**
CURRENT ASSETS			
Current investments	15	576,667,474	217,692,746
Inventories	16	12,078,752	7,920,177
Trade receivables	17	2,083,820,140	1,413,027,469
Cash and cash equivalents	18	1,874,574,280	1,354,924,570
Short-term loans and advances	19	345,797,506	265,195,873
Other current assets	20	124,827,088	112,118,985
		5,017,765,240	**3,370,879,820**
TOTAL		**6,616,427,911**	**5,543,025,098**

See accompanying notes 1 to 36 forming part of the consolidated financial statements

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants

V. Srikumar
Partner

Place : Mumbai
Date : 26th May 2014

For and on behalf of the Board of Directors

PRADIP P SHAH
Chairman

P SRIKAR REDDY
Managing Director & Chief Executive Officer

M D DALAL
Executive Vice Chairman

S B GHIA
Director

VIREN RAHEJA
Director

S N TALWAR
Director

B K SYNGAL
Director

VENKATRAMAN NARAYANAN
Chief Financial Officer

R SATHYANARAYANA
AVP - Finance & Accounts

PRIYA MANOJ JASWANI
Company Secretary

Consolidated Statement of Profit and Loss for the year ended 31st March 2014

(₹)

	Note No.	FOR THE YEAR ENDED 31.03.2014	FOR THE YEAR ENDED 31.03.2013
Revenue from operations	21.1	15,659,712,633	13,109,428,740
Other income	21.2	106,454,674	41,442,791
Total revenue		**15,766,167,307**	**13,150,871,531**
EXPENSES			
Purchase of stock-in-trade (traded goods)	22	10,061,700,964	8,508,505,670
(Increase) / decrease in inventories	23	(4,158,575)	396,137,412
Employee benefits expense	24	3,098,006,708	2,368,253,338
Other expenses	25	1,507,377,883	1,307,907,289
Total expenses		**14,662,926,980**	**12,580,803,709**
Earnings before interest, tax, depreciation and amortaization (EBITDA)		**1,103,240,327**	**570,067,822**
Finance costs	26	24,348,250	58,889,457
Depreciation and amortization expense	10 (iii)	79,637,215	100,814,585
		103,985,465	**159,704,042**
Profit before tax and exceptional items		**999,254,862**	**410,363,780**
Less/(Add): Exceptional item (loss on disposal of operations)	35	-	580,557,355
Less/(Add): Exceptional item (Interest income on income tax refund)		(71,512,235)	(24,817,611)
Profit/(loss) before tax		**1,070,767,097**	**(145,375,964)**
Tax Expense / (benefit)			
Current tax expense		346,244,982	124,847,758
MAT credit		-	(12,595,022)
Short/(excess) provision for tax relating to prior years		13,156,881	(10,359,621)
Deferred tax		(65,867,875)	33,701,213
Net tax expense		**293,533,988**	**135,594,328**
Profit/(loss) after tax before minority interest		**777,233,109**	**(280,970,292)**
Minority interest		435,855	427,898
Profit/(loss) after tax after minority interest		**777,668,964**	**(280,542,394)**
a) Profit/(loss) from continuing operations	35	777,668,964	300,014,961
b) Loss on disposal of operations	35	-	(580,557,355)
Total		**777,668,964**	**(280,542,394)**
Earnings per share - Basic and Diluted (on ₹ 1 per share)	34	**7.40**	**(2.67)**

See accompanying notes 1 to 36 forming part of the consolidated financial statements

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants

V. Srikumar
Partner

Place : Mumbai
Date : 26th May 2014

For and on behalf of the Board of Directors

PRADIP P SHAH
Chairman

P SRIKAR REDDY
Managing Director & Chief Executive Officer

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Executive Vice Chairman

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Director

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Director

B K SYNGAL
Director

VENKATRAMAN NARAYANAN
Chief Financial Officer

R SATHYANARAYANA
AVP - Finance & Accounts

PRIYA MANOJ JASWANI
Company Secretary

Consolidated Cash Flow statement for the year ended 31st March 2014

(₹)

		FOR THE YEAR ENDED 31.03.2014	FOR THE YEAR ENDED 31.03.2013
A CASH FLOW FROM OPERATING ACTIVITIES:			
Net profit/(loss) before tax		1,070,767,097	(145,375,964)
Adjustments for :			
Depreciation and amortization expense		79,637,215	100,814,585
Finance costs		24,348,250	58,889,457
Allowance for bad & doubtful trade receivables		37,591,913	(10,200,376)
Advances written off		7,707,066	-
Allowance for doubtful advances		6,346,135	12,500,000
Provisions/Liabilities no longer required written back		(19,391,956)	(2,388,339)
Net loss on sale of current investments		10,289,300	7,381
Excess of carrying costs over fair value of current investments		907,340	-
(Profit)/loss on sale of fixed assets / assets scrapped		1,964,940	(553,614)
Loss on sale of Investments - disposal of subsidiary		-	580,557,355
Interest income on income tax refund		(71,512,235)	(24,817,611)
Interest income from fixed deposits with banks		(93,251,138)	(18,766,669)
Dividend income from current investment		(61,752,840)	(17,941,253)
Unrealized foreign exchange (gain) / loss		(155,167,334)	(27,842,275)
Operating profit before working capital changes		**838,483,753**	**504,882,677**
Adjustments for:			
Decrease/(Increase) in trade receivables		(663,040,826)	(267,442,570)
Decrease/(Increase) in inventories		(4,158,575)	328,610,158
Decrease/(Increase) in other current assets		(12,242,386)	(12,871,354)
Decrease/(Increase) in long-term loans and advances		(22,881,888)	(9,674,646)
Decrease/(Increase) in short-term loans and advances		(80,601,633)	(35,461,000)
(Decrease)/Increase in trade payables		533,509,114	(51,274,642)
(Decrease)/Increase in other long-term liabilities		-	55,378,020
(Decrease)/Increase in other current liabilities		183,116,292	2,194,206
(Decrease)/increase in long term provisions		7,399,934	-
(Decrease)/increase in short term provisions		56,759,843	81,814,416
Bank balances not considered as Cash and cash equivalents		24,644,162	7,890,586
Cash generated from operations		**855,232,179**	**604,045,851**
Direct taxes/advance tax paid (net)		364,411,118	(108,805,783)
Net Cash from operating activities	**(A)**	**1,219,643,297**	**495,240,068**
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets, including intangible assets, CWIP and capital advances		(36,819,551)	(19,359,193)
Proceeds from sale of fixed assets		1,957,670	11,819,163
Proceeds from sale of Subsidiary		-	132,799,944
Proceeds of current investments (net)		(370,171,368)	2,375,359
Proceeds of non current investments (net)		-	322,712
Interest received		96,141,490	18,466,429
Dividend received		61,752,840	17,941,253
Net income tax (paid) / refunds		(4,227,931)	-
Net Cash from / (used in) investing activities	**(B)**	**(251,366,850)**	**164,365,667**

(₹)

		FOR THE YEAR ENDED 31.03.2014	FOR THE YEAR ENDED 31.03.2013
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings (net)		(110,873,750)	(134,406,558)
Dividend paid on equity shares		(234,031,976)	(77,998,050)
Dividend taxes paid on equity shares		(44,513,966)	(12,794,601)
Finance costs		(24,348,250)	(58,889,457)
Net Cash from financing activities	**(C)**	**(413,767,942)**	**(284,088,666)**
Net increase in Cash and Cash Equivalents	**(A+B+C)**	**554,508,505**	**375,517,069**
Opening Cash and Cash Equivalents		1,303,561,541	1,157,181,900
Less : Cash and Cash Equivalents of discontinued operations		-	236,027,978
Adjusted Opening Cash and Cash Equivalents		1,303,561,541	921,153,922
Exchange difference on translation of foreign currency cash and cash equivalents		(10,214,633)	6,890,550
Closing cash and cash equivalents		**1,847,855,413**	**1,303,561,541**
Cash and cash equivalents at the end of the year comprises:			
Cash on hand		-	85,195
Cheques, drafts on hand		4,203,893	425,355
Balances with banks			
In Current accounts		349,178,819	269,861,701
In Deposit accounts		1,494,472,701	1,033,189,290
		1,847,855,413	**1,303,561,541**

See accompanying notes 1 to 36 forming part of the consolidated financial statements

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants

V. Srikumar
Partner

Place : Mumbai
Date : 26th May 2014

For and on behalf of the Board of Directors

PRADIP P SHAH
Chairman

P SRIKAR REDDY
Managing Director & Chief Executive Officer

M D DALAL
Executive Vice Chairman

S B GHIA
Director

VIREN RAHEJA
Director

S N TALWAR
Director

B K SYNGAL
Director

VENKATRAMAN NARAYANAN
Chief Financial Officer

R SATHYANARAYANA
AVP - Finance & Accounts

PRIYA MANOJ JASWANI
Company Secretary

1. **Corporate information**

The Consolidated financials of Sonata Software Limited is made up of the Sonata Software Limited ("Sonata or the Company") together with its subsidiaries Sonata Information Technology Limited, Sonata Software North America Inc., Sonata Software GmbH, Sonata Europe Limited, Sonata Software FZ-LLC, Sonata Software (Qatar) LLC & Sonata Technology Solutions India Limited. Sonata has its registered office at Mumbai, India and operationally headquartered at Bangalore, India. Sonata is listed on the National Stock Exchange Limited and Bombay Stock Exchange Limited. The Company is engaged in the business of providing Information Technology Solutions and software development services to its customers. Material subsidiaries of the Company are:

a) Sonata Information Technology Limited, in India through which it delivers both software development and consulting services and also re-selling of product licenses of leading international software companies such as Microsoft, IBM, Oracle etc.;

b) Sonata Software North America Inc., in USA through which it delivers software development and consulting services to its clients in North America.

2. **Significant accounting policies**

a. **Basis for preparation of financial statements**

The consolidated financial statements of the Company and its subsidiaries (together the 'Group') have been prepared in accordance with the Generally Accepted Accounting Principles ('GAAP') in India to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act / 2013 Act, as applicable. The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the previous year.

b. **Principles of consolidation**

The consolidated financial statements have been prepared in accordance with the principles and procedures for the preparation and presentation of consolidated financial statements as laid down under *AS 21 – Consolidated Financial Statements* prescribed under the Rules. The consolidated financial statements are prepared by applying uniform accounting policies in use at the Group.

The financial statements of the Company and its subsidiary companies have been combined on a line-by-line basis by adding together the book value of like items of assets, liabilities, income and expenses after eliminating intra-group balances, intra group transactions and unrealized profits or losses. The amount shown in respect of reserves comprises the amount of the relevant reserves as per the balance sheet of the Company and its share in the post-acquisition change in the relevant reserve of subsidiaries.

Minority interest represents the amount of equity attributable to the minority shareholders at the dates on which investment in a subsidiary is made by the Company and its share of movements in the equity subsequent to the dates of investments as stated above.

The excess of cost to the Company of its investments in the subsidiary companies over its share of the equity of the subsidiary companies, at the dates on which the investments in the subsidiary companies were made, is recognized as goodwill, being an asset in the consolidated financial statements. On the other hand, where the share of the equity in the subsidiary companies as on the date of investment is in excess of cost of investment of the Company, it is recognized as 'Capital Reserve' and shown under the head 'Reserves and Surplus', in the consolidated financial statements.

Information on subsidiary companies

The list of subsidiary companies included in the consolidated financial statements is as under:

Name of the entity	Country of incor-poration	% of Owner-ship held as on 31st March 2014	% of Owner-ship held as on 31st March 2013
Sonata Information Technology Limited	India	100%	100%
Sonata Software North America Inc,	USA	100%	100%
Sonata Europe Limited	UK	100%	100%
Sonata Software GmbH	Germany	100%	100%
Sonata Software FZ-LLC	UAE	100%	100%
Sonata Software (Qatar) LLC – Refer note 1	Qatar	49%	49%
Sonata Technology Solutions Ltd (wef 12th April 2012)	India	100%	100%

Note

1. In terms of the Memorandum and Articles of Association, the composition of the Board of Directors of Sonata Software (Qatar) LLC is controlled by the Company and hence it has been considered as subsidiary for the purpose of consolidation.
2. All the foreign subsidiaries are integral foreign operations.

Figures pertaining to the subsidiary companies have been regrouped / reclassified wherever necessary to bring them in line with the Company's financial statements.

c. **Use of estimates**

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognized in the periods in which the results are known / materialize.

d. **Inventories**

Inventories are valued at lower of cost (weighted average) and the net realizable value.

e. **Depreciation / Amortisation**

Depreciation / Amortisation has been provided on Plant and Equipment, Computer Software and Bulidings, on straight line basis and on other assets on written down

value method at the rate specified in Schedule XIV of the 1956 Act, or at the rate based on useful lives as estimated by the Management, whichever is higher:

	Rates of Depreciation / Amortisation	
	Rates as per 1956 Act	Rate adopted
Leasehold land	Lease period	Primary Lease period
Leasehold improvements	Lease period	Primary Lease period
Buildings	1.63%	1.63%
Plant and equipment	4.75%	33.33%
Furniture and fixtures	18.10%	18.10%
Vehicles	25.89%	25.89%
Office equipments	13.91%	13.91%

Computer Software are amortised over a period of 3 years.

Assets costing less than ₹ 5,000/- each are fully depreciated in the year of capitalization.

f. **Revenue recognition**

Revenues from contracts priced on a time and material basis are recognised when services are rendered and related costs are incurred.

Revenues from fixed price contracts are recognised over the life of the contract using the proportionate completion method, with contract costs determining the degree of completion. Foreseeable losses on such contracts are recognised when probable.

Revenues from sale of software licenses are recognised upon delivery where there is no customisation required. In case of customisation the same is recognised over the life of the contract using the proportionate completion method.

Revenues from maintenance contracts are recognised pro-rata over the period of the contract.

Revenues are reported net of discounts.

Dividends are recorded when the right to receive payment is established. Interest income is recognised on time proportion basis taking into account the amount outstanding and the rate applicable.

g. **Tangible and Intangible Fixed Assets**

Fixed assets are carried at cost less accumulated depreciation / amortization and impairment losses, if any. The cost of fixed assets comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use. Subsequent expenditure if any on fixed assets after its purchase / completion is capitalized only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

h. **Foreign currency transactions**

Initial recognition

Company: Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Integral foreign operations: Transactions in foreign currencies entered into by the Company's integral foreign operations are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Measurement at the balance sheet date

Company: Foreign currency monetary items (other than derivative contracts) of the Company, outstanding at the balance sheet date are restated at the year-end rates. Non-monetary items of the Company are carried at historical cost.

Integral foreign operations: Foreign currency monetary items (other than derivative contracts) of the Company's integral foreign operations outstanding at the balance sheet date are restated at the year-end rates. Non-monetary items of the Company's integral foreign operations are carried at historical cost.

Treatment of exchange differences

Company: Exchange differences arising on settlement / restatement of foreign currency monetary assets and liabilities of the Company are recognised as income or expense in the Statement of Profit and Loss.

Integral foreign operations: Exchange differences arising on settlement / restatement of foreign currency monetary assets and liabilities of the Company's integral foreign operations are recognised as income or expense in the Statement of Profit and Loss.

Accounting for forward contracts

In respect of forward exchange contracts, the premium or discount arising at the inception of such a forward exchange contract is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss of the reporting period in which the exchange rates change.

On consolidation, in case of integral operations assets and liabilities (other than non-monetary items) are translated at the exchange rate prevailing on the balance sheet date. Non-monetary items are carried at historical cost. In case of non-integral operations assets and liabilities (both monetary and non-monetary items) are translated at the exchange rate prevailing on the Balance Sheet date. Revenue and expenses are translated at yearly average exchange rates prevailing during the year in case the holding subsidiary relationship was in existence on the first day of the fiscal year. In case of subsidiaries formed or acquired during the year, the average exchange rate prevailing during the period since the holding subsidiary relationship came into existence is taken. Exchange differences arising out of these transactions are included under Exchange Loss/ Gain and charged to the Statement of Profit and Loss in case of "Integral operations".

i. **Investments**

Long-term investments are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried individually, at the lower of cost and fair value. Cost of investments includes acquisition charges such as brokerage, fees and duties.

j. **Employee benefits**

Employee benefits include provident fund, superannuation, employee state insurance scheme, gratuity and compensated absences.

Defined contribution plans

Contribution to defined retirement benefit schemes are recognized as an expense when employees have rendered services entitling them to contribution required to be made and when services are rendered by the employees.

Defined benefit plans

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognized in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Long-term employee benefits

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

Short-term employee benefits

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

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

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

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

k. **Segment**

The Group identifies primary segments based on the dominant source, nature of risks and returns and the internal organization and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit / loss amounts are evaluated regularly by the executive Management in deciding how to allocate resources and in assessing performance.

Revenue, expense, assets and liabilities which relate to the group as a whole and are not allocable to segment on reasonable basis have been included under unallocated revenue/expenses/assets/liabilities.

l. **Leases**

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognized as operating leases. Lease rentals under operating leases are recognized in the Statement of Profit and Loss on a straight-line basis.

m. **Earnings per share**

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. For the purpose of computing diluted earnings per share, profit / (loss) after tax (including the post tax effect of extraordinary items, if any) and the weighted average number of equity shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

n. **Taxes on income**

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income-tax Act, 1961.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognized as an asset in the Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the Company.

Deferred tax is recognized on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognized for all timing differences. Deferred tax assets are recognized for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realized. However, if there is unabsorbed depreciation and carry forward of losses, deferred tax assets are recognized only if there is virtual certainty that there will be sufficient future taxable income available to realize the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realizability.

o. **Impairment of assets**

The carrying values of assets / cash generating units at each balance sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognized, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognized for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognized in the Statement of Profit and Loss, except in case of revalued assets.

p. **Provisions and contingencies**

A provision is recognized when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance

sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes. Contingent assets are not recognized in the financial statements.

q. **Hedge accounting**

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable forecast transactions. The Company designates such forward contracts in a cash flow hedging relationship by applying the hedge accounting principles set out in "*Accounting Standard 30 Financial Instruments*: Recognition and Measurement" issued by the Indian Institute of Chartered Accountants of India. These forward contracts are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated and effective as hedges of future cash flows are recognized directly in "Hedging reserve account" under Reserves and surplus, net of applicable deferred income taxes and the ineffective portion is recognized immediately in the Statement of Profit and Loss. Amounts accumulated in the "Hedging reserve account" are reclassified to the Statement of Profit and Loss in the same periods during which the forecasted transaction affects profit or loss. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognized in "Hedging reserve account" is retained until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognized in "Hedging reserve account" is immediately transferred to the Statement of Profit and Loss.

3. **Share capital**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Authorized		
150,000,000 equity shares of face value ₹ 1/- each	150,000,000	150,000,000
(Previous year 150,000,000 equity shares of face value ₹ 1/- each)		
Issued, Subscribed and paid-up		
105,159,306 equity shares of face value ₹ 1/- each fully paid-up	105,159,306	105,159,306
(Previous year 105,159,306 equity shares of face value ₹ 1/- each)		
Total	**105,159,306**	**105,159,306**

Refer notes (i) to (iii) below

i) **Reconciliation of number of shares and amount outstanding at the beginning and at the end of the reporting year**

	Opening balance	Fresh issue/ other change	Closing balance
Equity shares with voting rights			
Year ended 31st March 2014			
Number of shares	105,159,306	-	105,159,306
Amount (₹)	105,159,306	-	105,159,306
Equity shares with voting rights			
Year ended 31st March 2013			
Number of shares	105,159,306	-	105,159,306
Amount (₹)	105,159,306	-	105,159,306

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

The company has equity shares having a par value of ₹ 1. Each shareholder is entitled for one vote per share. The shareholders have the right to receive interim dividends declared by the Board of directors and final dividends proposed by the Board and approved by the shareholders.

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

The shareholders have all other rights as available to equity shareholders as per the provisions of the Companies Act, 1956, read together with the Memorandum of Association and Articles of Association of the Company, as applicable.

iii) **Details of shares held by each shareholder holding more than 5% shares**

	As at 31.03.2014		As at 31.03.2013	
	No. of shares	% of holding	No. of shares	% of holding
Akshay Raheja	8,250,000	7.85	8,250,000	7.85
Viren Raheja	8,250,000	7.85	8,250,000	7.85
Suman Raheja	6,900,000	6.56	6,900,000	6.56
Hemendra M Kothari	9,050,000	8.61	6,500,000	6.18

4. **Reserves and surplus**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Securities premium	**450,924,411**	**450,924,411**
Capital redemption reserve		
Opening balance	278,713,890	212,953,890
Add : Additions during the year	-	65,760,000
Closing balance	**278,713,890**	**278,713,890**
General reserve		
Opening balance	649,154,246	633,154,246
Add: Transfer from surplus in Statement of Profit and Loss	80,000,000	16,000,000
Closing balance	**729,154,246**	**649,154,246**
Hedging reserve		
Opening balance	(11,274,506)	(178,722,709)
Additions during the year (net)	14,630,575	167,448,203
Closing balance	**3,356,069**	**(11,274,506)**
Surplus in Statement of Profit and Loss		
Opening balance	1,944,645,691	2,521,846,385
Add : Profit/(Loss) for the year	777,668,964	(280,542,394)
Less :		
Transferred to Capital redemption reserve	-	65,760,000
Proposed dividend (Dividend proposed to be distributed to equity share holders ₹ 2.75/share) (Previous year ₹ 1.25/- equity share)	289,188,092	131,449,133

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Interim dividend (Interim dividend is distributed to equity share holders ₹ 1/share) (Previous year ₹ 0.50/- equity share)	105,159,306	52,579,653
Tax on proposed dividend	49,147,516	22,339,780
Tax on interim dividend	22,174,186	8,529,734
Transfer to general reserve	80,000,000	16,000,000
Closing balance	**2,176,645,555**	**1,944,645,691**
Total	**3,638,794,171**	**3,312,163,732**

5. **Long-term provisions**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Provision for rent equalization	7,399,934	-
Total	**7,399,934**	**-**

6. **Short-term borrowings**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Loans repayable on demand		
From banks - Secured (Secured by pari passu first charge on all the current assets of the Company both present and future including stocks, book debts and other current assets wherever located)	56,947,750	167,821,500
Total	**56,947,750**	**167,821,500**

7. **Trade payables**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Trade payables - other than acceptances	2,028,911,387	1,483,814,543
Total	**2,028,911,387**	**1,483,814,543**

8. **Other current liabilities**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Income received in advance (Unearned revenue)	3,587,833	1,998,882
Gratuity	-	3,988,437
Unpaid dividend	9,907,008	7,330,545
Other payables		
Statutory remittances	249,602,091	185,538,205
Payable on purchase of fixed assets	2,332,944	2,638,199
Loss on forward contracts (Mark-to-Market)	-	11,274,506
Advances from customers	18,152,086	5,988,295
Other liabilities	11,634,537	7,461,811
Total	**295,216,499**	**226,218,880**

9. **Short-term provisions**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Provision for employee benefits - compensated absences	80,087,470	23,327,627
Others		
Provision for tax (net of advance tax - ₹ 420,483,357/- (as at 31.03.2013 - ₹ 139,751,007/-) and net of MAT credit - ₹ 71,077,230/- (as at 31.03.2013 - ₹ Nil))	65,470,993	70,189,949
Provision for proposed equity dividend	289,188,092	131,449,133
Provision for tax on proposed dividends	49,147,516	22,339,780
Total	**483,894,071**	**247,306,489**

FIXED ASSETS

10 (i) **Tangible assets**

(₹)

Particulars *	Gross block				Accumulated depreciation				Net block	
	Balance as at 01.04.2013	Additions	Deductions / Adjustments	Balance as at 31.03.2014	Upto 31.03.2013	For the year	Deductions / Adjustments	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Leasehold land	**35,200,000**	**-**	**-**	**35,200,000**	**4,399,626**	**1,076,316**	**-**	**5,475,942**	**29,724,058**	**30,800,374**
	(35,200,000)	(-)	(-)	(35,200,000)	(3,411,775)	(987,851)	(-)	(4,399,626)	(30,800,374)	(31,788,225)
Buildings	**15,493,000**	**-**	**-**	**15,493,000**	**3,220,007**	**252,536**	**-**	**3,472,543**	**12,020,457**	**12,272,993**
	(15,493,000)	(-)	(-)	(15,493,000)	(2,967,240)	(252,767)	(-)	(3,220,007)	(12,272,993)	(12,525,760)
Leasehold improvements	**232,117,132**	**469,889**	**2,008,478**	**230,578,543**	**174,184,586**	**32,949,756**	**2,008,477**	**205,125,865**	**25,452,678**	**57,932,546**
	(229,697,687)	(4,022,225)	(1,602,780)	(232,117,132)	(141,059,214)	(34,708,273)	(1,582,901)	(174,184,586)	(57,932,546)	(88,638,473)
Plant and equipment	**337,209,267**	**16,925,933**	**26,722,761**	**327,412,439**	**288,989,713**	**32,230,417**	**25,939,642**	**295,280,488**	**32,131,951**	**48,219,554**
	(3,248,696,038)	(14,663,575)	(2,926,150,346)	(337,209,267)	(2,851,651,971)	(46,228,653)	(2,608,890,911)	(288,989,713)	(48,219,554)	(397,044,067)
Furniture and fixtures	**104,018,121**	**10,046,631**	**3,069,223**	**110,995,529**	**82,848,821**	**5,584,616**	**2,400,042**	**86,033,395**	**24,962,134**	**21,169,300**
	(124,643,739)	(5,263,026)	(25,888,644)	(104,018,121)	(101,344,421)	(5,473,365)	(23,968,965)	(82,848,821)	(21,169,300)	(23,299,318)
Vehicles	**9,431,786**	**649,234**	**5,128,364**	**4,952,656**	**6,739,888**	**475,920**	**3,874,454**	**3,341,354**	**1,611,302**	**2,691,898**
	(14,927,567)	(-)	(5,495,781)	(9,431,786)	(10,334,923)	(1,074,277)	(4,669,312)	(6,739,888)	(2,691,898)	(4,592,644)
Office equipments	**107,731,651**	**5,312,147**	**4,326,102**	**108,717,696**	**64,611,548**	**6,916,616**	**3,101,919**	**68,426,245**	**40,291,451**	**43,120,103**
	(350,814,755)	(3,224,102)	(246,307,206)	(107,731,651)	(188,901,266)	(7,292,150)	(131,581,868)	(64,611,548)	(43,120,103)	(161,913,489)
Total	**841,200,957**	**33,403,834**	**41,254,928**	**833,349,863**	**624,994,189**	**79,486,177**	**37,324,534**	**667,155,832**	**166,194,031**	**216,206,768**
	(4,019,472,786)	(27,172,928)	(3,205,444,757)	(841,200,957)	(3,299,670,810)	(96,017,336)	(2,770,693,957)	(624,994,189)	(216,206,768)	(719,801,976)

Previous year figures are in brackets

10 (ii) **Intangible assets** (₹)

Particulars *	Gross block				Accumulated amortisation				Net block	
	Balance as at 01.04.2013	Additions	Deductions / Adjustments	Balance as at 31.03.2014	Upto 31.03.2013	For the year	Deductions / Adjustments	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Computer software - purchased	113,611,828	-	14,689,554	98,922,274	113,468,574	151,038	14,697,338	98,922,274	-	143,254
	(3,182,790,296)	(-)	(3,069,178,468)	(113,611,828)	(2,973,436,065)	(4,797,249)	(2,864,764,740)	(113,468,574)	(143,254)	(209,354,231)
Total	**113,611,828**	**-**	**14,689,554**	**98,922,274**	**113,468,574**	**151,038**	**14,697,338**	**98,922,274**	**-**	**143,254**
	(3,182,790,296)	(-)	(3,069,178,468)	(113,611,828)	(2,973,436,065)	(4,797,249)	(2,864,764,740)	(113,468,574)	(143,254)	(209,354,231)

Previous year figures are in brackets
* Represents owned unless otherwise stated

10 (iii) **Depreciation and amortization expense**

(₹)

Particulars	For the year ended 31.03.2014	For the year ended 31.03.2013
Depreciation on Tangible assets		
As per Note No. 10 (i)	79,486,177	96,017,336
Amortization on Intangible assets		
As per Note No. 10 (ii)	151,038	4,797,249
Total	**79,637,215**	**100,814,585**

11 : **Non-current investments**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Non-trade Long-term, unquoted and at cost		
In Foreign Holdings		
Quoted		
138 shares of US $ 0.01 per share of Principal Financial Group Inc., (Previous year 138 Shares of US $ 0.01 per share)	30,718	30,718
Total	**30,718**	**30,718**

12. **Deferred tax asset**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Tax effects on		
Difference between book balance and tax balance of fixed assets	32,538,920	17,831,828
Others	71,505,756	20,344,973
Total	**104,044,676**	**38,176,801**

13. **Long-term loans and advances**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Unsecured, considered good unless otherwise stated		
Capital advances	2,652,708	37,813
Security deposits	108,683,774	102,184,006
Other deposits	11,905,229	-
Prepaid expenses	1,271,106	5,914,407
Balances with Government authorities		
VAT credit receivable, considered doubtful	6,346,135	-
Less : Provision for doubtful receivable	6,346,135	-
Advance tax (net of provision for tax - ₹ 540,145,373/- (as at 31.03.2013 - ₹ 592,771,001/-))	690,782,784	1,260,880,124
MAT credit entitlement	179,326,817	269,728,314
Other recoverables		
Considered good	1,702,179	1,543,017
Considered doubtful	12,500,000	12,500,000
Less : Allowance for doubtful recoverable	12,500,000	12,500,000
	-	-
Total	**996,324,597**	**1,640,287,681**

14. **Other non-current assets**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Unsecured, considered good		
Receivable on sale of subsidiary	328,958,187	277,300,056
Total	**328,958,187**	**277,300,056**

15. **Current investments**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Non-trade		
Investments in mutual funds (unquoted)		
At lower of cost and fair value, unless otherwise stated		
Birla Sun Life - Floating Rate fund Nil (Previous year - 2,176,492.16 units at ₹ 100.02 per unit)	-	217,692,746
Birla Sun Life Short Term Opportunities Fund - Quarterly Dividend 14,537,793.33 units at ₹ 10.45 per unit (Previous year - Nil)	151,885,050	-
Tata Floater Fund Plan A-Daily Dividend 25,020.29 units at ₹ 1003.53 per unit (Previous year - Nil)	25,108,585	-

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Tata Short Term Bond Fund Plan A - Growth 2,154,494.49 units at ₹ 23.21 per unit (Previous year - Nil)	50,000,000	-
Templeton India Short Term Income Retail Plan - Growth 19,531.59 units at ₹ 2,540.31 per unit (Previous year - Nil)	49,616,327	-
HDFC Short Term Plan - Growth 4,125,514.66 units at ₹ 24.24 per unit (Previous year - Nil)	100,000,000	-
DSP BR Income Opportunity Fund Reg - G 2,494,462.29 units at ₹ 20.04 per unit (Previous year - Nil)	50,000,000	-
Reliance Regular Savings Fund - Debt Plan - Growth Plan Growth Option - SDGP 8,961,214.96 units at ₹ 16.74 per unit (Previous year - Nil)	150,000,000	-
IDFC Money Manager Fund - DDR 5,711.26 units at ₹ 10.07 per unit (Previous year - Nil)	57,512	-
Total	**576,667,474**	**217,692,746**
Aggregate cost of unquoted investment	577,574,814	217,692,746

16. **Inventories**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Stock-in-trade - Hardware/Software product and licenses	12,078,752	7,920,177
Total	**12,078,752**	**7,920,177**

17. **Trade receivables**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Unsecured		
Trade receivable outstanding for a period exceeding six months from the date they are due for payment		
Considered good	17,685,859	27,561,685
Considered doubtful	86,404,325	50,359,711
	104,090,184	77,921,396
Less : Provision for doubtful trade receivables	86,404,325	50,359,711
	17,685,859	27,561,685
Other debts :		
Considered good	2,066,134,281	1,385,465,784
Considered doubtful	2,188,459	641,160
	2,068,322,740	1,386,106,944
Less : Provision for doubtful trade receivables	2,188,459	641,160
	2,066,134,281	1,385,465,784
Total	**2,083,820,140**	**1,413,027,469**

18. **Cash and cash equivalents**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Cash on hand	-	85,195
Cheques, drafts on hand	4,203,893	425,355
Balances with banks		
In current accounts	349,178,819	269,861,701
In deposit accounts	1,494,472,701	1,033,189,290
In earmarked accounts		
Balance held as margin money	16,811,859	44,032,484
Unpaid dividend account	9,907,008	7,330,545
The balance that meet the definition of Cash and cash equivalents as per AS-3 Cash flow Statements is ₹ 1,847,855,413 (As at 31.03.2013 ₹ 1,303,561,541)		
Total	**1,874,574,280**	**1,354,924,570**

19. **Short-term loans and advances**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Unsecured, considered good		
Security deposits	4,996,163	5,120,839
Other deposits	4,396,830	5,163,472
Gratuity	425,349	-
Loans and advances to employees	32,470,969	4,785,542
Prepaid expenses	54,025,997	32,290,082
Balances with government authorities		
VAT credit receivable	10,875,314	4,228,812
Service tax credit receivable	131,955,485	182,715,100
Receivable from customs authority	21,891,299	22,227,142
Receivable from service tax authority	51,602,638	4,078,721
Other recoverables	33,157,462	4,586,163
Total	**345,797,506**	**265,195,873**

20. **Other current assets**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Unbilled revenue	121,471,019	109,228,633
Interest accrued on term deposits	-	2,890,352
Gain on forward contracts (Mark-to-market)	3,356,069	-
Total	**124,827,088**	**112,118,985**

21.1 **Revenue from operations**

(₹)

	FOR THE YEAR ENDED 31.03.2014	FOR THE YEAR ENDED 31.03.2013
Revenue from Hardware/Software product and licenses	10,561,292,434	9,412,566,127
Revenue from Software services	5,084,602,055	3,686,006,046
Other operating revenues	13,818,144	10,856,567
Total	**15,659,712,633**	**13,109,428,740**

21.2 Other income

(₹)

	FOR THE YEAR ENDED 31.03.2014	FOR THE YEAR ENDED 31.03.2013
Interest income from fixed deposits with banks	21,738,903	18,766,669
Dividend income from current investment	61,752,840	17,941,253
Other non-operating income		
Net gain on fixed assets sold	-	553,614
Provisions/liabilities no longer required written back	19,391,956	2,388,339
Miscellaneous income	3,570,975	1,792,916
Total	**106,454,674**	**41,442,791**

22. Purchase of Stock-in-trade (traded goods)

(₹)

	FOR THE YEAR ENDED 31.03.2014	FOR THE YEAR ENDED 31.03.2013
Purchase of traded items	10,061,700,964	8,508,505,670
Total	**10,061,700,964**	**8,508,505,670**

23. (Increase) / decrease in inventories

(₹)

	FOR THE YEAR ENDED 31.03.2014	FOR THE YEAR ENDED 31.03.2013
Opening Stock		
Work-in-progress - Software services	-	67,527,254
Stock-in-trade - Hardware/Software product and licenses	7,920,177	192,078,387
Material-in-transit - Hardware/Software product and licenses	-	144,451,948
	7,920,177	**404,057,589**
Closing Stock		
Stock-in-trade - Hardware/Software product and licenses	12,078,752	7,920,177
	12,078,752	**7,920,177**
(Increase) / decrease in inventories	**(4,158,575)**	**396,137,412**

24 : Employee benefits expense

(₹)

	FOR THE YEAR ENDED 31.03.2014	FOR THE YEAR ENDED 31.03.2013
Salaries, wages, bonus and allowances	2,890,223,178	2,195,353,796
Contribution to provident fund and other funds	112,608,384	99,893,102
Gratuity (unfunded)	2,850,133	680,668
Staff welfare expenses	92,325,013	72,325,772
Total	**3,098,006,708**	**2,368,253,338**

25. Other expenses

(₹)

	FOR THE YEAR ENDED 31.03.2014	FOR THE YEAR ENDED 31.03.2013
Power and Fuel	54,990,189	51,444,476
Rent (Refer Note 33)	166,747,912	145,564,458
Repairs and maintenance - Buildings	2,456,155	2,790,838
Repairs and maintenance - Machinery	8,697,809	8,340,463
Insurance	20,855,517	19,636,113
Rates and taxes	26,603,030	23,457,167
Communication cost	52,503,716	43,732,716
Facility maintenance	45,218,343	45,344,471
Travelling and conveyance expenses	310,600,923	206,343,273
Professional and technical fees	102,535,714	84,494,894
Legal fees	8,654,923	9,100,389
Insourcing professional fees	419,974,191	212,226,409
Net loss on foreign currency transaction and translation	45,784,602	226,113,230
Net loss on fixed assets sold / scrapped	1,964,940	-
Excess of carrying costs over fair value of current investments	907,340	-
Net loss on sale of current investments	10,289,300	7,381
Bad debts written off	-	32,075,267
Provision for doubtful trade receivables	37,591,913	(10,200,376)
Provision for doubtful advances	6,346,135	12,500,000
Advances written off	7,707,066	-
Software licence fees	933,991	18,748,815
Payment to auditors (Refer Note below)	10,697,719	9,169,376
Miscellaneous expenses	165,316,455	167,017,929
	1,507,377,883	**1,307,907,289**
Note - Payment to auditors comprises (net of service tax input credit):		
Remuneration to statutory auditors for audit of Company and its subsidiaries	5,100,000	3,250,000
Remuneration to other auditors for subsidiaries	4,615,780	5,458,999
Remuneration to statutory auditors for other services (Previous year ₹ 400,000 paid to erstwhile auditors)	750,000	400,000
Reimbursement of expenses (Previous year ₹ 60,377 paid to erstwhile auditors)	231,939	60,377
	10,697,719	**9,169,376**

26. Finance costs

(₹)

	FOR THE YEAR ENDED 31.03.2014	FOR THE YEAR ENDED 31.03.2013
Interest expenses on:		
Borrowings	3,651,949	8,928,931
Others	27,979	4,518,846
Other borrowing costs	20,668,322	32,543,089
Net loss on foreign currency transaction and translation	-	12,898,591
	24,348,250	**58,889,457**

27. Contingent liabilities

(₹)

	As at 31.03.2014	As at 31.03.2013
a) Guarantees		
The Company has given corporate guarantee to IBM Ltd on behalf of Sonata Information Technology Limited, amount drawn down as at year-end by IBM Ltd of this facility is ₹ Nil (As at 31.03.2013 – ₹ Nil).	50,000,000	50,000,000
b) Claims against the Company not acknowledged as debt		
The Company has received a legal notice from its ex-employee towards compensation arising on account of terms of appointment. Based on legal opinion received by the Company, the maximum amount payable in the event proceedings goes against the Company is ₹ 22,863,099.	22,863,099	22,863,099
c) Disputed demand of Karnataka Sales Tax	294,017	294,017
d) Disputed demand of Service tax		
The Company renders Information Technology related services to some of its clients in India. The Service Tax department has classified these services as 'Manpower Recruitment or Supply Agency Services'. The Company has contested this re-classification and has preferred an appeal before the Central Excise and Service Tax Appellate Tribunal (CESTAT). One of the clients of the Company has indemnified the Company for any demands that may arise on account of service tax liability up to an amount of ₹ 23,700,000. The amount included as disputed demand is excluding the amount indemnified by the client.	67,653,029	67,653,029
The demand for payment of service tax on repair service relating to software is based on Board circular of the department issued with retrospective effect. The Company has filed appeal before CESTAT and has got stay on recovery until disposal of appeal. It is confident of getting favorable outcome based on legal precedents which supports its stand.	21,352,990	21,352,990
e) Disputed demands of Income-tax	3,911,494,157	3,069,963,628

Details of disputed demands of Income-tax by issue and by year are as below:

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

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

The Income-tax department in its assessments has been denying or limiting the benefits of Section 10A to the multiple undertakings of the Company on the ground that they were in fact one single Unit and thus the benefits claimed where in excess of permissible limits, and had raised a demand of ₹ 957,103,606 (As at 31.03.2013 - ₹ 229,570,225) for financial year 2005-06, 2006-07, 2007-2008, 2008-09 and 2009-10.

The Commissioner of Income Tax (Appeals) has given a favorable order for financial year 2005-06 and 2006-07 against which during the year the department has filed an appeal before Income Tax Appellate Tribunal.

The Company has challenged the decision of Assessing Officer and has preferred an appeal to the Commissioner of Income-Tax (Appeals) for Financial Year 2007-08 and 2008-09 and in process of filing appeal for financial year 2009-10.

For the financial year 2001-02 Income Tax Appellate Tribunal has given a favorable order on the ground of Income Accrued under 10A against which the department has filed an appeal before High Court of Mumbai ₹ 14,863,703 (As at 31.03.2013 - ₹ 14,863,703)

(ii) **Inter-unit set-off of losses**

As discussed in point (i) above, the Company operates multiple operating units and undertakings under the Software Technology Park Scheme of India. While computing its taxable profits, losses from one undertaking were set off against profits of another or carried forward to the subsequent years. The Income-tax department had disallowed such carry forward of losses. During the year Company received favorable orders from ITAT and the Department has preferred an appeal before Mumbai High Court which is yet to be admitted for financial years 2004-05 and hence there is no contingent liability in the current year (As at 31.03.2013 - ₹ 11,900,233). During the year, the Income-tax department has preferred an appeal before ITAT for financial year 2002-03 where the demand is ₹ 7,770,960 (As at 31.03.2013 - ₹ Nil).

(iii) **Disallowance of Inter-Company service charges and costs for deputation of personnel.**

Sonata Software Limited, the holding company charges Sonata Information Technology Limited (SITL), its wholly owned subsidiary, for certain support services rendered and for the cost of project personnel deputed.

[a] During assessments of Sonata Software Limited, the Income-tax department denied Section 10A benefits on such support services and assessed the same as normal business income and raised a demand of ₹ 138,367,875 (As at 31.03.2013 - ₹ 138,367,875) for financial years 2001-02, 2002-03 and 2003-04. The Company has received favorable orders from Income Tax Appellate Tribunal. However, the department has preferred an appeal on the said orders before the Honorable High Court of Mumbai.

[b] In SITL's assessments, the support services and costs for deputation are being disallowed by the Income-tax department while computing taxable profits of the Company. The Company has challenged these disallowances and consequent demands at appellate levels and is confident of a favorable outcome.

Details of Demands and Forums where they are pending are:

a. ₹ 319,683,404 (As at 31.03.2013 - ₹ 320,045,816) for the financial years 2001-02, 2003-04, 2004-05, 2005-06 and 2007-08. The Company has received favorable orders from the Income Tax Appellate Tribunal. The Income-tax department has preferred an appeal to the Honorable High Court of Mumbai.

b. ₹ 111,904,892 (As at 31.03.2013 - ₹ Nil) for the financial year 2010-11. The Company has preferred an appeal to the Commissioner of Income-tax (Appeals).

c. ₹ 98,468,823 (As at 31.03.2013 - ₹ Nil) for the financial year 2008-09. During the year, the Income-tax department has preferred an appeal to Income Tax Appellate Tribunal against the favorable orders that were received from Commissioner of Income -tax (Appeals).

d. ₹ 44,659,336 (As at 31.03.2013 - ₹ 44,659,336) for the financial year 2002-03. The Income-tax department's appeal to the Honorable High Court of Mumbai was time-barred and hence dismissed. The Income-tax department had preferred a Special Leave Petition on the said dismissal to the Honorable Supreme Court of India which has referred the petition back to the Honorable High Court of Mumbai with a request to reconsider its decision

e. During the year favorable orders were received from Commissioner of Income Tax (Appeals) for financial year 2009-10 which were disclosed as contingent liability in the previous year of ₹ 91,884,882.

(iv) **Withholding tax demand**

The Company is engaged in the business of buying and selling packaged software in India. The Company is engaged in the business of buying and selling packaged software in India. The Income-tax department has been contending that amounts paid by the Company for buying the software products is in the nature of 'royalty' and hence had to withhold income-tax on the same as per the Income-tax Act, 1961, and has raised demands of ₹ 502,427,543 (As at 31.03.2013 - ₹ 502,427,543) for the financial years 1999,00, 2000-01 and 2001-02. The Company's contention has been that the payments were made for purchase of 'goods' and hence was under no obligation to withhold Income-tax on the same. The Company had received favorable orders from the Income Tax Appellate Tribunal which were during the year reversed by the Honorable High Court of Karnataka. The Company has preferred a Special Leave Petition Appeal on the said order to the Honorable Supreme Court of India, which has been admitted. However, for these years one of the principal suppliers of software to the Company has paid taxes of ₹ 216,503,179 out of the above demand. The amount included as disputed demand is excluding the amount paid by the supplier.

(v) **Disallowance of payments made for purchase of software on which Income-Tax was not withheld**

Payment in the nature of Royalty on which Income-Tax have not been deducted at source are subject to disallowance as an 'expense' as per Sections 40(a)(i) and 40(a)(ia) while computing taxable profits of the Company. Consequent to issue described in (b) above, the Income-tax department, holding payments for purchase of software as "Royalty" disallowed the same while computing taxable profits of the Company.

The Honorable High Court of Karnataka has given an unfavorable decision on the issue covered in (b) above. However, the said demands which are consequential and penal in nature do not arise automatically and there are multiple legal precedents in favor of the Company. Based on legal opinions and feedback from its legal counsels, the Company is confident of a favorable outcome on these consequential demands.

Details of demands raised and the forum where these are pending are:

₹ 1,707,960,727 (As at 31.03.2013 - ₹ 1,707,960,727) of tax demand for the financial year 2001-02, 2002-03 and 2007-08. The Company has received a favorable order from the Income Tax Appellate Tribunal. The Income-tax department has preferred an appeal to the Honorable High Court of Mumbai.

(vi) **Deductions claimed under section 80 O**

Prior to the enactment of Section 10A, the Company claimed deduction for exports made, under Section 80 O of the Act. The Department has re-opened the assessments and disallowed certain aspects of the claims made on the contention that cost allocation principles followed for the claim are erroneous and raised a demand of ₹ 8,283,288 (As at 31.03.2013 - ₹ 8,283,288) for the financial year 1994-95. The Company has received favorable orders from Income-Tax Appellate Tribunal. The Department has preferred an appeal on the said order before the Honorable High Court of Mumbai.

f. In addition, the Company, in the ordinary course of business receives various claims from its customers and other business partners. Based on review of such matters and the information available at this time, the company does not anticipate that any of these will result in a settlement that will have a material impact on its financials statements.

28. **Commitments**

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Estimated amount of contracts remaining to be executed on capital account and not provided for	3,235,923	207,749
Other commitments - purchase contracts	148,632,488	122,691,462

29. **Details on derivative instruments and unhedged foreign currency**

i) Forward exchange contracts (being derivative instruments), which are not intended for trading or speculative purposes but for hedge purposes to establish the amount of reporting currency required or available at the settlement date of certain payables/ receivables.

The following are the outstanding forward exchange contracts entered into by the Group and outstanding as at 31.03.2014 (Previous year figures are in brackets).

Currency	Amount	Buy / Sell	Cross currency
USD	16,650,000	Sell	Rupees
	(16,400,000)	Sell	Rupees
	-	Buy	Rupees
	(1,364,675)	Buy	Rupees
GBP	2,350,000	Sell	Rupees
	(6,875,000)	Sell	Rupees
EUR	1,450,000	Sell	Rupees
	(2,300,000)	Sell	Rupees

ii) The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below :

	As at 31.03.2014		As at 31.03.2013		
	Receivable/ (Payable) (₹)	Receivable/ (Payable) in Foreign currency	Receivable/ (Payable) (₹)	Receivable/ (Payable) in Foreign currency	Curr-ency
Trade receivables					
	6,459,267	116,678	5,089,165	90,010	AUD
	17,141,428	254,022	5,986,934	105,016	CHF
	21,375,446	259,915	3,941,808	56,709	EUR
	147,116,372	1,478,262	32,344,788	393,489	GBP
	-	-	2,767,683	63,290	SGD
	11,570,730	193,200	67,298,473	1,239,610	USD
Other non-current assets					
	328,958,187	4,000,000	277,300,056	4,000,000	EUR
Other current assets					
	-	-	5,116,305	89,744	CHF
	9,713,543	97,565	8,328,123	101,649	GBP
	5,390,100	90,000	15,650,404	290,000	USD
	-	-	401,007	9,170	SGD
	7,338	450	289,393	19,580	AED
	864,767	52,601	-	-	QAR
Short-term loans and advances	21,590	390	-	-	AUD
	333,111,078	4,050,475	278,455,392	4,005,976	EUR
	12,888,442	129,454	466,688	4,688	GBP
	-	-	532,631	35,723	QAR
	10,632,528	177,455	4,728,293	87,093	USD
	227,904	4,800	-	-	SGD
Other current liabilities	(3,587,833)	(54,582)	(1,998,882)	(45,710)	SGD
Trade payables	(12,326)	(223)	-	-	AUD
	(976,294)	(14,468)	-	-	CHF
	(2,185,633)	(26,576)	(1,214,826)	(17,477)	EUR
	(1,426,629)	(14,329)	(4,306,454)	(52,390)	GBP
	(34,045,451)	(568,466)	(11,215,412)	(206,583)	USD

30. **Employee benefit plans**

i) **Defined contribution plans**

a) **Provident fund**

The Group makes contributions towards a provident fund under a defined contribution retirement benefit plan for qualifying employees. The provident fund is administered by the Trustees of Sonata Software Limited Provident Fund and by the Regional Provident Fund Commissioner. Under this scheme, the Company is required to contribute a specified percentage of payroll cost to fund the benefits.

The Rules of the Group's Provident Fund administered by the Trust require that if the Board of Trustees are unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Company. Having regard to the assets of the Fund and the return on the investments, the Company does not expect any deficiency in the foreseeable future. There has also been no such deficiency since the inception of the Fund.

Provident fund contributions amounting to ₹ 59,624,256 (Previous year ₹ 52,276,509), National pension scheme contribution amounting to ₹ 2,722,439 (Previous year ₹ Nil) have been charged to the Statement of Profit and Loss (as part of Contribution to provident fund and other funds in Note 24 Employee benefits expense).

b) During the year the Group has recognised the following amounts in the Statement of Profit and Loss

Employers contribution to

(₹)

	YEAR ENDED 31.03.2014	YEAR ENDED 31.03.2013
Employee's State Insurance (as part of Staff welfare expneses in Note 24 Employee benefits expense)	314,653	221,766
Superannuation (as part of Contribution to provident fund and other funds in Note 24 Employee benefits expense)	24,836,912	21,970,201
401K contribution of a subsidiary (as part of Contribution to provident fund and other funds in Note 24 Employee benefits expense)	6,026,054	4,416,284

ii) **Defined benefit plans - Gratuity**

	Year ended 31.03.2014	Year ended 31.03.2013
As per actuarial valuation		
Change in Obligation during the year		
Present value of Defined Benefit Obligation at beginning of the year	113,070,528	95,158,119
Current Service Cost	16,530,879	14,529,597
Interest Cost	9,045,643	8,088,440
Actuarial (Gains)/Losses	2,156,469	6,473,449
Benefits Paid	(11,976,131)	(11,179,077)
Present value of Defined Benefit Obligation at the end of the year	128,827,388	113,070,528
Change in Assets during the year		
Plan assets at the beginning of the year	109,767,991	93,354,600
Expected return on plan assets	9,549,815	8,028,496
Contributions by Employer	24,020,886	19,731,090
Actual benefits paid	(11,976,131)	(11,179,077)
Actuarial Gains/ (Losses)	(1,215,547)	(167,118)
Plan Assets at the end of the year	130,147,014	109,767,991
Actual return on plan assets	8,334,268	7,861,378
Net Asset/(Liability) recognized in the Balance Sheet		
Present Value of Defined Benefit Obligation	128,827,388	113,070,528
Fair value of plan assets	130,147,014	109,767,991
Fund status (Surplus/(Deficit))	1,319,626	(3,302,537)
Net Assets /(Liability)	1,319,626	(3,302,537)

Expenses recognized in the statement of Profit & Loss (as part of Contribution to provident fund and other funds in Note 24 Employee benefits expense)		
Current Service Cost	16,530,879	14,529,597
Interest Cost	9,045,643	8,088,440
Expected return on plan assets	(9,549,815)	(8,028,496)
Net Actuarial (Gains)/Losses	3,372,016	6,640,567
Total Expense	19,398,723	21,230,108
The major categories of plan assets as a percentage of total plan		
Insurer Managed Funds	100%	100%
Category of funds :		
Secure Fund	15.6%	15.3%
Defensive fund	41.4%	41.9%
Balanced Fund	42.7%	42.5%
Stable Managed Fund	0.3%	0.3%
Actuarial Assumptions:		
Discount Rate	9.38%	8.00%
Rate of return on plan assets	8.70%	8.70%
Retirement Age	60 Years	60 Years
Mortality Table	Indian Assured Lives (2006-08) Ultimate	LIC (1994-96) Ultimate
Salary escalation	5.0%	5.0%
Estimate of amount of contribution in the immediate next year	15,293,058	19,833,416

The expected rate of return on plan assets is determined after considering several applicable factors such as the composition of the plan assets, investment strategy, market scenario, etc. In order to protect the capital and optimise returns within acceptable risk parameters, the plan assets are well diversified.

The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.

The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

Experience adjustments

(₹)

Particulars	31.03.2014	31.03.2013	31.03.2012	31.03.2011	31.03.2010
Present value of Defined benefit obligation	128,827,388	113,070,528	95,158,119	100,060,106	75,265,530
Fair Value of Plan Assets	130,147,014	109,767,991	93,354,600	102,553,005	93,254,163
Surplus / (deficit)	1,319,626	(3,302,537)	(1,803,519)	2,492,899	17,988,633
Experience adjustments on plan liabilities	22,097,555	170,144	5,069,613	17,669,092	912,044
Experience adjustments on plan assets	(1,215,547)	(167,118)	(4,560,059)	(1,868,405)	11,194,210

	31.03.2014	31.03.2013
The gratuity benefit of a subsidiary is non funded:		
Charged to the Statement of Profit and Loss (as part of Contribution to provident fund and other funds in Note 24 Employee benefits expense).	2,850,133	680,668
Closing Liability	894,277	685,900

31. **Segment reporting**

The company's operation comprises of software development, technical services and product marketing. Primary segmental reporting is based on geographical areas based on location of customer, viz., Domestic (India) and International (Rest of the world). Secondary segment comprises business segment viz., products & services.

In primary segment, revenue and all expenses, which relate to a particular geographical segment based on location of customer, are reported. Secondary segment is reported based on the company's business viz., products and services. Revenue is identified based on the business operations.

Revenues and expenses directly attributable to segments are reported under each reportable segment. Expenses which are not directly identifiable to each reportable segment have been allocated on the basis of associated revenues of the segment and manpower efforts. All other expenses which are not attributable or allocable to segments have been disclosed as unallocable expenses. Assets and liabilities that are directly attributable or allocable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed as unallocable. Fixed assets that are used interchangeably amongst segments are not allocated to primary and secondary segments.

Primary disclosure
Geographical Segment based on location of customers

(₹)

	India		Other than India		Unallocable		Consolidated	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Revenue								
Revenue from operations	10,806,945,549	9,472,831,942	4,852,767,084	3,636,596,798	-	-	15,659,712,633	13,109,428,740
Segment result								
Earnings before finance cost, other income and taxes	290,785,566	153,804,324	626,362,872	274,006,122	-	-	917,148,438	427,810,446
Other Income	5,214,093	19,825	17,748,838	4,715,044	83,491,743	36,707,922	106,454,674	41,442,791
Profit before exceptional items, finance cost & taxes	295,999,659	153,824,149	644,111,710	278,721,166	83,491,743	36,707,922	1,023,603,112	469,253,237
Finance costs							24,348,250	58,889,457
Profit before exceptional items and tax							999,254,862	410,363,780
Exceptional items - Loss on disposal of operations							-	580,557,355
Exceptional items - Interest income on Income Tax refund							(71,512,235)	(24,817,611)
Profit/(Loss) before tax							1,070,767,097	(145,375,964)
Tax expense							293,533,988	135,594,328
Profit/(Loss) before minority interest							777,233,109	(280,970,292)
Minority interest							435,855	427,898
Profit/(Loss) after tax after minority interest							777,668,964	(280,542,394)
Segment assets	1,988,728,583	1,117,660,486	3,076,846,859	2,638,855,909	1,550,852,469	1,786,508,703	6,616,427,911	5,543,025,098
Segment liabilities	1,786,898,844	1,725,430,165	624,821,239	8,471,533	460,754,351	391,800,362	2,872,474,434	2,125,702,060
Other Information								
Capital expenditure	3,382,969	3,191,832	33,131,327	3,548,206	-	-	36,819,551	19,359,193
Depreciation and amortisation	2,656,131	1,709,238	76,981,084	99,105,347	-	-	79,637,215	100,814,585
Other non-cash expenses	9,597,598	12,500,000	28,584,839	-	(50,750,791)	580,557,355	49,379,077	593,064,736

Secondary disclosure
Business Segment

(₹)

	Products		Services		Unallocable		Consolidated	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Revenue	10,561,292,434	9,412,566,127	5,098,420,199	3,696,862,613	-	-	15,659,712,633	13,109,428,740
Assets	1,967,162,927	1,176,612,001	3,098,412,515	2,579,904,394	1,550,852,469	1,786,508,703	6,616,427,911	5,543,025,098
Capital expenditure	3,382,969	3,191,832	33,131,327	3,548,206	-	-	36,514,296	6,740,038
Geographical Segment based on location of assets								
Segment assets	3,323,308,461	2,014,270,125	1,742,266,981	1,742,246,270	1,550,852,469	1,786,508,703	6,616,427,911	5,543,025,098
Capital expenditure	21,776,574	3,191,832	33,131,327	3,548,206	-	-	36,514,296	6,740,038

32. **Related party disclosure**

i) Details of related parties :

Description of relationship	Names of related parties
Key Management Personnel (KMP)	Mr. P Srikar Reddy, Managing Director & Chief Executive Officer

(₹)

	KMP	
	31.03.2014	31.03.2013
ii) **Transactions with related parties:**		
Remuneration		
P Srikar Reddy, Managing Director & Chief Executive Officer	25,603,129	9,719,373
Commission		
P Srikar Reddy, Managing Director & Chief Executive Officer	3,888,345	1,502,067
iii) **Balances outstanding at the end of the year**		
Remuneration payable		
P Srikar Reddy, Managing Director & Chief Executive Officer	9,000,000	-
Commission payable		
P Srikar Reddy, Managing Director & Chief Executive Officer	3,888,345	1,502,067

33. **Details of leasing arrangements**

i. The Group has entered into various operating lease agreements for office premises, residential premises, guest houses and certain assets. These leases are cancellable as well as non-cancellable and are for a period of 11 months to 120 months and may be renewed based on mutual agreement of the parties.

ii. The total of future minimum lease payments are non-cancellable operating leases are as below :

(₹)

	FOR THE YEAR ENDED 31.03.2014	FOR THE YEAR ENDED 31.03.2013
Not later than one year	42,508,705	29,568,731
Later than one year and not later than 5 years	57,782,179	13,064,232
Later than 5 years	-	309,600

iii. The lease payments recognised in the statement of Profit and Loss are as under :

(₹)

	FOR THE YEAR ENDED 31.03.2014	FOR THE YEAR ENDED 31.03.2013
Included in rent (Refer Note 25)	166,747,912	145,564,458
Included in travel, conveyance and facility maintenance (Refer Note 25)	2,779,979	400,643
	169,527,891	145,965,101

iv. There are no rents which are contingent in nature.

34. **Earnings per share**

	FOR THE YEAR ENDED 31.03.2014	FOR THE YEAR ENDED 31.03.2013
Profit/(Loss) attributable to equity shareholders (₹)	777,668,964	(280,542,394)
Weighted average number of equity shares of Re.1/- each (No. of shares)	105,159,306	105,159,306
Earnings per share - basic and diluted (₹)	7.40	(2.67)

35. **Discontinued operations**

The Company's subsidiary Sonata Europe Limited executed a Share purchase and Joint Venture termination agreement on September 28, 2012 to sell its 50.1% shareholding in its step-down subsidiary TUI InfoTec GmBH ('TUI') to Leibniz-Service GmbH ('the purchaser') with an effective date of transfer and assignment being October 1, 2011. The purchaser assumed all losses of TUI commencing from October 1, 2011. TUI business included providing information technology services, and IT infrastructure support services.

The total purchase consideration of ₹ 410,100,000 (Euro 6 million), is payable on a deferred payment basis spread over a three year period ending March 31, 2015. The consideration receivable as on March 31, 2014 of ₹ 328,958,187 (as at March 31, 2013 ₹ 277,300,056) has been included under other non-current assets (Refer Note 14). The loss on disposal of TUI of ₹ Nil (Previous year ₹ 580,557,355 (netoff the loss of ₹ 130,502,537 recognized in the period 1 October 2011 to 31 March 2012)) is included under Exceptional items in the Statement of Profit and loss.

36 Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

For and on behalf of the Board of Directors

PRADIP P SHAH *Chairman*

P SRIKAR REDDY *Managing Director & Chief Executive Officer*

M D DALAL *Executive Vice Chairman*

S B GHIA *Director*

VIREN RAHEJA *Director*

S N TALWAR *Director*

B K SYNGAL *Director*

VENKATRAMAN NARAYANAN *Chief Financial Officer*

R SATHYANARAYANA *AVP - Finance & Accounts*

PRIYA MANOJ JASWANI *Company Secretary*

Place : Mumbai
Date : 26th May 2014

ADDITIONAL FINANCIAL INFORMATION OF OVERSEAS SUBSIDIARIES - in respective foreign currency

		Sonata Software North America Inc, USA *	Sonata Software FZ LLC	Sonata Software GmbH, Germany	Sonata Europe Limited, UK	Sonata Software, Qatar
		(Amount in USD)	(Amount in USD)	(Amount in Euro)	(Amount in GBP)	(Amount in USD)
a.	Capital					
	- Stock holders Equity	300,000	136,129	25,000	800	55,080
	- Preferred Stock	-	-	-	5,484,560	-
b.	Reserves and Surplus	771,679	809,089	105,782	3,225,059	(210,885)
c.	Total Assets	8,364,869	1,432,810	243,699	9,238,041	65,091
d.	Total Liabilities	8,364,869	1,432,810	243,699	9,238,041	65,091
e.	Details of Investment (except in case of investment in subsidiaries)	-	-	-	-	-
f.	Turnover	47,095,385	4,243,698	406,283	883,505	-
g.	Dividends from Subsidiary	-	-	300,000	-	-
h.	Profit before Taxation	1,392,644	175,997	52,669	(298,198)	(71,986)
i.	Provision for Taxation	543,131	-	16,724	34,528	-
j.	Profit after Taxation and Minority Interest	849,513	175,997	35,945	(263,670)	(71,986)
k.	Proposed Dividend	-	-	-	-	-

ADDITIONAL FINANCIAL INFORMATION OF OVERSEAS SUBSIDIARIES - in ₹

		Sonata Software North America Inc, USA *	Sonata Software FZ LLC	Sonata Software GmbH, Germany	Sonata Europe Limited, UK	Sonata Software, Qatar
a.	Capital					
	- Stock holders Equity	17,967,000	8,152,766	2,056,000	79,648	3,298,741
	- Preferred Stock	-	-	-	546,042,794	-
b.	Reserves and Surplus	46,215,855	48,456,340	8,699,535	321,086,874	(12,629,903)
c.	Total Assets	500,972,004	85,810,991	20,041,820	919,739,362	3,898,300
d.	Total Liabilities	500,972,004	85,810,991	20,041,820	919,739,362	3,898,300
e.	Details of Investment (except in case of investment in subsidiaries)	-	-	-		-
f.	Turnover	2,820,542,608	254,155,073	33,412,729	87,961,758	-
g.	Dividends from Subsidiary	-	-	24,672,000	-	-
h.	Profit before Taxation	83,405,449	10,540,460	4,331,487	(29,688,593)	(4,311,242)
i.	Provision for Taxation	32,528,116	-	1,375,382	3,437,608	-
j.	Profit after Taxation and Minority Interest	50,877,334	10,540,460	2,956,105	(26,250,985)	(4,311,242)
k.	Proposed Dividend	-	-	-	-	-

(formerly Offshore Digital Services Inc., USA)*

Note : The above information has been furnished as per the requirement of Department of Company Affairs letter
Conversion rate considered to arrive the above information is US Dollar = ₹ 59.89, Euro = ₹ 82.24 and GBP= ₹ 99.56

Directors' Report (Sonata Information Technology Limited)

TO THE MEMBERS OF SONATA INFORMATION TECHNOLOGY LIMITED

Your Directors have pleasure in presenting the Fourteenth Annual Report of your Company along with the audited Statement of Accounts for the financial year ended 31st March, 2014.

FINANCIAL HIGHLIGHTS

(₹ in Crores)

Description	Year ended 31.03.2014	Year ended 31.03.2013
1. Total Income	1087.19	978.86
2. Total Expenditure	1058.83	956.53
3. EBITDA	28.36	22.33
5. Depreciation & Amortization Expense	0.26	0.17
4. Finance Cost	4.77	11.88
5. Profit before Tax and Exceptional Items	23.32	10.28
6. Exceptional item (Interest income on Income Tax refund)	6.84	-
8. Provision for Tax (Net)	10.90	0.84
9. Profit after Tax	19.26	9.44
10. Earnings in ₹ per share	57.07	27.97

BUSINESS REVIEW

Your Company has posted encouraging results for the year that ended on 31st March, 2014.

We have been able to show a good growth as a result of focusing on customer quality, tighter credit reviews and focus on new technology products like cloud, analytics, Big data appliance, etc.

Your Company has reported all time high revenues of ₹ 1087 crores in the financial year under review with a growth of 11% in revenues, 57% growth in EBIDTA (including exceptional income of 6.83 crores) and a growth of 104% in PAT. During the year, we received an Income-Tax refund of ₹ 63.60 crores including an Interest of ₹ 6.83 crores. This business had in earlier years faced certain industry typical income-tax related issues which have now been considerably addressed and risks around this have been substantially mitigated. Refund of income-tax as above is testimony to the risk mitigation efforts taken by your Company. The focus in this business has always been to manage Return on Capital Employed, which was approximately 37% for the year.

Your Company's business has two broad lines:

A. PRODUCTS

Your Company's strategy of focusing on new technologies products apart from the existing business like Cloud, Social, Analytics, etc has given good results. We have been awarded the best Cloud partner of the year by Microsoft India. We continue to focus and build on the strategy of creating more value to our customers and principals and at the same time bring advanced technology products to the Indian market. We have also been able to establish ourself as a strong player in Computer Appliance products like Oracle Exadata in Indian market.

B. SERVICES

During the year under review, your Company has shown strong growth across its service offerings.

Your Company's strategy of addressing select Enterprise class clients continued to pay rich dividends both in terms of revenues as well as profitability. During the year, the group has aligned with the overall services business of Sonata and has gained a razor-sharp focus in our key verticals of Travel, Retail, Consumer Product Group and Outsourced Product Development. As a result, we have a deeper relationship with our existing clients, engagements span across multiple technology and service offerings and revenues have grown significantly with each of them. During the year, your Ccompany also successfully pared down the number of non-growth, non-focus tail accounts. During the year, your Company was able to build a million dollar Indian client.

DIVIDEND

As shareholders may recall, at the Board Meeting held on 12th November, 2013, your Directors had declared 1st interim dividend of ₹ 7.50 per share and at the Board Meeting held on 21st March, 2014, declared 2nd interim dividend of ₹ 7.50 per equity share. Thus, the total dividend declared and paid for the financial year 2013-14 is ₹ 15/- per share as compared to Nil dividend for the previous financial year 2012-13. In view of this, your Directors do not recommend any final dividend for the financial year 2013-14.

Your Company has transferred requisite amount as detailed in the financial statements to General Reserves in accordance with the provisions of the Companies (Transfer of Profits to Reserves) Rules, 1975.

QUALITY

Your Company continues to maintain and improve its Quality Management System (QMS) processes that help in effective and efficient delivery of services to its customers. Your Company ensures enterprise level compliance to QMS processes.

During the year under review, your Company achieved yet another milestone of successful recertification of its QMS under ISO 9001 standard. During the year under review, the customer satisfaction index has improved to 3.9 out of 5. Your Company continues to focus on further process refinement so as to facilitate delivery of timely and quality service to its customers.

RECOGNITION

During the year under review, your Company won two awards at the Microsoft Partner Summit held in Bangalore - the National Award for Cloud Partner of the year 2013 and the Regional Award for Best SI Partner of the Year- South 2013.

Your Company signed an agreement with Microsoft as a MVAR for Microsoft Dynamics and under this program, affiliates will be recruited and managed to grow the Microsoft Dynamics network and business in India.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors, to the best of their knowledge and belief, state that the Company maintains proper accounting records which disclose with reasonable accuracy, the financial position of the Company.

Further, your Directors state that these accounting records have formed the basis for the preparation of financial statements of the Company in compliance with the provisions of the Companies Act, 1956, including any amendments thereto.

Your Directors also confirm compliance that the financial statements of the Company are prepared in such manner to give a true and fair view of the state of affairs of the Company as at the end of 31st March, 2014 and of the profit of the Company for the year to that date.

Your Directors state that in preparing the aforesaid financial statements of the Company, appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates, whilst applicable accounting standards have been followed and that these financial statements have been prepared on a going-concern basis.

Further your Directors, to the best of their knowledge and belief, state that appropriate internal control systems are in place which are reasonably expected to safeguard the assets of the Company and to prevent and detect fraud and irregularities.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE

Your Company has nothing to report on energy conservation and technology absorption as required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

Foreign Exchange outgo on account of Travelling, Royalty, Import of traded products, etc was ₹564.96 crores and foreign exchange inflow on account of software services rendered and sales of traded products exports was ₹10.88 crores.

PUBLIC DEPOSITS

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

PERSONNEL

Particulars of employees as required under the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Amendment Rules, 2011, is attached to this Report.

DIRECTORS

Mr. P Srikar Reddy and Mr. Venkatraman N, Directors retire by rotation at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment.

In accordance with the provisions of Section 149, 150 and 152 of the Companies Act, 2013, the Company has proposed the appointment of Mr. B.K. Syngal, Independent Director of the Company for a term of five years from the date of the ensuing Annual General Meeting and whose office shall not be liable to retirement by rotation.

Brief profiles of these Directors are given in the notes to the Notice of the ensuing AGM.

AUDITORS

M/s Deloitte, Haskins & Sells, Chartered Accountants, Bangalore, Statutory Auditors of your Company retire at the forthcoming Annual General Meeting and have expressed their willingness to continue as Statutory Auditors for the next four consecutive financial years and accordingly, a resolution proposing their appointment is being submitted to the Annual General Meeting.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to thank all Principals, Customers, Vendors, Business Partners, Bankers and Financial Institutions and Regulatory authorities for their continued support. Your Directors also place on record their appreciation to the dedicated and committed team of employees for their valuable contribution to the Company during the year under review.

For and on behalf of the Board

Place: Mumbai
Date: May 26, 2014

P SRIKAR REDDY
DIRECTOR

Annexure to Directors' Report

Information u/s 217(2A) of the Companies Act 1956 - read with Companies (Particulars of Employees) Rules 1975 as amended and forming part of the Directors' Report for the year ended 31st March, 2014

Name	Age (Years)	Qualification	Designation & Nature of Duties	Remuneration (₹)	Experience (Years)	Date of Joining	Previous Employment
Sujit Mohanty	47	MA & PGDM	Vice President & Director	6,456,048	25	01.02.1991	Senior Marketing Executive Academy of Computer Education

Notes:-

1 Remuneration includes Basic Salary, Allowances, Incentives, Commission, Company's contribution to PF, Superannuation Fund and taxable value of perquisites.

2 Appointment is contractual.

3 Not related to any Director of the Company.

4 Does not own more than 2% of the outstanding shares of the Company as on 31st March,2014.

Independent Auditors' Report

TO THE MEMBERS OF

SONATA INFORMATION TECHNOLOGY LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of SONATA INFORMATION TECHNOLOGY LIMITED ("the Company"), which comprise the Balance Sheet as at 31st March, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of the financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2014;

(b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
   (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those.
   (c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
   (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs).
   (e) On the basis of the written representations received from the directors as on 31st March, 2014 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm's Registration No. 008072S)

V. Srikumar
Partner
(Membership No. 84494)

MUMBAI,
26th May, 2014

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

(i) Having regard to the nature of the Company's business/ activities/results during the year, clauses vi, viii, xii, xiii, xiv, xvi, xix and xx of paragraph 4 of the Order are not applicable to the Company.

(ii) In respect of its fixed assets:

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

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

(c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

(iii) In respect of its inventories

(a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.

(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.

(iv) The Company has neither granted nor taken any loans, secured or unsecured, to/ from companies, firms or other parties covered in the Register maintained under Section 301 of the Act.

(v) In our opinion and according to the information and explanations given to us, having regard to the explanations that most of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.

(vi) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business

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

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

(b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2014 for a period of more than six months from the date they became payable.

(c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess which have not been deposited as on 31st March, 2014 on account of disputes are given below:

Statute	Nature of dues	Forum where dispute is pending	Period to which the amount relates	Amount involved (₹)
Income-tax Act, 1961	Income Tax and Interest thereon	Supreme Court	AY 2001-02 and AY 2002-03	205,739,587
Income-tax Act, 1961	Income Tax and Interest thereon	Commissioner of Income Tax (Appeals)	AY 2011-12	96,627,293
Finance Act, 1994	Service Tax	Customs, Excise and Service Tax Appellate Tribunal	2004-05 and 2005-06	21,352,990
Karnataka Value Added Tax Act, 2003	Sales Tax	The Joint Commissioner of Commercial Taxes (Appeals), Bangalore	2001-02	147,008

(viii) The Company does not have accumulated losses at the end of the financial year and the Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.

(ix) In our opinion and according to the information and explanations given, the Company has not defaulted in the repayment of dues to banks. There are no borrowings from financial institutions and the Company has not issued any debentures.

(x) According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks or financial institutions.

(xi) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have, *prima facie*, not been used during the year for long- term investment.

(xii) During the year, the Company has not made any preferential allotment of shares to the parties and companies covered in the Register maintained under Section 301 of the Act.

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

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm's Registration No. 008072S)

V. Srikumar
Partner
(Membership No. 84494)

MUMBAI,
26th May, 2014

Balance Sheet as at 31st March 2014

(₹)

	Note No.	AS AT 31.03.2014	AS AT 31.03.2013
EQUITY AND LIABILITIES			
SHAREHOLDER'S FUNDS			
Share capital	3	33,753,940	33,753,940
Reserves and surplus	4	542,710,064	409,324,159
		576,464,004	**443,078,099**
NON-CURRENT LIABILITIES			
Long-term provisions	5	441,489	-
		441,489	**-**
CURRENT LIABILITIES			
Short-term borrowings	6	-	280,000,000
Trade payables	7	1,540,006,961	1,304,808,935
Other current liabilities	8	244,131,480	141,637,589
Short-term provisions	9	13,613,882	5,388,249
		1,797,752,323	**1,731,834,773**
TOTAL		**2,374,657,816**	**2,174,912,872**
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	10 (i)	5,485,359	5,422,666
Intangible assets	10 (ii)	-	18,500
		5,485,359	5,441,166
Deferred tax asset	11	7,094,828	9,874,125
Long-term loans and advances	12	405,465,213	993,028,400
		418,045,400	**1,008,343,691**
CURRENT ASSETS			
Current investments	13	57,512	-
Inventories	14	12,078,752	7,920,177
Trade receivables	15	1,330,948,411	818,747,573
Cash and cash equivalents	16	374,233,979	102,142,168
Short-term loans and advances	17	231,827,757	220,800,434
Other current assets	18	7,466,005	16,958,829
		1,956,612,416	**1,166,569,181**
TOTAL		**2,374,657,816**	**2,174,912,872**
See accompanying notes 1 to 36 forming part of the financial statements			

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants

V. Srikumar
Partner

Place : Mumbai
Date : 26th May 2014

For and on behalf of the Board of Directors

P SRIKAR REDDY
Director

SUJIT MOHANTY
Vice President & Director

B K SYNGAL
Director

VENKATRAMAN NARAYANAN
Director

FEROZA BYRAMJI
Company Secretary

Statement of Profit and Loss for the year ended 31st March 2014

(₹)

	Note No.	FOR THE YEAR ENDED 31.03.2014	FOR THE YEAR ENDED 31.03.2013
Revenue from operations	19.1	10,847,403,725	9,777,340,566
Other income	19.2	24,518,605	11,268,972
Total revenue		**10,871,922,330**	**9,788,609,538**
EXPENSES			
Purchase of stock-in-trade (traded goods)		10,061,121,228	8,595,599,128
(Increase) / decrease in inventories	20	(4,158,575)	328,610,158
Employee benefit expenses	21	394,317,626	417,308,586
Other expenses	22	137,044,059	223,786,383
Total expenses		**10,588,324,338**	**9,565,304,255**
Earnings before interest, tax, depreciation and amortization (EBITDA)		**283,597,992**	**223,305,283**
Finance costs	23	47,706,145	118,787,770
Depreciation and amortization expense	10 (iii)	2,656,131	1,709,238
		50,362,276	**120,497,008**
Profit before tax and exceptional items		**233,235,716**	**102,808,275**
Less/(Add): Exceptional item (Interest Income on Income tax refund)		(68,374,866)	-
Profit before tax		**301,610,582**	**102,808,275**
Tax expense			
Current tax expense		105,799,278	24,000,000
MAT credit		-	(12,595,022)
Short provision for tax relating to prior years		410,469	-
Deferred tax		2,779,296	(2,998,490)
Net tax expense		**108,989,043**	**8,406,488**
Profit after tax		**192,621,539**	**94,401,787**
Earnings per share - Basic and Diluted (on ₹ 10 per share)	35	**57.07**	**27.97**
See accompanying notes 1 to 36 forming part of the financial statements			

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants

V. Srikumar
Partner

Place : Mumbai
Date : 26th May 2014

For and on behalf of the Board of Directors

P SRIKAR REDDY
Director

SUJIT MOHANTY
Vice President & Director

B K SYNGAL
Director

VENKATRAMAN NARAYANAN
Director

FEROZA BYRAMJI
Company Secretary

Cash Flow Statement for the year ended 31st March 2014

(₹)

		FOR THE YEAR ENDED 31.03.2014	FOR THE YEAR ENDED 31.03.2013
A. CASH FLOW FROM OPERATING ACTIVITIES:			
Net profit before tax		**301,610,582**	**102,808,275**
Adjustments for :			
Depreciation and amortization		2,656,131	1,709,238
Finance costs		47,706,145	118,787,770
Provision for doubtful trade receivables		9,597,598	(22,150,590)
Provision for doubtful advances		-	12,500,000
Advances written off		7,707,066	-
Provision no longer required written back		(4,429,092)	(14,757)
Interest income on income tax refund		(68,374,866)	-
Interest income		(13,742,350)	(11,042,086)
Dividend income		(5,562,162)	(207,061)
Net loss on fixed assets sold / scrapped		682,643	184,695
Net loss on sale of short term Investments		80,305	-
Unrealized foreign exchange (gain) / loss (net)		(1,197,149)	3,287,135
Operating profit before working capital changes		**276,734,815**	**205,862,619**
Adjustments for :			
Decrease/(increase) in trade receivables		(520,708,417)	(60,188,375)
Decrease/(increase) in inventories		(4,158,575)	328,610,158
Decrease/(increase) in other current assets		8,671,666	(5,678,520)
Decrease/(increase) in long-term loans and advances		(521,010)	(9,825,000)
Decrease/(increase) in short-term loans and advances		(11,027,323)	(70,031,299)
(Decrease)/increase in trade payables		239,791,972	(40,181,113)
(Decrease)/increase in other current liabilities		107,077,580	(9,661,229)
(Decrease)/increase in long-term provisions		441,489	-
(Decrease)/increase in short-term provisions		647,305	21,788
Bank balances not considered as Cash and cash equivalents		27,306,756	7,890,586
Cash generated from operations:		**124,256,294**	**346,819,615**
Direct taxes/advance tax paid (net)		550,120,579	(21,092,294)
Net cash from operating activities	(A)	**674,376,873**	**325,727,321**
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(3,382,969)	(2,200,372)
Proceeds from sale of fixed assets		-	10,000
Proceeds of current investments (net)		(137,817)	-
Interest received		14,563,508	10,736,007
Dividend received		5,562,162	207,061
Net cash used in investing activities	(B)	**16,604,884**	**8,752,696**
C. CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of Short-term borrowings from banks (net)		-	(306,838,058)
Inter corporate loan from holding company (net)		(280,000,000)	100,000,000
Dividends paid on equity shares		(50,630,910)	-
Dividend taxes paid on equity shares		(8,604,724)	-
Finance costs		(52,289,834)	(117,548,363)
Net cash used in financing activities	(C)	**(391,525,468)**	**(324,386,421)**

(₹)

		FOR THE YEAR ENDED 31.03.2014	FOR THE YEAR ENDED 31.03.2013
Net increase/(decrease) in cash and cash equivalents	(A+B+C)	**299,456,289**	**10,093,596**
Opening cash and cash equivalents		58,109,684	47,735,570
Exchange difference on translation of foreign currency cash and cash equivalents		(57,722)	280,518
Closing cash and cash equivalents		**357,508,251**	**58,109,684**
Cash and cash equivalents at the end of the year comprises:			
Cheques, drafts on hand		32,758	-
Balances with banks			
In Current accounts		51,651,513	58,109,684
In Deposit accounts		305,823,980	-
		357,508,251	**58,109,684**

See accompanying notes 1 to 36 forming part of the financial statements

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants

V. Srikumar
Partner

Place : Mumbai
Date : 26th May 2014

For and on behalf of the Board of Directors

P SRIKAR REDDY
Director

SUJIT MOHANTY
Vice President & Director

B K SYNGAL
Director

VENKATRAMAN NARAYANAN
Director

FEROZA BYRAMJI
Company Secretary

Notes Forming Part of Financial Statements

1. Corporate information

Sonata Information Technology Limited ("SITL or the Company") is a Company registered in India with its registered office at Mumbai and operationally headquartered at Bangalore. SITL is a wholly owned subsidiary of Sonata Software Limited and is primarily engaged in the business of providing Information Technology Solutions, software development services and re-selling products of reputed companies such as Microsoft, IBM and Oracle etc to its customers in India and the Asia Pacific region.

2. Significant accounting policies

a. Basis for preparation of financial statements

The financial statements of the Company have been prepared under the historic cost convention, on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles ('GAAP') in India to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/2013 Act, as applicable.

b. Use of Estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognized in the periods in which the results are known / materialize.

c. Inventories

Inventories are valued at lower of cost (weighted average) and the net realizable value.

d. Depreciation / Amortisation

Depreciation has been provided on Plant and equipment, on straight line basis and on other assets on written down value method at the rate specified in Schedule XIV of the 1956 Act, or at the rate based on useful lives as estimated by the Management, whichever is higher:

	Rates of Depreciation / Amortisation	
	Rates as per 1956 Act	**Rate adopted**
Leasehold improvements	Lease period	Primary Lease period
Plant and equipment	4.75%	33.33%
Furniture and fixtures	18.10%	18.10%
Office equipments	13.91%	13.91%

Computer Software are amortised over a period of 3 years.

Assets costing less than ₹ 5,000/- each are fully depreciated in the year of capitalization.

e. Revenue recognition

Revenues from sale of Hardware/Software product and licenses are recognised upon delivery where there is no customisation required. In case of customisation the same is recognised over the life of the contract using the proportionate completion method.

Revenues from contracts priced on a time and material basis are recognised when services are rendered and related costs are incurred.

Revenues from fixed price contracts are recognised over the life of the contract using the proportionate completion method, with contract costs determining the degree of completion. Foreseeable losses on such contracts are recognised when probable.

Revenues from maintenance contracts are recognised pro-rata over the period of the contract.

Revenues are reported net of discounts.

Dividends are recorded when the right to receive payment is established. Interest income is recognised on time proportion basis taking into account the amount outstanding and the rate applicable.

f. Tangible and intangible fixed assets

Fixed assets are carried at cost less accumulated depreciation / amortization and impairment losses, if any. The cost of fixed assets comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use. Subsequent expenditure, if any, on fixed assets after its purchase / completion is capitalized only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

g. Foreign currency transactions and translations

Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the exchange rate prevalent at the date of Balance sheet. Exchange differences arising on foreign currency transactions are recognized as income or expense in the year which they arise.

Premium or discount on forward exchange contract is amortized over the life of such contract and is recognized as income or expense. Any profit or loss arising on cancellation, renewal or restatement of forward contract is recognized in the Statement of Profit and Loss.

h. Employee benefits

Employee benefits include provident fund, superannuation, employee state insurance scheme, gratuity and compensated absences.

Defined contribution plans

Contribution to defined retirement benefit schemes are recognized as an expense when employees have rendered services entitling them to contribution required to be made and when services are rendered by the employees.

Defined benefit plans

For defined benefit plans, the cost of providing benefits is determined using the Projected unit credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognized in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognized in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Long-term employee benefits

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

Short-term employee benefits

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

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

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

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

i. Leases

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognized as operating leases. Lease rentals under operating leases are recognized in the Statement of Profit and Loss on a straight-line basis.

j. Earnings per share

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. For the purpose of computing diluted earnings per share, profit / (loss) after tax (including the post tax effect of extraordinary items, if any) and the weighted average number of equity shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

k. Taxes on income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income-tax Act, 1961.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognized as an asset in the Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the Company.

Deferred tax is recognized on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognized for all timing differences. Deferred tax assets are recognized for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realized. However, if there is unabsorbed depreciation and carry forward of losses, deferred tax assets are recognized only if there is virtual certainty that there will be sufficient future taxable income available to realize the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realizability.

l. Impairment of assets

The carrying values of assets / cash generating units at each balance sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognized, if the carrying amount of these assets exceeds

their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognized for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognized in the Statement of Profit and Loss.

m. Provisions and contingencies

A provision is recognized when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes. Contingent assets are not recognized in the financial statements.

3. Share capital

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Authorized		
10,000,000 equity shares of ₹ 10/- each	**100,000,000**	**100,000,000**
(Previous year 10,000,000 equity shares of ₹ 10/- each)		
Issued		
6,000,700 equity shares of ₹ 10/- each	**60,007,000**	**60,007,000**
(Previous year 6,000,700 equity shares of ₹ 10/ each)		
Subscribed and paid-up		
3,375,394 equity shares of ₹ 10/- each	**33,753,940**	**33,753,940**
(Previous year 3,375,394 equity shares of ₹ 10/ each)		
Total	**33,753,940**	**33,753,940**
Refer notes (i) to (iv) below		

i) Reconciliation of number of shares and amount outstanding at the beginning and at the end of the reporting year

	Opening balance	Fresh issue	Closing balance
Equity shares with voting rights			
Year ended 31st March 2014			
Number of shares	3,375,394	-	3,375,394
Amount ₹	33,753,940	-	33,753,940
Equity shares with voting rights			
Year ended 31st March 2013			
Number of shares	3,375,394	-	3,375,394
Amount ₹	33,753,940	-	33,753,940

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

The Company has equity shares having a par value of ₹ 10. Each Shareholder is entitled for one vote per share. The shareholders have the right to receive interim dividends declared by the Board of directors and final dividends proposed by the Board and approved by the shareholders. In the event of liquidation by the Company, the holders of the Equity shares will be entitled to receive in proportion to the number of equity shares held by them, the remaining assets of the Company.

The shareholders have all other rights as available to equity shareholders as per the provisions of the Companies Act, 1956, read together with the Memorandum of Association and Articles of Association of the Company, as applicable.

iii) Details of shares held by Holding Company

Sonata Software Limited and its nominees - Holding Company	31.03.2014	31.03.2013
Equity shares with voting rights	3,375,394	3,375,394

iv) Details of shares held by each shareholder holding more than 5% shares

Sonata Software Limited and its nominees - Holding Company	31.03.2014	31.03.2013
No. of shares held	3,375,394	3,375,394
% of holding	100%	100%

4. Reserves and surplus

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Capital redemption reserve	**26,253,060**	**26,253,060**
General reserve		
Add: Transfer from surplus in Statement of Profit and Loss	20,000,000	-
Closing balance	**20,000,000**	**-**
Surplus in Statement of Profit and Loss		
Opening balance	383,071,099	288,669,312
Profit for the year	192,621,539	94,401,787
Less :		
Interim/Final dividend	50,630,910	-
Tax on dividend	8,604,724	-
Transfer to general reserve	20,000,000	-
Closing balance	**496,457,004**	**383,071,099**
Total	**542,710,064**	**409,324,159**

5. Long-term provisions

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Provision for rent equalization	441,489	-
Total	**441,489**	**-**

6. Short-term borrowings

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Loans and advances from related parties		
Inter-corporate deposit from holding Company - Unsecured (Refer Note 33)	-	280,000,000
Total	**-**	**280,000,000**

7. Trade payables

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Trade payables - other than acceptances (Refer Note 26)	1,540,006,961	1,304,808,935
Total	**1,540,006,961**	**1,304,808,935**

8. Other current liabilities

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Gratuity (Refer Note 31)	-	472,597
Interest accrued but not due on borrowings	-	4,583,689
Other payables		
Statutory remittances	224,152,667	128,722,537
Payable on purchase of fixed assets	745,000	745,000
Advances from customers	17,702,466	5,988,295
Others	1,531,347	1,125,471
Total	**244,131,480**	**141,637,589**

9. Short-term provisions

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Provision for employee benefits		
Provision for compensated absences	2,318,914	1,671,609
Provision for tax (net of advance tax - ₹ 122,822,819/- (as at 31.03.2013 - ₹ 9,448,482/-) and net of MAT credit - ₹ 12,595,022/- (as at 31.03.2013 - ₹ Nil))	11,294,968	3,716,640
Total	**13,613,882**	**5,388,249**

10. FIXED ASSETS

10 (i) Tangible assets

(₹)

Particulars *	Gross block				Accumulated depreciation				Net block	
	Cost as at 01.04.2013	Additions	Deductions/ Adjustments	Cost as at 31.03.2014	Upto 31.03.2013	For the year	Deductions/ Adjustments	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Leasehold improvements	**3,826,190**	**412,889**	**2,008,478**	**2,230,601**	**3,669,390**	**194,440**	**2,008,478**	**1,855,352**	**375,249**	**156,800**
	(3,826,190)	(-)	(-)	(3,826,190)	(3,409,358)	(260,032)	(-)	(3,669,390)	(156,800)	(416,832)
Plant and equipment	**24,920,824**	**2,034,953**	**13,228,550**	**13,727,227**	**20,926,959**	**2,129,315**	**13,219,404**	**9,836,870**	**3,890,357**	**3,993,865**
	22,504,777)	(2,933,019)	(516,972)	24,920,824)	20,212,891)	(1,152,217)	(438,149)	20,926,959)	(3,993,865)	(2,291,886)
Furniture and fixtures	**2,181,239**	**350,803**	**1,924,860**	**607,182**	**1,577,352**	**187,179**	**1,527,641**	**236,890**	**370,292**	**603,887**
	(3,546,786)	(93,576)	(1,459,123)	(2,181,239)	(2,901,528)	(128,343)	(1,452,519)	(1,577,352)	(603,887)	(645,258)
Office equipments	**2,164,043**	**584,324**	**948,473**	**1,799,894**	**1,495,929**	**126,699**	**672,195**	**950,433**	**849,461**	**668,114**
	(2,421,391)	(165,237)	(422,585)	(2,164,043)	(1,685,942)	(123,304)	(313,317)	(1,495,929)	(668,114)	(735,449)
Total	**33,092,296**	**3,382,969**	**18,110,361**	**18,364,904**	**27,669,630**	**2,637,633**	**17,427,718**	**12,879,545**	**5,485,359**	**5,422,666**
	(32,299,144)	(3,191,832)	(2,398,680)	33,092,296)	28,209,719)	(1,663,896)	(2,203,985)	27,669,630)	(5,422,666)	(4,089,425)

Previous year figures are in brackets

10 (ii) Intangible assets

(₹)

Particulars *	Gross block				Accumulated amortisation				Net block	
	Cost as at 01.04.2013	Additions	Deductions/ Adjustments	Cost as at 31.03.2014	Upto 31.03.2013	For the year	Deductions/ Adjustments	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Computer software - purchased	**2,167,670**	**-**	**207,569**	**1,960,101**	**2,149,170**	**18,498**	**207,567**	**1,960,101**	**-**	**18,500**
	(2,167,670)	(-)	(-)	(2,167,670)	(2,103,828)	(45,342)	(-)	(2,149,170)	(18,500)	(63,842)
Total	**2,167,670**	**-**	**207,569**	**1,960,101**	**2,149,170**	**18,498**	**207,567**	**1,960,101**	**-**	**18,500**
	(2,167,670)	(-)	(-)	(2,167,670)	(2,103,828)	(45,342)	(-)	(2,149,170)	(18,500)	(63,842)

Previous year figures are in brackets

* Represents owned unless otherwise stated

10 (iii) Depreciation and amortization expense

(₹)

Particulars	FOR THE YEAR ENDED 31.03.2014	FOR THE YEAR ENDED 31.03.2013
Depreciation on Tangible assets		
As per Note 10 (i)	2,637,633	1,663,896
Amortization on Intangible assets		
As per Note 10 (ii)	18,498	45,342
Total	2,656,131	1,709,238

11. Deferred tax asset

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Tax effects on		
Difference between book balance and tax balance of fixed assets	615,548	609,757
Others	6,479,280	9,264,368
Total	**7,094,828**	**9,874,125**

12. Long-term loans and advances

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Unsecured, considered good unless otherwise stated		
Security deposits	4,701,925	4,310,515
Other deposits	420,739	291,139
Advance Tax (net of provision for tax - ₹ 213,988,342/- (as at 31.03.2013 - ₹ 241,326,283/-))	400,342,549	975,831,724
MAT credit entitlement	-	12,595,022
Other recoverables	12,500,000	12,500,000
Less : Allowance for doubtful recovarable	12,500,000	12,500,000
Total	**405,465,213**	**993,028,400**

13. Current investments

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Non-trade		
Investments in mutual funds (unquoted)		
At lower of cost and fair value, unless otherwise stated		
IDFC Money Manager Fund - Tresuary Plan - Daily Dividend - (Regular Plan) 5,711.26 units at ₹ 10.07 per unit	57,512	-
(Previous year - Nil)		
Total	**57,512**	**-**
Aggregate cost of unquoted investments	57,512	-

14. Inventories

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Stock-in-trade - Hardware/Software product and licenses	12,078,752	7,920,177
Total	**12,078,752**	**7,920,177**

15. Trade receivables

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Unsecured		
Trade receivable outstanding for a period exceeding six months from the date they are due for payment		
Considered good	22,916,528	4,290,211
Considered doubtful	12,173,912	2,576,314
	35,090,440	6,866,525
Less : Provision for doubtful trade receivables	12,173,912	2,576,314
	22,916,528	4,290,211
Other debts : Considered good	1,308,031,883	814,457,362
Total	**1,330,948,411**	**818,747,573**

16. Cash and cash equivalents

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Cheques, drafts on hand	32,758	-
Balances with banks		
In Current accounts	51,651,513	58,109,684
In Deposit accounts	305,823,980	-
In Earmarked accounts		
Balance held as Margin money	16,725,728	44,032,484
The balance that meet the definition of Cash and cash equivalents as per AS-3 Cash flow Statement is ₹ 357,508,251/- (As at 31.03.2013 is ₹ 58,109,684/-)		
Total	**374,233,979**	**102,142,168**

17. Short-term loans and advances

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Unsecured, considered good		
Loans and advances to related parties		
Advances recoverable (Refer Note 33)	9,823,657	-
Security deposits	890,000	990,000
Other deposits	4,396,830	5,313,472
Loans and advances to employees	140,931	492,671
Prepaid expenses	5,703,168	1,135,488
Gratuity (Refer Note 31)	859,392	-
Balances with Government authorities		
Receivable from customs authority	21,891,299	22,227,142
Receivable from service tax authority	51,602,638	4,078,721
VAT credit receivable	10,993,124	4,228,812
Service tax credit receivable	125,280,928	182,081,237
Other recoverables	245,790	252,891
Total	**231,827,757**	**220,800,434**

18. Other current assets

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
Unbilled revenue	7,466,005	16,137,671
Interest accrued on bank deposits	-	821,158
Total	**7,466,005**	**16,958,829**

19.1. Revenue from operations

(₹)

	FOR THE YEAR ENDED 31.03.2014	FOR THE YEAR ENDED 31.03.2013
Revenue from Hardware/Software product and licenses	10,584,747,001	9,426,685,343
Revenue from Software services	262,656,724	350,655,223
Total	**10,847,403,725**	**9,777,340,566**

19.2. Other income

(₹)

	FOR THE YEAR ENDED 31.03.2014	FOR THE YEAR ENDED 31.03.2013
Interest income from fixed deposits with banks	13,742,350	11,042,086
Dividend income from current investments	5,562,162	207,061

(₹)

	FOR THE YEAR ENDED 31.03.2014	FOR THE YEAR ENDED 31.03.2013
Other non-operating income		
Provisions/liabilities no longer required written back	4,429,092	14,757
Miscellaneous income	785,001	5,068
Total	**24,518,605**	**11,268,972**

20. (Increase) / decrease in inventories

(₹)

	FOR THE YEAR ENDED 31.03.2014	FOR THE YEAR ENDED 31.03.2013
Opening Stock		
Stock-in-trade - Hardware/Software product and licenses	7,920,177	192,078,387
Material-in-transit - Hardware/Software product and licenses	-	144,451,948
	7,920,177	**336,530,335**
Closing Stock		
Stock-in-trade - Hardware/Software product and licenses	12,078,752	7,920,177
	12,078,752	**7,920,177**
(Increase) / decrease in inventories	**(4,158,575)**	**328,610,158**

21. Employee benefits expense

(₹)

	FOR THE YEAR ENDED 31.03.2014	FOR THE YEAR ENDED 31.03.2013
Salaries, wages, bonus and allowances	108,843,681	97,498,166
Contribution to provident fund and other funds (Refer Note 31)	4,726,267	6,332,024
Staff welfare expenses	1,243,794	1,180,455
	114,813,742	**105,010,645**
Deputation cost/Service charges from holding company	279,503,884	312,297,941
Total	**394,317,626**	**417,308,586**

22. Other expenses

(₹)

	FOR THE YEAR ENDED 31.03.2014	FOR THE YEAR ENDED 31.03.2013
Power and fuel	1,267,016	1,205,427
Rent	10,912,722	10,532,231
Repairs and maintenance - machinery	562,267	612,041
Insurance	364,087	345,826
Rates and taxes	3,386,977	2,772,067
Communication cost	3,280,395	3,228,600
Facility maintenance	4,444,556	5,042,450
Travelling and conveyance expenses	13,967,214	13,436,151
Sales commission	19,659,695	48,832,373
Professional and technical fees	18,058,662	19,169,007
Legal fees	538,500	2,873,350
Insourcing professional fees	-	750,000
Net loss on foreign currency transaction and translation	5,683,310	28,576,315

(₹)

	FOR THE YEAR ENDED 31.03.2014	FOR THE YEAR ENDED 31.03.2013
Net loss on fixed assets sold/scrapped	682,643	184,695
Net loss on valuation of short term Investments	80,305	-
Bad trade receivables written off	-	32,075,267
Provision for doubtful trade receivables	9,597,598	(22,150,590)
Provision for doubtful advances	-	12,500,000
Advances written off	7,707,066	-
Payment to auditors (Refer Note below)	2,021,527	1,221,562
Miscellaneous expenses	13,313,762	9,693,856
	115,528,302	**170,900,628**
Service charges from holding company	21,515,757	52,885,755
Total	**137,044,059**	**223,786,383**
Note - Payment to auditors comprises (net of service tax input credit):		
Statutory audit	1,550,000	1,100,000
Other services (Previous year ₹ 100,000 paid to erstwhile auditors)	400,000	-
Reimbursement of expenses (Previous year ₹ 21,562 paid to erstwhile auditors)	71,527	21,562
	2,021,527	**1,221,562**

23. Finance costs

(₹)

	FOR THE YEAR ENDED 31.03.2014	FOR THE YEAR ENDED 31.03.2013
Interest expenses on:		
Borrowings	2,111,969	8,476,194
Inter corporate deposit	25,022,117	60,431,877
Others	23,386	4,438,019
Other borrowing costs	20,548,673	32,543,089
Net loss on foreign currency transaction and translation	-	12,898,591
Total	**47,706,145**	**118,787,770**

24. Contingent Liabilities

(₹)

	AS AT 31.03.2014	AS AT 31.03.2013
a) Disputed demand of Karnataka Sales Tax	294,017	294,017
b) Disputed demand of Service Tax The demand for payment of service tax on repair service relating to software is based on Board circular of the department issued with retrospective effect. The company has filed appeal before CESTAT and has got stay on recovery until disposal of appeal. It is confident of getting favorable outcome based on legal precedents which supports its stand.	21,352,990	21,352,990
c) Disputed demands of Income-tax	2,500,916,769	2,382,790,348

Details of disputed demands of Income-tax by issue and by year are as below:

a. Disallowance of Inter-Company service charges and costs for deputation of personnel.

Sonata Software Limited, the holding company charges the Company for certain support services rendered and for the cost of project personnel deputed. These support

services and costs for deputation are being disallowed by the Income-tax department while computing taxable profits of the Company. The Company has challenged these disallowances and consequent demands at appellate levels and is confidence of a favorable outcome.

Details of Demands and Forums where they are pending are:

I. ₹ 319,683,404 (As at 31.03.2013 - ₹ 320,045,816) for the financial years 2001-02, 2003-04, 2004-05, 2005-06 and 2007-08. The Company has received favorable orders from the Income Tax Appellate Tribunal. The Income-tax department has preferred an appeal to the Honorable High Court of Mumbai.

II. ₹ 111,904,892 (As at 31.03.2013 - ₹ Nil) for the financial year 2010-11. The Company has preferred an appeal to the Commissioner of Income-tax (Appeals).

III. ₹ 98,468,823 (As at 31.03.2013 - ₹ Nil) for the financial year 2008-09. During the year, the Income-tax department has preferred an appeal to Income Tax Appellate Tribunal against the favorable orders received by the Company from Commissioner of Income -tax (Appeals).

IV. ₹ 44,659,336 (As at 31.03.2013 - ₹ 44,659,336) for the financial year 2002-03. The Income-tax department's appeal to the Honorable High Court of Mumbai was time-barred and hence dismissed. The Income-tax department had preferred a Special Leave Petition on the said dismissal to the Honorable Supreme Court of India which has referred the petition back to the Honorable High Court of Mumbai with a request to reconsider its decision

V. During the year favorable orders were received from Commissioner of Income Tax (Appeals) for financial year 2009-10 which were disclosed as contingent liability in the previous year of ₹ 91,884,882.

b. Withholding tax demand

The Company is engaged in the business of buying and selling packaged software in India. The Income-tax department has been contending that amounts paid by the Company for buying the software products is in the nature of 'royalty' and hence had to withhold income-tax on the same as per the Income-tax Act, 1961, and has raised demands of ₹ 218,239,587 (As at 31.03.2013 - ₹ 218,239,587) for the financial years 2000-2001 and 2001-2002. The Company's contention has been that the payments were made for purchase of 'goods' and hence was under no obligation to withhold Income-tax on the same. The Company had received favorable orders from the Income Tax Appellate Tribunal which were reversed by the Honorable High Court of Karnataka. The Company has preferred a Special Leave Petition Appeal on the said order to the Honorable Supreme Court of India, which has been admitted. However, for these years one of the principal suppliers of software to the Company has paid taxes of ₹ 128,598,266 out of the above demand. The amount included as disputed demand is excluding the amount paid by the supplier.

c. Disallowance of payments made for purchase of software on which Income-tax was not withheld.

Payment in the nature of Royalty on which Income-tax have not been deducted at source are subject to disallowance as an 'expense' as per Sections 40(a)(i) and 40(a)(ia) while computing taxable profits of the Company. Consequent to issue described in (b) above, the Income-tax department, holding payments for purchase of software as "Royalty" disallowed the same while computing taxable profits of the Company.

The Honorable High Court of Karnataka has given an unfavorable decision on the issue covered in (b) above. However, the said demands which are consequential and penal in nature do not arise automatically and there are multiple legal precedents in favor of the Company. Based on legal opinions and feedback from its legal counsels, the Company is confident of a favorable outcome on these consequential demands.

Details of demands raised and the forum where these are pending are:

₹ 1,707,960,727 (As at 31.03.2013 - ₹ 1,707,960,727) of tax demand for the financial year 2001-2002, 2002-2003 and 2007-2008. The Company has received a favorable order from the Income Tax Appellate Tribunal. The Income-tax department has preferred an appeal to the Honorable High Court of Mumbai.

25 : Commitments

(₹)

	As at 31.03.2014	As at 31.03.2013
Estimated amount of contracts remaining to be executed on capital account and not provided for	187,685	-
Other commitments - purchase contracts	148,632,488	122,691,462

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

There are no Micro and Small Enterprises, to whom the Company owes dues which are outstanding as at the Balance Sheet date. The information has been identified to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

27 : Details on derivative instruments and unhedged foreign currency

i) Forward exchange contracts (being derivative instruments), which are not intended for trading or speculative purposes but for hedge purposes to establish the amount of reporting currency required or available at the settlement date of certain payables/receivables.

The following are the outstanding forward exchange contracts entered into by the Company and outstanding as at 31.03.2014 (Previous year figures are in brackets).

Currency	Amount	Buy / Sell	Cross currency
USD	-	Buy	Rupees
	(1,364,675)	Buy	Rupees

ii) The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below :

	As at 31.03.2014		As at 31.03.2013		Currency
	Receivable / (Payable) (₹)	Receivable/ (Payable) in Foreign currency	Receivable / (Payable) (₹)	Receivable/ (Payable) in Foreign currency	
Trade receivables	11,570,730	193,200	67,298,473	1,239,610	USD
Short-term loans and advances	101,573	1,696	-	-	USD
Trade payables	(340,131)	(3,416)	(280,823)	(3,416)	GBP
	(32,691,850)	(545,865)	(-)	(-)	USD

28 : Value of imports calculated on CIF basis

(₹)

	Year ended 31.03.2014	Year ended 31.03.2013
Fixed assets	1,274,621	-
Stock-in-trade - Hardware/Software product and licenses	5,649,177,058	6,406,044,128

29 : Expenditure in foreign currency

(₹)

	Year ended 31.03.2014	Year ended 31.03.2013
Travelling and conveyance expenses	179,015	222,006
Others	269,306	1,185,458

30 : Earnings in foreign exchange

(₹)

	Year ended 31.03.2014	Year ended 31.03.2013
Export of goods calculated on FOB basis	103,429,944	317,357,689
Export of services	5,339,651	56,017,872

31 : Employee benefit plans

i) Defined contribution plans

a) Provident fund

The Company makes contributions towards a provident fund under a defined contribution retirement benefit plan for qualifying employees. The provident fund is administered by the Trustees of Sonata Software Limited Provident Fund and by the Regional Provident Fund Commissioner. Under this scheme, the Company is required to contribute a specified percentage of payroll cost to fund the benefits.

The Rules of the Company's Provident Fund administered by the Trust require that if the Board of Trustees are unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Company. Having regard to the assets of the Fund and the return on the investments, the Company does not expect any deficiency in the foreseeable future. There has also been no such deficiency since the inception of the Fund.

Provident fund contributions amounting to ₹ 3,311,571 (Previous year ₹ 3,219,760), National pension scheme contribution amounting to ₹ 309,049 (Previous year ₹ Nil) have been charged to the Statement of Profit and Loss (as part of Contribution to provident fund and other funds in Note 20 Employee benefits expense).

b) During the year the Company has recognised the following amounts in the Statement of Profit and Loss

Employers contribution to

(₹)

	Year ended 31.03.2014	Year ended 31.03.2013
Employee's State Insurance (as part of Staff welfare expenses in Note 21 Employee benefits expense)	31,431	43,755
Superannuation (as part of Contribution to provident fund and other funds in Note 21 Employee benefits expense)	1,965,039	1,849,239

ii) Defined benefit plans - Gratuity

(₹)

As per actuarial valuation	Year ended 31.03.2014	Year ended 31.03.2013
Change in Obligation during the year		
Present value of Defined Benefit Obligation at beginning of the year	11,911,407	10,305,612
Current Service Cost	1,075,547	1,068,908
Interest Cost	952,913	875,977
Actuarial (Gains)/Losses	(1,931,329)	199,462
Benefits Paid	(943,070)	(538,552)
Present value of Defined Benefit Obligation at the end of the year	11,065,468	11,911,407
Change in Assets during the Year		
Plan assets at the beginning of the year	11,438,810	10,686,206
Expected return on plan assets	995,176	919,014
Contributions by Employer	472,597	409,834
Actual benefits paid	(943,070)	(538,552)
Actuarial Gains/ (Losses)	(38,653)	(37,692)
Plan Assets at the end of the year	11,924,860	11,438,810
Actual return on plan assets	956,523	881,322
Net Asset/(Liability) recognized in the Balance Sheet		
Present Value of Defined Benefit Obligation	11,065,468	11,911,407
Fair value of plan assets	11,924,860	11,438,810
Fund status (Surplus/(Deficit))	859,392	(472,597)
Net Assets /(Liability)	859,392	(472,597)
Expenses recognized in the statement of Profit and Loss (as part of Contribution to provident fund and other funds in Note 21 Employee benefits expense)		
Current Service Cost	1,075,547	1,068,908
Interest Cost	952,913	875,977
Expected return on plan assets	(995,176)	(919,014)
Net Actuarial (Gains)/Losses	(1,892,676)	237,154
Total Expense	(859,392)	1,263,025
The major categories of plan assets as a percentage of total plan		
Insurer Managed Funds	100%	100%
Category of funds :		
Secure Fund	32.0%	39.2%
Defensive fund	32.0%	30.1%
Balanced Fund	36.0%	30.7%
Actuarial Assumptions:		
Discount Rate	9.38%	8.00%
Rate of return on plan assets	8.70%	8.70%
Mortality Table	Indian Assured Lives (2006-08) Ultimate	LIC (1994-96) Ultimate
Retirement Age	60 Years	60 Years
Salary escalation	5.00%	5.00%
Estimate of amount of contribution in the immediate next year	147,819	1,548,144

The expected rate of return on plan assets is determined after considering several applicable factors such as the composition of the plan assets, investment strategy, market scenario, etc. In order to protect the capital and optimise returns within acceptable risk parameters, the plan assets are well diversified.

The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.

The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

Experience adjustments (₹)

Particulars	31.03.2014	31.03.2013	31.03.2012	31.03.2011	31.03.2010
Present value of defined benefit obligation	11,065,468	11,911,407	10,305,612	8,488,481	5,976,490
Fair value of plan assets	11,924,860	11,438,810	10,686,206	10,398,244	9,845,052
Surplus / (deficit)	859,392	(472,597)	380,594	1,909,763	3,868,562
Experience adjustments on plan liabilities - (gain)/losses	(328,363)	620,425	4,444,030	16,312,459	1,083,704
Experience adjustments on plan assets - (losses)/gain	(38,653)	(129,426)	(4,130,842)	(1,680,031)	10,069,023

32. Segment reporting

The Company is engaged in the business of Hardware/Software product and licenses including related services in India which constitutes a single business segment. The Company's operations outside India did not exceed the quantitative threshold for disclosure envisaged in Accounting Standard (AS17) on "Segment Reporting" issued by the Companies (Accounting Standards) Rules, 2006.

In view of the above, primary and secondary reporting disclosures for business /geographical segments, as envisaged in AS 17 are not applicable to the Company.

33. Related party disclosure

i) Details of related parties :

Description of relationship	Names of related parties
(a) Holding Company	Sonata Software Limited
(b) Key Management Personnel (KMP)	Mr. P Srikar Reddy, Director
	Mr. Sujit Mohanty, Vice President & Director

ii) Transactions with related parties :

(₹)

	Holding Company		KMP	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Revenue from Software product and licenses	23,454,567	20,183,535	-	-
Deputation cost/Service charges paid	279,503,884	312,297,941	-	-
Service charges paid	21,515,757	52,885,755	-	-
Rent paid	1,495,124	535,368	-	-
Inter corporate deposit taken	3,777,000,000	3,005,000,000	-	-
Inter corporate deposit repaid	4,057,000,000	2,905,000,000	-	-
Interest on inter corporate deposit paid	25,022,117	60,431,877	-	-
Reimbursement of expenses	11,321,230	6,745,028	-	-
Remuneration paid - Mr. Sujit Mohanty, Vice President & Director	-	-	6,456,048	4,283,818
Balances outstanding at the end of the year				
Trade payable	-	2,687,968	-	-
Advances recoverable	9,823,657	-	-	-
Remuneration payable	-	-	581,580	-
Inter corporate deposit payable	-	280,000,000	-	-
Interest on inter corporate deposit payable	-	4,583,689	-	-

34. Details of leasing arrangements

i. The Company has entered into various operating lease agreements for office premises, residential premises and guest houses. These leases are cancellable as well as non-cancellable and are for a period of 11 months to 108 months and may be renewed based on mutual agreement of the parties.

ii. The total of future minimum lease payments are non-cancellable operating leases are as below :

(₹)

	31.03.2014	31.03.2013
Not later than one year	5,475,822	384,000
Later than one year and not later than 5 years	6,413,470	1,645,200
Later than 5 years	-	309,600

iii. The lease payments recognised in the statement of Profit and Loss are as under :

(₹)

	31.03.2014	31.03.2013
Included in Rent (Refer Note 22)	10,912,722	10,532,231
Included in Facility maintenance (Refer Note 22)	447,443	269,100
	11,360,165	**10,801,331**

iv. There are no rents which are contingent in nature.

35. Earnings Per Share

	31.03.2014	31.03.2013
Profit attributable to equity shareholders (₹)	192,621,539	94,401,787
Weighted average number of Equity Shares of ₹ 10/- each (No. of Shares)	3,375,394	3,375,394
Earnings Per Share - Basic and diluted (₹)	57.07	27.97

36. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

For and on behalf of the Board of Directors

P SRIKAR REDDY
Director

SUJIT MOHANTY
Vice President & Director

B K SYNGAL
Director

VENKATRAMAN NARAYANAN
Director

FEROZA BYRAMJI
Company Secretary

Place : Mumbai
Date : 26th May 2014

Shareholders' Information for FY 2013-14

1. **Annual General Meeting**

The next Annual General Meeting of the Company will be held on Monday, 11th August, 2014 at 4.00 p.m. at M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg (Behind Prince of Wales Museum), Mumbai – 400 001. Ph : (022) 22844350

2. **Financial Year**

The financial year of the Company is from 1st April, 2013 to 31st March, 2014.

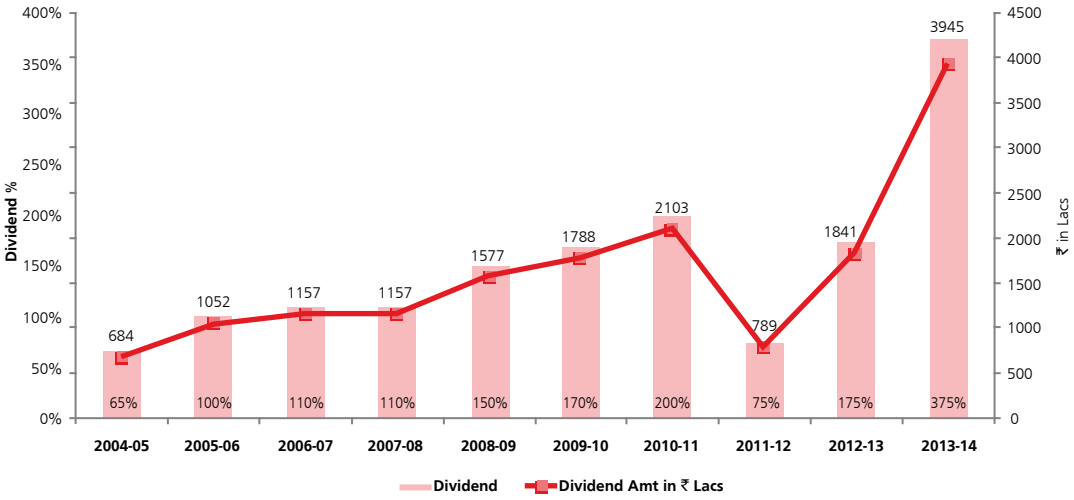
3. **Book Closure**

The Register of Members and Share Transfer Books will remain closed from 5th August, 2014 to 11th August, 2014 (both days inclusive) to determine the entitlement of shareholders to receive the final dividend as may be declared for the financial year that ended on 31st March, 2014.

4. **Payment of Dividend**

The final dividend as recommended by the Board of ₹ 2.75 per equity share for the financial year ended 31st March, 2014, if approved at the forthcoming Annual General Meeting, will be paid on or after 21st August, 2014 to those members whose names appear in the Register of Members as on 4th August, 2014. Dividend in respect of shares held in the electronic form will be payable to the beneficial owners of the shares as on 4th August, 2014 as per details furnished by Depositories for this purpose.

Dividend Payouts during last 10 years



5. **Listing on Stock Exchanges & Stock Code**

(a) Your Company's equity shares are listed & traded on the following stock exchanges :

Bombay Stock Exchange Ltd (BSE)
Phiroze Jeejeebhoy Towers
Dalal Street, Fort
Mumbai – 400 001
Stock Code : 532221

National Stock Exchange of India Ltd (NSE)
Exchange Plaza, 5th Floor, Plot No.C/1
G Block, Bandra-Kurla Complex, Bandra(E)
Mumbai – 400 051
Stock Code : Sonatsoftw

(b) Listing fees for the year 2013-14 have been paid to above stock exchanges.

(c) As on 31st March, 2014, your Company had 39076 shareholders.

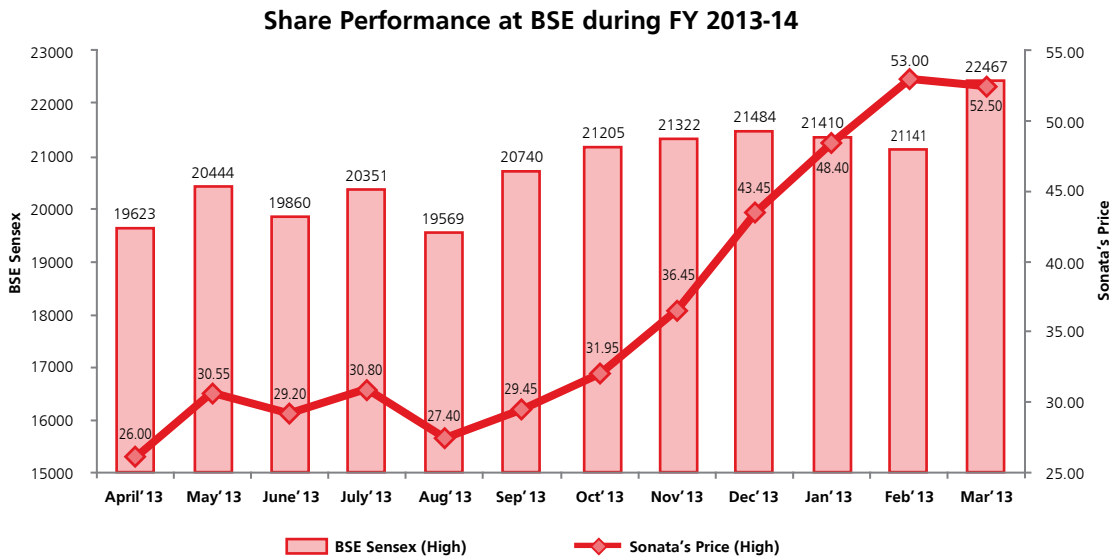
6. **Stock Market Data**

(a) Market Capitalization as on 31st March, 2014 : ₹ **463 Crores**
(based on closing price in BSE)

(b) Number of shares traded during FY 2013-14 : BSE : 220 Lacs & NSE : 506 Lacs.

(c) The monthly high and low quotations of shares traded at BSE and NSE during financial year 2013-14 and performance in comparison with BSE Sensex are as given below :

Month	BSE		NSE		BSE Sensex	
	High (₹)	Low (₹)	High (₹)	Low (₹)	High	Low
April'13	26.00	22.70	26.05	23.10	19623	18144
May'13	30.55	24.75	30.70	23.50	20444	19451
June'13	29.20	24.65	29.20	24.55	19860	18467
July'13	30.80	22.25	30.85	23.20	20351	19127
Aug'13	27.40	22.55	27.35	22.50	19569	17449
Sep'13	29.45	24.50	29.50	24.15	20740	18166
Oct'13	31.95	26.15	31.80	27.00	21205	19265
Nov'13	36.45	30.50	36.20	29.60	21322	20138
Dec'13	43.45	32.65	43.35	32.30	21484	20569
Jan'14	48.40	37.50	48.40	37.30	21410	20344
Feb'14	53.00	38.25	53.00	38.00	21141	19963
Mar'14	52.50	43.00	52.50	43.50	22467	20921



7. **Share Transfer System / Investor Service**

As the Company's shares are traded in dematerialized form, transfer requests are processed and approved in electronic form by NSDL/CDSL through their depository participants. Transfer of shares in physical form are processed by our Registrar and Share Transfer Agents, Karvy Computershare Pvt Ltd and approved by the Share Transfer Committee of the Company. Physical shares sent for transfer are registered and returned within an average period of 10 days from the date of receipt, that is, if documents submitted are clear in all respects.

Total number of physical shares transferred during FY 2013-14 :

Transfer period	No. of transferees (Folios)	No. of shares	Percentage
1-10 days	9	114750	100%
Above 10 days	-	-	-
Total	**9**	**114750**	**100%**

Details of complaints received and resolved from 1st April, 2013 to 31st March, 2014 :

Complaints	Received	Attended to	Pending
Non-receipt of dividend	70	70	0
Non-receipt of Annual Report	2	2	0
Complaints received from SEBI	2	2	0
Complaints received from stock exchanges	0	0	0
Total	**74**	**74**	**0**

8. **Distribution of shareholding**

(a) **Distribution Schedule**

Range of equity shares held	As on 31st March, 2014				As on 31st March, 2013			
	No.of share holders	% to total holders	No. of shares	% to total shares	No.of share holders	% to total holders	No. of shares	% to total shares
1-500	30317	77.59	5060897	4.81	33277	76.91	5710137	5.43
501-1000	4351	11.13	3832373	3.64	4992	11.54	4368283	4.15
1001-5000	3307	8.46	7833549	7.45	3803	8.79	9008634	8.57
5001-10000	510	1.31	3919381	3.73	569	1.32	4281383	4.07
Over 10001	591	1.51	84513106	80.37	621	1.44	81790869	77.78
Total	**39076**	**100.00**	**105159306**	**100.00**	**43262**	**100.00**	**105159306**	**100.00**

(b) **Shareholding Pattern**

Category	As on 31st March, 2014				As on 31st March, 2013			
	No.of share holders	% to total holders	No. of shares	% to total shares	No.of share holders	% to total holders	No. of shares	% to total shares
Promoters	20	0.05	34485161	32.79	20	0.04	34486501	32.79
Bodies Corporate	693	1.77	8984446	8.54	704	1.63	9248875	8.80
FIIs / NRIs	397	1.02	5109181	4.86	445	1.03	5613897	5.34
IFIs/Mutual Funds/Banks	6	0.02	449596	0.43	4	0.01	363490	0.35
Trusts	6	0.02	1796125	1.71	6	0.01	1719625	1.64
Clearing Members	113	0.29	178563	0.17	43	0.10	52864	0.05
Public	37841	96.83	54156234	51.50	42040	97.18	53674054	51.03
Total	39076	100.00	105159306	100.00	43262	100.00	105159306	100.00

9. **Dematerialization of shares and liquidity**

Your Company's shares are tradable only in electronic form. We have established connectivity with both the depositories viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) through our Registrars and Share Transfer Agents M/s Karvy Computershare Pvt Ltd.

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

Details of Shares held in Physical and Electronic form :

	As on 31st March, 2014		As on 31st March, 2013	
	No. of Shares	% of holding	No. of Shares	% of holding
Physical	2997560	2.85	3543135	3.37
Electronic	102161746	97.15	101616171	96.63
Total	105159306	100.00	105159306	100.00

Number of Shares dematerialized during FY 2013-14 : 545575 Shares.

Number of Shares rematerialized during FY 2013-14 : NIL.

10. **Office Locations**

The addresses and contact details of offices/locations are given on the last page of this Report.

No. of employees as on 31st March, 2014 : 2242

11. **Tentative financial calendar for FY 2014-15**

Financial results for the first quarter ended 30th June, 2014	August, 2014
Financial results for the second quarter ended 30th September, 2014	Nov, 2014
Financial results for the third quarter ended 31st December, 2014	Feb, 2015
Financial results for the financial year ended 31st March, 2015	May, 2015
Annual General Meeting for the year ending 31st March, 2015	August, 2015

12. **Address and contact details of the Company and Share transfer agents**

Company Secretary
Sonata Software Ltd
APS Trust Building, Bull Temple Road
N R Colony, Bangalore - 560 019, India
Tel : (080) 67782408 Fax : (080) 26610972
Email : investor@sonata-software.com
Website : www.sonata–software.com

Karvy Computershare Pvt Ltd
Registrars and Share Transfer Agents
Plot No.17 to 24, Vittal Rao Nagar
Madhapur, Hyderabad - 500 081, India
Tel : (040) 44655000 Fax : (040) 23420814
Email : einward.ris@karvy.com
Website : www.karvycomputershare.com

SONATA SOFTWARE LIMITED

(CIN No.L72200MH1994PLC082110)

Regd. Office: 208, T V Industrial Estate, 2nd floor S K Ahire Marg, Worli, Mumbai – 400 030

Corporate Office: APS Trust Building, Bull Temple Road, N.R.Colony, Bangalore – 560 019

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Nineteenth Annual General Meeting of the members of SONATA SOFTWARE LIMITED will be held on Monday, the 11th August, 2014 at 4.00 P.M. at M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg (Behind Prince of Wales Museum), Mumbai – 400 001 to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2014 and the Statement of Profit and Loss for the financial year ended on that date together with the reports of the Board of Directors and the Auditors thereon.

2. To declare a final dividend for the financial year ended 31st March, 2014.

3. To appoint a Director in place of **Mr. P. Srikar Reddy**, **(DIN: 00001401)**, who retires by rotation and being eligible, offers himself for re-appointment.

4. To appoint a Director in place of **Mr. Viren Raheja**, **(DIN: 00037592)**, who retires by rotation and being eligible, offers himself for re-appointment.

5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the fourth consecutive Annual General Meeting and to fix their remuneration. **M/s. Deloitte, Haskins & Sells,** Chartered Accountants (ICAI Registration No. 008072S), the retiring Auditors are eligible for re-appointment.

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

   "**RESOLVED THAT** pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr. B K Syngal, an Independent Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years commencing from 11th August, 2014 up to 10th August, 2019, not liable to retire by rotation."

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

   "**RESOLVED THAT** pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr. Pradip P Shah, an Independent Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years commencing from 11th August, 2014 up to 10th August, 2019, not liable to retire by rotation."

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

   "**RESOLVED THAT** pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr. Suresh Talwar, an Independent Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years commencing from 11th August, 2014 up to 10th August, 2019, not liable to retire by rotation."

9. To consider and, if thought fit, to pass with or without modifications, the following Resolution as a **Special Resolution**:

   "**RESOLVED THAT** pursuant to the provisions of Sec 62 and other relevant provisions if any of the Companies Act, 2013 and relevant provisions of the Companies Act, 1956 to the extent applicable (the "Act"), the Memorandum and Articles of Association of the Company and the applicable provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("SEBI Guidelines") (including any statutory modification(s) or re-enactment of the Act or the SEBI Guidelines, for the time being in force) and subject to all other applicable rules, regulations and guidelines of the Securities and Exchange Board of India ("SEBI"), the listing agreement entered into with the stock exchanges where the securities of the Company are listed and/or such other approvals, consents, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board", which term shall include any Committee including the Nomination and Remuneration Committee duly constituted in accordance with the SEBI Guidelines, which the Board may, at its discretion authorize to exercise certain or all of its powers, including the powers, conferred by this resolution), the consent of the members be and is hereby accorded

to "Employee Stock Option Plan, 2013" (the "Plan"), to create, offer and grant employee stock options to the permanent employees of the Company, existing and future, whether working in India or out of India, and to the Directors of the Company, whether whole-time or not and to such other persons as may from time to time be allowed to be eligible for the benefits of the Plan under applicable laws and regulations prevailing from time to time (all such persons are hereinafter collectively referred to as the "Eligible Company Employees"), which shall be acquired through the Sonata Software Limited Employees Welfare Trust set-up by the Company, at such price or prices, in one or more tranches and on such terms and conditions, as may be determined by the Board in accordance with the provisions of the Plan, provided that such options arising out of the proposed Plan, upon exercise shall in aggregate, not exceed 1.70% of the paid up equity capital of the Company as at 31st March, 2014, being 17,84,875 equity shares of ₹ 1/- each of which comprises all of the equity shares of the Company currently held by the Trust as on the end of the day on 31st March, 2014.

RESOLVED FURTHER THAT as specified in the Plan any and all outstanding employee stock options granted by the Company or the Trust to Eligible Company Employees prior to the Effective Date of the Plan (as defined therein), shall be deemed to have been granted in accordance with the Plan.

RESOLVED FURTHER THAT the maximum number of employee stock options granted to each Eligible Company Employee from time to time shall not in aggregate, on exercise or conversion, exceed 5% of the issued equity capital of the Company as on the date of grant.

RESOLVED FURTHER THAT the Board or any Committee thereof be and is hereby authorized to make modifications, changes, variations, alterations or revisions in the Plan, from time to time or to suspend, withdraw or revise the Plan from time to time, which are not detrimental to the interests of the Eligible Company Employees, as it may deem fit, from time to time in its sole and absolute discretion in conformity with the provisions of the Act, the Memorandum and Articles of Association of the Company, SEBI Guidelines and any other applicable laws.

RESOLVED FURTHER THAT for the purpose of bringing into effect and implementing the Plan and generally for giving effect to this resolution, the Board or any Committee thereof be and is hereby authorized, on behalf of the Company, to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit, necessary or desirable for such purpose and with the power to settle any issues, questions, difficulties or doubts that may arise in this regard."

10. To consider and, if thought fit, to pass with or without modifications, the following Resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Sec 62 and other relevant provisions if any of the Companies Act, 2013 and relevant provisions of the Companies Act, 1956 to the extent applicable (the "Act"), the Memorandum and Articles of Association of the Company and the applicable provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("SEBI Guidelines") (including any statutory modification(s) or re-enactment of the Act or the SEBI Guidelines, for the time being in force) and subject to all other applicable rules, regulations and guidelines of the Securities and Exchange Board of India ("SEBI"), the listing agreement entered into with the stock exchanges where the securities of the Company are listed and/or such other approvals, consents, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board", which term shall include any Committee including the Nomination and Remuneration Committee duly constituted in accordance with the SEBI Guidelines, which the Board may, at its discretion authorize to exercise certain or all of its powers, including the powers, conferred by this resolution), the consent of the members be and is hereby accorded to "Employee Stock Option Plan, 2013" (the "Plan"), to create, offer and grant employee stock options to the permanent employees of the wholly owned subsidiary Companies ("Subsidiary Companies"), existing and future, whether working in India or out of India, and to the Directors of the Subsidiary Companies, whether whole-time or not and to such other persons as may from time to time be allowed to be eligible for the benefits of the Plan under applicable laws and regulations prevailing from time to time (all such persons are hereinafter collectively referred to as the "Eligible Subsidiary Company Employees"), which shall be acquired through the Sonata Software Limited Employees Welfare Trust set-up by the Company, at such price or prices, in one or more tranches and on such terms and conditions, as may be determined by the Board in accordance with the provisions of the Plan, provided that such options arising out of the proposed Plan, upon exercise shall in aggregate, not exceed the ceiling of equity shares of the Company set out in Agenda No.9 above of this Notice.

RESOLVED FURTHER THAT as specified in the Plan any and all outstanding employee stock options granted by the Company or the Trust to Eligible Subsidiary Company Employees prior to the Effective Date of the Plan (as defined therein), shall be deemed to have been granted in accordance with the Plan.

RESOLVED FURTHER THAT the maximum number of employee stock options granted to each Eligible Subsidiary Company Employee from time to time shall not in aggregate, on exercise or conversion, exceed 5% of the issued equity capital of the Company as on the date of grant.

RESOLVED FURTHER THAT the Board or any Committee thereof be and is hereby authorized to make modifications, changes, variations, alterations or revisions in the Plan, from time to time or to suspend, withdraw or revise the Plan from time to time, which are not detrimental to the interests of the Eligible Subsidiary Company Employees, as it may deem fit, from time to time

in its sole and absolute discretion in conformity with the provisions of the Act, the Memorandum and Articles of Association of the Company, SEBI Guidelines and any other applicable laws.

RESOLVED FURTHER THAT for the purpose of bringing into effect and implementing the Plan and generally for giving effect to this resolution, the Board or any Committee thereof be and is hereby authorized, on behalf of the Company, to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit, necessary or desirable for such purpose and with the power to settle any issues, questions, difficulties or doubts that may arise in this regard."

11. To consider and, if thought fit, to pass with or without modifications, the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sec 180(1)(c) and other relevant provisions if any of the Companies Act, 2013 and relevant provisions of the Companies Act, 1956 to the extent applicable and in supersession of earlier resolutions passed in this regard, authority be and is hereby accorded to the Board of Directors of the Company to borrow such sum or sums of monies for the purpose of business of the Company from time to time, at its discretion, from Banks, financial institutions, lending institutions/companies, institutional investors, mutual funds, bodies corporate, Indian or foreign directors, shareholders, other individuals, either from any one of them at a time or cumulatively from a few or all such parties or in consortium, whether by way of term loan, project loan, cash credit, advances, loans, foreign currency loans, bill discounting, issuance of debentures, bonds, or otherwise, fund-based or non-fund based, and whether unsecured or secured by mortgage, charge, hypothecation, lien or pledge of the Company's assets, properties, movable or immovable, or stock-in-trade, receivables, work in progress or other current assets of the Company, present or future, notwithstanding that the money or monies to be borrowed together with the monies already borrowed by the Company at each time or from time to time (apart from temporary loans to be obtained from the Company's bankers in the ordinary course of business) is in excess of the aggregate of paid-up capital and free reserves of the Company, that is to say, reserves not set apart for any specific purpose, on such terms and conditions as may be considered suitable by the Board of Directors provided that the total amount so borrowed by the Company and outstanding at any given point of time (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) shall not exceed the sum of ₹ 300 crores (Rupees Three Hundred Crores only) over and above the aggregate of the paid-up Capital and free reserves of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors or any Committee consisting of one or more directors which may be constituted for this purpose be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion, consider necessary, proper or desirable, to execute any documents in connection therewith, and to settle any question, difficulty or doubt that may arise while implementing this resolution."

Registered Office:
208, T.V.Industrial Estate
2nd floor, S.K.Ahire Marg, Worli
Mumbai – 400 030

By Order of the Board
For **SONATA SOFTWARE LTD**

Date : 26th May, 2014
Place : Mumbai

Priya Manoj Jaswani
Company Secretary

NOTES:

1. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll on his behalf.** A proxy need not be a member of the Company.

2. Proxies, in order to be effective, must be duly filled, stamped and signed and must reach the Company's Registered Office not less than 48 hours before the commencement of the Meeting. A person can act as proxy on behalf of members not exceeding fifty(50) and holding in the aggregate not more than ten percent of the total share capital of the Company.

3. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 setting out material facts relating to the Special Business to be transacted at the Meeting is annexed hereto as Annexure I.

4. The Register of Members and the Share Transfer Books will remain closed from 5th August, 2014 to 11th August, 2014 (both days inclusive) in terms of the provisions of Section 91 of the Companies Act, 2013 and Clause 16 of the Listing Agreement with stock exchanges.

5. The dividend as recommended by the Board, if approved at the Meeting, will be payable to those members whose names appear in the Register of Members as on 4th August, 2014. The dividend in respect of shares held in the electronic form will be payable to the beneficial owners of the shares as on 4th August, 2014 as per details furnished by the Depositories for this purpose.

6. In terms of Clause 49 of the Listing Agreement, details of directors retiring by rotation at the ensuing Annual General Meeting and being eligible proposed to be appointed/re-appointed vide Ordinary Business Nos. 3&4 in the Notice are as follows :

   Mr. P. Srikar Reddy (56), (DIN: 00001401) is the Managing Director & CEO of the Company. He holds a Degree in Engineering (Electronics) and PGDBM (IIM). Mr. Reddy is with the Sonata Group for over 27 years and is a Director of Sonata Information Technology Limited and Sonata Software FZ LLC, Dubai. He is also a member of the Audit Committee of Sonata Information Technology Limited and a member of the Investors' Grievance Committee of the Company. His shareholding in the Company is 13,65,004 shares (1.30%).

   Mr.Viren Raheja (30), (DIN: 00037592) is a non-executive Promoter Director of the Company. He holds a Bachelor's degree in commerce from the Mumbai University. He has passed all 3 levels leading to the CFA charter, and has an MBA degree from the London Business School. He is a Director/Alternate Director of the following public limited companies viz., Asianet Satellite Communications Ltd, Innovassynth Technologies (India) Ltd, Hathway Cable & Datacom Ltd and Supreme Petrochem Ltd. His shareholding in the Company is 82,50,000 shares (7.85%).

7. Since SEBI has made it mandatory for distributing dividends through **Electronic Clearing Service (ECS)**, the Company will use the Bank account details furnished by the Depositories for distributing dividends to shareholders holding shares in electronic form. **Members are requested to notify any change in their bank account details to their Depository Participant immediately.**

8. **Members holding shares in physical form** are requested to immediately **notify change in their address to the Company's Share Transfer Agents** M/s Karvy Computershare Pvt Ltd, Unit : Sonata Software Ltd, Plot No.17-24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081 Ph. : 040-44655000. **Members holding shares in electronic form** are requested to **notify change in their address to their Depository Participant.**

9. Since the Company's shares are in compulsory demat trading, to ensure better service and elimination of risk of holding shares in physical form, we request shareholders holding shares in physical form to dematerialize their shares at the earliest.

10. Members wishing to claim dividends, which remain unclaimed, are requested to correspond with the Company's Share Transfer Agents for further particulars. Members are requested to note that dividends not encashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will, as per Section 205A of the Companies Act, 1956, be transferred to the Investor Education and Protection Fund.

11. To avail the facility of nomination, Members holding shares in physical form may write to the Company for obtaining the Nomination Form (Form SH-13). Members holding shares in electronic form, nomination form may be filed with the respective Depository Participant.

12. The members who have not registered their email addresses so far are requested to registered their email address for receiving all communications, including Annual Report, Notice, Circulars, etc. from the Company electronically.

13. Electronic copy of the Annual Report for 2013-14 is being sent to all the members whose email IDs are registered with the Company/Depository Participants for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Annual Report is being sent in the permitted mode.

14. Members/proxies are requested to bring their attendance slips duly filled in and their copy of the Annual Report for the Meeting.

15. Your Company is pleased to provide members the facility to exercise their right to vote at the Annual General Meeting by electronic means and the business may be transacted through e-Voting services provided by Karvy Computershare Private Limited. The detailed instructions for availing e-Voting facility is provided in **Annexure II**.

ANNEXURE I TO THE NOTICE

EXPLANATORY STATEMENT TO THE SPECIAL BUSINESSES PROPOSED IN THE NOTICE
(Pursuant to Section 102(1) of the Companies Act, 2013)

AGENDA NO. 6

Mr. B K Syngal, 74 years of age, is a non-executive Independent Director of Sonata. He holds a B.Tech (Hons.) and M.Tech Degree from IIT Kharagpur, India and is further qualified as a C.Eng. (UK), M.I.E.E. (UK), Sr.M.I.E.E.E. (USA) and F.I.ET.E. (India). Mr.Syngal is currently working as Sr. Principal at Dua Consulting. Prior to this, he has worked as Vice Chairman of BPL Communications Limited, Chairman of Reliance Telecom, Chairman & MD of VSNL, etc. Mr. Syngal's contribution to the telecom sector for the past over fifty years is tremendous and he is recognized as the father of the Internet and data services in India. Mr. Syngal is the recipient of a large number of awards in recognition of his outstanding contribution in the field of telecommunications and management, amongst them being "One of the fifty Stars of Asia for the year 1998", named by the Business Week magazine, a McGraw Hill Publication, "Life Fellow of IIT Kharagpur" for his outstanding achievements and contributions to the Institute and society and very recently awarded Sir John Ambrose Fleming Medal for achievements in Communications by The Institution of Engineering and Technology (U.K.). Currently he is also a Director of Sonata Information Technology Limited, Siti Cable Network Ltd and India Security Council for IT & Telecom. He is Chairman of the Audit Committee of Sonata Software Limited, Siti Cable Network Ltd and Sonata Information Technology Limited. He is also a member of the Nomination and Remuneration Committee of Sonata Software Ltd. He does not hold any shares in the Company.

Mr. B.K. Syngal has been a Director of the Company since 2004 and an Independent Director pursuant to clause 49 of the Listing Agreement on the Board of the Company since 2005. With the enactment of the Companies Act, 2013 ('Act') it is now incumbent upon every listed company to appoint 'Independent Directors' as defined in section 149(6) of the Act and ensure that at least 1/3rd of the total number of directors on the Board are Independent Directors. The Board of Directors of your Company, after reviewing the provisions of the Act, are of the opinion that Mr. B. K. Syngal fulfils the conditions specified in the Act and the Rules made thereunder to be eligible to be appointed as an independent director pursuant to the provisions of section 149 of the Act. The Board of Directors of your Company is also of the opinion that Mr. B.K. Syngal is independent of the management of the Company.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Mr. B.K. Syngal as an Independent Director. Accordingly, the Board recommends the resolution in relation to appointment of Mr. B.K. Syngal as an Independent Director pursuant to provisions of section 149 (5)/(10) read with schedule IV of the Act for the approval by the shareholders of the Company. In terms of provisions of section 149(13) of the Act, Mr. B.K. Syngal shall not be liable to retire by rotation. Except Mr. B.K. Syngal, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Agenda No. 6. This statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchanges.

AGENDA NO. 7

Mr. Pradip P Shah, 61 years of age, is a non-executive Independent Director and Chairman of Sonata. He holds a Degree in Commerce and is an ACA, AICWA and MBA from Harvard University, USA. He assisted in founding Housing Development Finance Corporation (HDFC) in 1977 and was the founder Managing Director of The Credit Rating Information Services of India Limited (CRISIL), India's first and largest credit rating agency. In April 1998, he started IndAsia, a corporate finance and private equity advisory business.

He is also a Director in the following public companies viz., BASF India Ltd, Godrej & Boyce Mfg Ltd, Grindwell Norton Ltd, Kansai Nerolac Paints Ltd, KSB Pumps Ltd, Mukand Ltd, Panasonic Energy India Co. Ltd, Pfizer Ltd, Shah Foods Ltd, Tata Investment Corporation Ltd and Wyeth Limited. He is also a member of the Audit Committee of BASF India Ltd, Pfizer Ltd, Panasonic Energy India Co. Ltd, Tata Investment Corporation Ltd, Sonata Software Ltd and Chairman of the Audit Committee of Kansai Nerolac Paints Ltd. He is a member of Shareholders' Grievance Committee of Pfizer Ltd and is Chairman of the Remuneration Committee of Panasonic Energy India Co. Ltd. He does not hold any shares in the Company.

Mr. Pradip Shah has been a Director of the Company since 1998 and an Independent Director pursuant to clause 49 of the Listing Agreement on the Board of the Company since 2005. With the enactment of the Companies Act, 2013 ('Act') it is now incumbent upon every listed company to appoint 'Independent Directors' as defined in section 149(6) of the Act and ensure that at least 1/3rd of the total number of directors on the Board are Independent Directors. The Board of Directors of your Company, after reviewing the provisions of the Act, are of the opinion that Mr. Pradip Shah fulfils the conditions specified in the Act and the Rules made thereunder to be eligible to be appointed as an independent director pursuant to the provisions of section 149 of the Act. The Board of Directors of your Company is also of the opinion that Mr. Pradip Shah is independent of the management of the Company.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Mr. Pradip Shah as an Independent Director. Accordingly, the Board recommends the resolution in relation to appointment of Mr. Pradip Shah as an Independent Director pursuant to provisions of section 149 (5)/(10) read with schedule IV of the Act for the approval by the shareholders of the Company. In terms of provisions of section 149(13) of the Act, Mr. Pradip Shah shall not be liable to retire by rotation. Except Mr. Pradip Shah, being an appointee, none of the Directors and Key Managerial

Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Agenda No. 7. This statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchanges.

AGENDA NO. 8

Mr. S.N. Talwar, 76 years of age, is a non-executive Independent Director of the Company. He holds a Bachelor's Degree in Commerce and Law from Bombay University and is an Advocate & Solicitor. In 2007, he along with Mr. Shoban Thakore founded M/s Talwar, Thakore & Associates, an eminent law firm. He has since retired from the firm w.e.f. 1st April, 2014. Prior to that he was a Partner of M/s. Crawford Bayley & Co. a well known law firm. He retired from that firm as a Senior Partner in 2006.

He is a Director/Alternate Director of the following public limited companies viz. FCI OEN Connectors Ltd, Transwarranty Finance Limited, Merck Ltd, Samson Maritime Ltd., Sunshield Chemicals Ltd, Rhodia Specialty Chemicals India Ltd, Biocon Limited, Blue Star Infotech Limited, ELANTAS Beck India Limited, Esab India Limited, Larsen & Toubro Limited., L&T Metro Rail (Hyderabad) Limited, Shrenuj & Co. Limited and Johnson & Johnson Limited. He is Chairman of the Audit Committee of FCI OEN Connectors Limited., Merck Limited and Sandvik Asia Limited and a member of the Audit Committee of Biocon Ltd, Blue Star Infotech Ltd, ELANTAS Beck India Ltd and The Bombay Presidency Golf Club Limited. He is Chairman of the Remuneration Committee of Samson Maritime Ltd and a member of the Remuneration Committee of Rhodia Specialty Chemicals India Ltd., Blue Star Infotech Limited, L&T Metro Rail (Hyderabad) Ltd and the Company. His shareholding in Sonata is 50,000 shares (0.05%).

Mr. S N Talwar has been a Director of the Company since 2002 and an Independent Director pursuant to clause 49 of the Listing Agreement on the Board of the Company since 2005. With the enactment of the Companies Act, 2013 ('Act') it is now incumbent upon every listed company to appoint 'Independent Directors' as defined in section 149(6) of the Act and ensure that at least 1/3rd of the total number of directors on the Board are Independent Directors. The Board of Directors of your Company, after reviewing the provisions of the Act, are of the opinion that Mr. S. N. Talwar fulfils the conditions specified in the Act and the Rules made thereunder to be eligible to be appointed as an independent director pursuant to the provisions of section 149 of the Act. The Board of Directors of your Company is also of the opinion that Mr. S. N. Talwar is independent of the management of the Company.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Mr. S.N. Talwar as an Independent Director. Accordingly, the Board recommends the resolution in relation to appointment of Mr. S. N. Talwar as an Independent Director pursuant to provisions of section 149 (5)/(10) read with schedule IV of the Act for the approval by the shareholders of the Company. In terms of provisions of section 149(13) of the Act, Mr. S.N. Talwar shall not be liable to retire by rotation. Except Mr. S.N. Talwar, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No. 8. This statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchange.

AGENDA NOS. 9 & 10

Your Company had set-up Sonata Software Limited Employees Welfare Trust (the "Trust") way back in 1995 to take care of employee welfare activities including administration of employees stock options plans promulgated from time to time by your Company.

The Trust acquired the equity shares of your Company directly from the Company during the period from 1995 to 1998 and these shares were used for transferring to the eligible employees of the Company in accordance with the various employees' stock options plans promulgated by the Company from time to time. As on 31st March, 2014, the Trust holds 17,84,875 equity shares of your Company comprising 1.70% of the total equity shareholding of the Company.

SEBI has vide it's circulars dated 17th January, 2013, 13th May, 2013 and 29th November, 2013, directed all listed entities to align their existing employee benefit schemes in accordance with the SEBI Guidelines on or before 30th June, 2014 and the alignment requirement applies to all employee benefit schemes set up, managed or financed by a company or any trust/agency settled by such company. Accordingly, your Directors have drafted the Employee Stock Option Plan, 2013 ("**Plan**") which is compliant with all the provisions of the SEBI Guidelines. Further, as required by the Guidelines, the proposed Plan is required to be approved by the shareholders of the Company. The Plan has been approved by the Board of Directors as well the Nomination & Remuneration Committee (formerly Remuneration Committee) at their meetings held on 12th November, 2013. The Plan will be available for inspection by the members of the Company at its Registered Office between 11 am to 1 pm on all working days of the Company up to the date of this Annual General Meeting.

The salient features of the Plan are:

- The Plan applies to the permanent employees of the Company and its wholly-owned subsidiary companies.
- The Trust holds 17,84,875 equity shares of the Company comprising 1.70% of the total equity shareholding of the Company as on 31st March, 2014.
- The options to be granted by the Trust shall not exceed its existing holding of equity shares in the Company. Currently, it is not proposed to allocate any further equity shares or options to the Trust.
- The maximum number of options to be granted to each eligible employee shall not exceed 5% of the issued equity capital of the Company as on the date of grant.

- The Nomination and Remuneration Committee shall be responsible for the administration and superintendence of the Plan and shall formulate the detailed terms and conditions of the Options and shall decide all matters in relation to the Options, including the employees who will be eligible to receive, the quantum of the Options to be granted, the conditions under which Options which have vested in an employee may lapse, the specified time period within which an employee must exercise the Options that have vested and any other matters as required under applicable laws.
- The Options will vest in the employee as per following schedule i.e. 25% vesting at the end of 1st year, 25% vesting at the end of 2nd year, 25% vesting at the end of 3rd year and balance 25% vesting at the end of 4th year of Grant Notice date.
- The Exercise Price for each Option shall be the closing market price of the Shares on National Stock Exchange of India Ltd or such other Stock Exchange where the Shares are listed on the trading day immediately preceding the date of the Grant Notice.
- The Exercise Period shall be from the date on which the Option vests until the Employee is in employment with the Company.

Your Company will follow intrinsic value method for computing the compensation cost, if any, for the options granted. The difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors' Report.

Your Company confirms that it will comply with the accounting policies specified in clause 13.1 of the SEBI Guidelines.

Disclosure of Interest of Directors and others, as required under Section 102(1) read with the Proviso to Section 102(2) of the Companies Act, 2013:

a) With respect to the Directors, none of the Directors or their relatives are deemed to be concerned or interested, financially or otherwise in passing the Resolutions except to the extent of shares made available to them under the Plan as Eligible Company Employee.

b) With respect to Key Managerial Personnel, none of the Key Managerial Personnel or their relatives are deemed to be concerned or interested, financially or otherwise in passing the Resolutions except to the extent of shares made available to them under the Plan as Eligible Company Employee.

The Board of Directors recommends the passing of the proposed resolutions.

AGENDA NO. 11

Pursuant to the provisions of Section 180(1) (c) of the Companies Act, 2013, the Board of Directors cannot, except with the consent of the Shareholders in General Meeting, borrow money (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) in excess of the aggregate of the paid-up capital and free reserves, that is to say the reserves not set apart for any specific purpose.

In order to provide finance required for the diversified business activities of the Company, it is desirable that the consent of the Shareholders is obtained, enabling the Board of Directors to borrow monies in excess of the aggregate of paid-up Capital and free reserves subject to a condition that the amounts so borrowed shall not at any point of time exceed Rs. 300,00,00,000/- (Rupees Three Hundred Crores) over and above the aggregate of the paid up Capital and free reserves of the Company.

The Shareholders' approval is, therefore, sought by way of Special resolution for the agenda No.11.

Disclosure of Interest of Directors and others, as required under Section 102(1) read with the Proviso to Section 102(2) of the Companies Act, 2013:

a) With respect to the Directors, none of the Directors or their relatives are deemed to be concerned or interested, financially or otherwise in passing the Resolutions.

b) With respect to Key Managerial Personnel, none of the Key Managerial Personnel or their relatives are deemed to be concerned or interested, financially or otherwise in passing the Resolutions.

The Board of Directors recommends the passing of the proposed resolutions.

Registered Office:
208, T.V.Industrial Estate
2nd floor, S.K.Ahire Marg, Worli
Mumbai – 400 030

By Order of the Board
for **SONATA SOFTWARE LTD**

Date : 26th May, 2014
Place : Mumbai

Priya Manoj Jaswani
Company Secretary

ANNEXURE II TO THE NOTICE

E-Voting

The Company is pleased to provide e-voting facility to the shareholders of the Company to enable them to cast their votes electronically on the items mentioned in the notice.

The Company has appointed CS. Praveen Kumar D, Practicing Company Secretary as the Scrutinizer for conducting the e-voting process in a fair and transparent manner. E-voting is optional. The E-voting rights of the shareholders/beneficiary owners shall be reckoned on the equity shares held by them as on **4th August, 2014 being the Cut-off date for the purpose**. Shareholders of the Company holding shares either in physical or in dematerialized form, as on the Cut-off date, may cast their vote electronically.

The instructions for E-Voting are as under:

1. Launch internet browser by typing the URL for e-voting : http:/evoting.karvy.com
2. Enter the login credentials i.e. user id and password as communicated to you. In case you are receiving this Notice through email, then the details are as provided in the email. In case, you are receiving this Notice in physical form, then the details are provided as part of the Postal Ballot Form.
3. After entering the details appropriately, click on LOGIN.
4. You will reach the Password change menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. The system will prompt you to change your password and update any contact details like mobile, email etc. on first login. You may also enter the secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
5. You need to login again with the new credentials.
6. On successful login, the system will prompt you to select the EVENT i.e., Sonata Software Limited.
7. On the voting page, the number of shares as held by the shareholder as on the Cut-off Date will appear. If you desire to cast all the votes assenting/dissenting to the Resolution then enter all shares and click "FOR" / "AGAINST" as the case may be. You are not required to cast all your votes in the same manner. You may also choose the option ABSTAIN in case you wish to abstain from voting.
8. Shareholders holding multiple folios / demat account shall choose the voting process separately for each folios / demat account.
9. Cast your vote by selecting an appropriate option and click on SUBMIT. A confirmation box will be displayed. Click OK to confirm else CANCEL to modify. Once you confirm, you will not be allowed to modify your vote. During the voting period, shareholders can login any number of times till they have voted on the resolution.
10. Institutional shareholders (i.e. other than individuals, HUF, NRI, etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory (ies) who are authorized to vote, to the Scrutinizer through e-mail to praveen@prozoneworld.com.
11. Once you have cast your vote on a resolution you will not be allowed to modify it subsequently.
12. The Portal will remain open for voting from: **10.00 a.m. on 4th August, 2014 to 5.00 p.m. on 6th August, 2014, (both days inclusive).**
13. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for shareholders and e-voting User Manual for shareholders available at the download section of https://evoting.karvy.com or contact Mr. Varghese P A of Karvy Computershare Pvt Ltd at 040- 44655000 or at 1800 345 4001 (toll free).
14. It is strongly recommended not to share your password with any other person and take utmost care to keep it confidential.
15. The results of e-voting will be announced by the Company in its website and also informed to the stock exchanges.

Notes :

SONATA SOFTWARE LIMITED

(CIN No.L72200MH1994PLC082110)

Regd. Office: 208, T V Industrial Estate,2nd floor S K Ahire Marg, Worli, Mumbai – 400 030
Corporate Office: APS Trust Building, Bull Temple Road, N.R.Colony, Bangalore – 560 019.

Form No. MGT-11

PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the Member:

Registered Address:

E-mail ID: Folio No. / Client ID : DP ID :

I/We, being the member(s) of.....shares of the above named company, hereby appoint

1. Name:.....

   Address: .....

   E-mail Id: .....

   Signature:.....

Or failing him /her;

2. Name:.....

   Address: .....

   E-mail Id: .....

   Signature:.....

Or failing him /her;

3. Name:.....

   Address: .....

   E-mail Id: .....

   Signature:.....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Nineteenth Annual General Meeting of the Company, to be held on the 11th day of August, 2014 at 4.00 p.m. at M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg (Behind Prince of Wales Museum), Mumbai – 400 001 and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.	Resolutions	Optional*	
	Ordinary Business	**For**	**Against**
1	Adoption of Financial Statements for the year ended 31st March, 2014		
2	Approval of final dividend for Financial Year 2013-14		
3	Re-appointment of Mr. P Srikar Reddy as Director, who retires by rotation		
4	Re-appointment of Mr. Viren Raheja as Director, who retires by rotation		
5	Appointment of M/s. Deloitte Haskins & Sells, Chartered Accountants, as Auditors and fixing their remuneration		
Special Business			
6	Appointment of Mr. B K Syngal as an Independent Director		
7	Appointment of Pradip P Shah as an Independent Director		
8	Appointment of Mr. Suresh Talwar as an Independent Director		
9	Special Resolution for approval of the Employees Stock Option Scheme to the directors / employees of the Company		
10	Special Resolution for approval of the Employees Stock Option Scheme to the directors/ employees of wholly owned subsidiary companies		
11	Special Resolution under Section 180(1)(c) of the Companies Act, 2013 for borrowing money upto Rs. 300 crores over and above the aggregate of the paid-up share capital and free reserves of the Company		

Signed this.....day of.....2014

Affix Revenue stamp of ₹ 1

Signature of shareholder

Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.

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Tel: 91-80-6778 1999, Fax: 91-80-2661 0972

www.sonata-software.com

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