

BOARD'S REPORT

To the Members,

Your Directors have pleasure in presenting before you the Twenty-Sixth (26th) Annual Report of your Company together with the Audited Standalone and Consolidated Financial Statements for the Financial Year ended 31st March, 2021.

FINANCIAL RESULTS

(₹ in Lakhs)

Description	Standalone		Consolidated	
	Financial Year ended 31.03.2021	Financial Year ended 31.03.2020	Financial Year ended 31.03.2021	Financial Year ended 31.03.2020
Total Income	82,621	97,397	425,583	380,166
Total Expenditure	54,730	67,372	384,873	337,045
EBITDA	27,891	30,025	40,710	43,121
Depreciation and Amortization Expense	1,890	2,060	3,957	3,654
Finance Cost	972	1,090	1,539	1,518
Profit before Tax & Exceptional Items	25,029	26,875	35,214	37,949
Provision for Tax (Net)	7,126	5,749	10,818	10,256
PAT before non-controlling interest	17,903	21,126	24,396	27,693
Non-controlling interest			-	-
PAT after non-controlling interest			21,126	24,396
Basic Earnings Per Share (in ₹)	17.23	20.33	23.48	26.66

COVID-19

Despite Covid-19 pandemic challenges the Company faced initially in 2020, the business continued to grow, we continued to remain focused on execution of the various strategies, especially led by our Platformation™ strategy, focus on industries, focus on the alliance, converting our services to Platformation™ digital services, converting our clients to digital clients, investing in IP, continued to invest in people, continued to invest in talent transformation and many new initiatives were taken which helped Company deliver a solid performance. So overall as a Company and Sonatian's as a team, we are pleased with where we have reached today both qualitatively and quantitatively. At this point of time, we would like to thank all our customers in showing faith in us and all Sonatian's for dedication and commitment shown during these unprecedented times.

BUSINESS PERFORMANCE

Your Company is primarily engaged in the business of delivering IT services and software solutions to its customers across the globe including the US, Europe, Middle-East, Asia - Pacific, Australia and New Zealand. Besides, the Company also distributes and re-sells products from global technology companies present in India. The Company's consolidated results comprises operations of Indian and overseas subsidiaries and operates under two distinct heads International IT services (IITS) and Domestic Products and Services (DPS).

The financial Year 2020-21 was a year of disruption. With the sudden outbreak of Covid-19 pandemic, our immediate focus was to ensure the employee safety and organise ourselves to deliver services remotely globally with work from home measures implemented effectively. We were able to move 100% of our employees to work remotely or work from home and been able to create and implement processes to deliver different kinds of services to our customers extremely effectively. Your Company's strategy of creating digital enterprises by creating platform through unique Platformation™ methodology became more relevant in the new normal with more digitisation, automation and contactless operations. The Company continued to focus on Platformation™ led solutions for its customers across its focus verticals of Retail, Travel, Distribution and ISVs. While the first half bore the brunt of the after effects of the pandemic with disruption to some key clients the second half has turned out to be

the best in the history of the company. Revenues of the Company grew 12 % over the previous year, and PAT margin was at 6 % on revenue.

Your Company continued its investments in IP, technology, people and process. The acquisitions we made in the previous years – Sopris Systems, LLC (Sopris), Scalable Data Systems Pty Ltd (Scalable), GAPbusters Limited (GBW) - have started bearing fruit of success. It has created enormous opportunities in industries such as Utilities and Agri-commodity businesses. Our GBW acquisition in the customer experience space (CX) has opened up emerging opportunity in the digital transformation pace as well as penetration in newer markets. The company is very well poised to capitalize opportunities and grow in the 2021 and beyond.

Your Company continued to strengthen its alliance with Microsoft and focused on delivering high quality services to its clients which increased the stickiness of the business.

The India business of the Company has shown tremendous growth and added new lines of business; like AWS, Google Clouds and SI business. This is reflected in the quality of business of more annuity clients and higher percentage of cloud led business..

Here are some of the key achievements of the year summarized:

- Successfully completed the integration of newly acquired company, GAPbusters Limited (GBW), headquartered in Melbourne, a leading global player in the Customer Experience (CX) domain serving renowned brands for nearly thirty years.
- Sonata's unique trademark 'Platformation™' strategy for Digital Transformation completed 4 years in March 2021.
- Launched 'CXe', a unique enhanced integrated CX management solutions developed using the 'Platformation™' approach.
- Sonata's Cloud strategy and assessment service is now available in the Microsoft Azure Marketplace, an online store providing applications and services for use on Azure.
- Successfully completed ISO27001 Surveillance Audit in August 2020 in Remote delivery mode and projects from Global Village, Hyderabad, Head Office and Redmond Office in North America were covered. The remaining part of ISO9001 Surveillance audit was successfully completed in Remote





delivery mode for Sonata Software Ltd in September 2020 .

Your Company further strengthened its Senior Leadership with rich talent. Mr. Suresh K P joined Sonata as Vice President - Talent Transformation and Mr. Nidhish Shetty joined Sonata as Vice President – Open Source Platform Engineering and Data & Analytics. Your company also announced compensation revision effective January 1, 2021.

Coming to the results, both on a Standalone and Consolidated basis, your Company has witnessed strong growth and placed itself well to handle its increasing scale of operation.

A detailed analysis of Company's operations in terms of performance in markets, manufacturing activities, business outlook, risks and concerns forms part of the Management Discussion and Analysis, a separate section of this Annual Report.

In this unprecedented time, your company has become a more stronger organization in terms of the quality of customers, relationships and internal investments, in creating world class competencies aligned to Platformation™ across platform engineering, cloud transformation, data analytics and Microsoft Dynamics. Owing the uncertain environment, organization's all over the world are revisiting to their business strategies. Organization's are investing rapidly in emerging technologies, Cloud migration and digital transformation to stay relevant in current situation. With strong visibility and business opportunity in the near future, your company is more focused now on investing for long term growth, in talent acquisition and transformation, IP and competency development. With our Platformation™ led strategy, alliances, acquisitions and investment, Sonata is well positioned to stand firmly with our customers in their journey of digital transformation in new normal era.

STANDALONE FINANCIALS

Total Income has shown a de-growth of 15%. The Earnings before Interest, taxes, Depreciation and Amortization (EBITDA) stood at 34% of total income and Net Profit at 22% of total income with Earnings per share at ₹ 17.23.

CONSOLIDATED FINANCIALS

Total income has shown a growth of 12%. The Earnings before Interest, taxes, Depreciation and Amortization (EBITDA) stood at 10% of total income and Net Profit at 6% of total income with Earnings per share at ₹ 23.48.

Analyzing your Company's consolidated results by the two segments it operates in, International IT services contributed 28% of total revenues and 75% of PAT while Domestic products and services contributed to 72% of the total revenues and 25% of PAT.

International IT Services total revenue is ₹ 118,386 lakhs, de-growth of 7% and \$ 160 million in US \$ terms with a de-growth of 11% in revenues. Your Company has managed to declare good results consistently because of its focus on serving and growing its existing customers, new customer additions of 34 throughout the Financial Year, and maintaining resource utilization at 87% over the Financial Year under review.

Domestic products and services witnessed de-growth of 7% in PAT. The focus in this business has always been to manage Return on Capital Employed (ROCE), which was approximately 30% for the year under review.

Your Company during the Financial Year under review had a stronger consolidated Balance Sheet and has approximately ₹ 64,066 Lakhs of cash and cash equivalents, showing Return on Capital employed (ROCE) of its 30% and Earnings per share at ₹ 23.48 per share.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report as required under

Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) is disclosed separately in this Annual Report.

DIVIDEND / TRANSFER TO RESERVES

Considering the better liquidity position of the Company, the Board of Directors of your Company are pleased to recommend payment of a final dividend of ₹ 10/- per equity share at 1,000 % on par value of ₹ 1/- each, subject to the approval of the shareholders at the forthcoming Annual General Meeting, which along with the interim dividend of ₹ 4.00/- per equity share adds upto a total dividend of ₹ 14/- per equity share for financial year 2020-21. 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 9th August, 2021, and to those whose names appear as beneficial owners in the records of the National Security Depository Limited and Central Depository Services (India) Limited on the said date.

Your Company has not transferred any amounts to reserve for the Financial Year ended 31st March, 2021.

The paid up share capital of your Company is ₹ 105,159,306 divided into 105,159,306 equity shares of ₹ 1/- each. Your Company has not come out with any issue (public, rights or preferential) during the Financial Year under review.

BOARD MEETINGS

During the year under review, the Board of Directors met four times. The meetings were held on 11th May, 2020, 10th August, 2020, 6th November, 2020 and 4th February, 2021. The maximum interval between any two meetings did not exceed 120 days, as prescribed by the Companies Act, 2013.

DIRECTORS

Mr. Viren Raheja (DIN: 00037592) Director, retires by rotation and being eligible, offers himself for re-appointment at the ensuing Annual General Meeting (AGM). Brief profile of Mr. Viren Raheja is provided in the notes to the Notice of the ensuing AGM. The Board of Directors, on the recommendation of the Nomination and Remuneration Committee, has recommended his re-appointment.

INDEPENDENT DIRECTORS

Your Company has laid down procedures to be followed for familiarizing the Independent Directors with your Company, their roles, rights, responsibilities in your Company and to impart the required information and training to enable them to contribute significantly to your Company.

All the Independent Directors of the Company have given declarations that they meet the criteria of independence as laid down in section 149(6) of the Act and Regulation 16(1)(b) and (Regulation 25) of Listing Regulations. There has been no change in the circumstances affecting their status as independent directors of the Company. The Independent Directors have confirmed that they have complied with the Company's Code of Conduct. They have also further confirmed that they have registered their names in the Independent Directors' Databank.

DIRECTOR'S RESPONSIBILITY STATEMENT

In pursuance of Section 134(3)(c) read with 134(5) of the Companies Act, 2013, the Directors hereby confirm that:

- a) in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures.
- b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair

view of the state of affairs of the Company at the end of the Financial Year and of the profit and loss of the Company for that period;

- c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the Directors have prepared the Annual Accounts on a going concern basis;
- e) the Directors, have laid down Internal Financial Controls to be followed by the Company and that such Internal Financial Controls are adequate and were operating effectively; and
- f) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

MATERIAL CHANGES AND COMMITMENTS

There has been no material change and commitment affecting financial position of your Company between the end of the Financial Year under review and date of this Report.

AUDIT COMMITTEE

The Audit Committee comprises of Mr. Pradip P Shah (Chairman), Mr. S B Ghia, Ms. Radhika Rajan and Mr. Sanjay Asher as its Members. The Committee met four times during the year under review and all its recommendations were accepted by the Board.

VIGIL MECHANISM

Your Company has established Vigil Mechanism which provides for direct access to the Chairperson of the Audit Committee in cases that require reporting about the unethical behaviour, actual or suspected fraud or violation of code of conduct laid down by your Company. This mechanism is governed by Vigil Mechanism Policy which covers unethical behaviour, actual or suspected fraud, theft, bribery, misappropriation of Company's funds, financial reporting violations, misuse of intellectual property, mismanagement, significant environmental, safety or product quality issues, discrimination or harassment including sexual harassment, Insider Trading, actual or potential conflicts of interest, violation of Company's rules, Company's Policies or violation of Code of Conduct of the Company.

NOMINATION AND REMUNERATION COMMITTEE & STAKEHOLDERS RELATIONSHIP COMMITTEE

The Nomination and Remuneration Committee comprises of Mr. Sanjay Asher (Chairman), Mr. Viren Raheja, Mr. S B Ghia and Mr. Pradip P Shah as its members. The Committee has laid down a policy for remuneration of Directors, KMP and other Employees. A copy of the Policy forms part of this Report, and is available on the website of the Company <https://www.sonata-software.com/about-us/investor-relations/corporate-governance>.

The Stakeholders Relationship Committee comprises of Mr. S B Ghia (Chairman), Mr. P Srikar Reddy and Ms. Radhika Rajan as its members.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Corporate Social Responsibility Committee comprises of Mr. S B Ghia (Chairman), Mr. P Srikar Reddy and Ms. Radhika Rajan as its members. The Committee met two times during the year.

The brief outline of the corporate social responsibility (CSR) policy of the Company and the initiatives undertaken by the Company on CSR activities during the year are set out in **Annexure III** of this report in the format prescribed in the Companies (Corporate Social

Responsibility Policy) Rules, 2014.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee comprises of Mr. Pradip P Shah (Chairman), Mr. Viren Raheja and Mr. P Srikar Reddy. The Committee met one time during the year.

DIVIDEND DISTRIBUTION POLICY

As required under Listing Regulations, your Company has established Dividend Distribution Policy with effect from 3rd February, 2017. The Dividend Distribution Policy is available on the website of the Company <https://www.sonata-software.com/about-us/investor-relations/corporate-governance>.

SUBSIDIARY COMPANIES

The Consolidated Financial Statements of your Company and its Subsidiaries viz., Sonata Information Technology Limited, India, Sonata Software Solutions Limited, India, Sonata Software North America Inc., USA (formerly known as Offshore Digital Services Inc), Sonata Software GmbH, Germany, Sonata Europe Limited, UK, Sonata Software FZ LLC, Dubai, Sonata Software (Qatar) LLC, Interactive Business Information Systems Inc., USA, Scalable Data Systems Pty Ltd., Australia, Sopris Systems LLC., USA, GAPbuster Limited., UK, GAPbuster Europe Limited, GAPbuster Inc., GAPbuster Worldwide Pty Limited, Kabushiki Kaisha GAPbuster Japan, GAPbuster China Co. Limited and GAPbuster Worldwide Malaysia Sdn Bhd duly audited/unaudited are presented as part of this Report in accordance with the Companies Act, 2013, Ind AS 110 and the Listing Regulations, wherever applicable. The statement pursuant to the section 129(3) of the Companies Act, 2013, containing salient features of the Financial Statements of the Company's Subsidiaries in Form AOC-1 is given in ANNEXURE I.

During the Financial Year under review your Company entered into an agreement with Treeni Sustainability Solutions Inc., is a Delaware (US) based Company to acquire upto 24% stake through Sonata Software North America Inc., a wholly-owned Subsidiary of the Company.

The Financial Statements of the Subsidiaries are available on your Company's website at <https://www.sonata-software.com/about-us/investor-relations>.

Your Company has a "Policy for determining Material Subsidiaries", so that your Company could identify such Subsidiaries and set out a governance framework for them. The Policy is put up on the website at <https://www.sonata-software.com/about-us/investor-relations/corporate-governance>.

EMPLOYEE STOCK OPTION PLAN "ESOP"

Your Company has an Employee Stock Option Plan, 2013 (Plan) in accordance with the SEBI (Share Based Employee Benefits) Regulations, 2014. The principal objectives of this Plan are to:

- Attract, retain and motivate talented and critical Employees;
- Encourage Employees to align individual performance with the Group's objectives;
- Reward Employee performance with ownership in proportion to their contribution; and
- Align Employee interest with those of the Group.

During the Financial Year under review, Mr. P Srikar Reddy, Managing Director & CEO of the Company was granted an option to purchase 60,000 ESOP Shares of the Company to be vested equally over a period of the contract period, subject to terms and conditions as set forth in the ESOP Plan, 2013 of the Company. Accordingly, the first tranche of 20,000 Options shall vest on him for exercise on 28th May, 2021. Further no employee was issued stock options during the year equal to or exceeding 1% of the issued capital of





the Company at the time of grant.

Pursuant to the requirements of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, a certificate has been issued by the Statutory Auditors of the Company confirming that the Plan has been implemented in accordance with the said Regulations and in accordance with the resolution of the Company in the General Meeting.

As required under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, the applicable disclosures as on 31st March, 2021 are uploaded on the website of the Company www.sonata-software.com.

SECRETARIAL AUDIT

The Board had appointed Mr. Parameshwar G Hegde, Practicing Company Secretary as the Secretarial Auditor for the Financial Year 2020-21. The Secretarial Audit Report for the Financial Year ended 31st March, 2021 is annexed to this Report as **ANNEXURE II**. The report does not contain any qualification, reservation or adverse remark.

COST AUDIT

The provisions of Companies (Cost Records and Audit) Rules, 2014 are not applicable to your Company.

QUALIFICATIONS IN AUDIT REPORTS

Your Company confirms that there are no qualifications in the Statutory Auditor's Report and the Secretarial Audit Report for the year under review.

STATUTORY AUDITORS

M/s Deloitte Haskins & Sells LLP, Chartered Accountants, Bangalore, (Firm Registration No. 117366W/W-100018) were appointed as Statutory Auditors of the Company from the conclusion of Twenty Second (22nd) Annual General Meeting (AGM) till conclusion of Twenty Seventh (27th) AGM subject to ratification of their appointment at every Annual General Meeting by the members. However the members may note that pursuant to the Companies (Amendment) Act, 2017 the requirement of ratification of the appointment of the Statutory Auditors in every Annual General Meeting has been omitted, and therefore the Company is not required to seek ratification.

REPORTING OF FRAUDS BY AUDITORS

During the year under review, neither the statutory auditors nor the secretarial auditor has reported to the audit committee, under Section 143 (12) of the Companies Act, 2013, any instances of fraud committed against the Company by its officers or employees, the details of which would need to be mentioned in the Board's report.

SECRETARIAL STANDARDS

Your Company has complied with the provisions of the Secretarial Standard 1 & 2 issued by the Institute of Company Secretaries of India.

ANNUAL RETURN

Pursuant to Section 92(3) and Section 134(3)(a) of the Companies Act, 2013, the Company has placed a copy of the annual return as at March 31, 2021 on its website at <https://www.sonata-software.com/about-us/investor-relations/corporate-governance>.

INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

During the year, the Company has transferred the unclaimed and un-encashed dividends of ₹ 21,94,939. Further, 27,753 corresponding shares on which dividends were unclaimed for seven consecutive years were transferred as per the requirements of the

IEPF Rules. The details of the resultant benefits arising out of shares already transferred to the IEPF, year-wise amounts of unclaimed / un-encashed dividends lying in the unpaid dividend account up to the year, and the corresponding shares, which are liable to be transferred, are provided in the Shareholder information section of the Corporate governance report and are also available on our website, at <https://www.sonata-software.com/about-us/investor-relations/corporate-governance>.

RECOGNITION

During the year under review, your Company was felicitated with Microsoft Eagle Award Winner for Dynamics Customer Adds for Financial Year 2020.

QUALITY

Your Company continues to focus on delivering World Class Customer Experience through Digital Delivery Processes and Remote Working best practices in a seamless way.

During the year under review, your Company successfully completed surveillance audit for ISO 9001-2015 (overall quality management system), upgraded IT Service Management system to ISO20000-1 2018 version of standard and expanded the scope of Information Security Management System aligning to ISO 27001 standard by including Redmond Office, Sonata Software North America and Somajiguda Office in Hyderabad. Your Company also successfully completed the Recertification audit for ISO9001:2015 recently in April 2021.

Your Company continues to enhance the effectiveness of its delivery to all customers and also Sonatians by rolling out SonataOne Platform, the Platformation™ initiative for Sonata's internal business processes. We continue to increase our focus on meaningful automation and adopting world class practices and processes for world class delivery.

Your Company participated in the Process Benchmarking initiative 2020 from HYDSPIN (Hyderabad Software Process Improvement Network), which surveyed the Best practices of key processes followed among leading IT Service, Product based, Product and Service Oriented organizations.

In terms of customer satisfaction, your Company achieved an overall aggregated score of 4.2 out of a possible top score of 5 this year, from key delivery project customers.

Your Company is pursuing the following focus areas to become a World Class Organization: Platformation™ as mainstream, Creating World Class Client Experience by leveraging World Class competencies and talent through engaged Sonatians for all our existing as well as new clients. Enabling Digital Transformation of client's business processes through Platformation™, Sonata's unique framework and approach is actively promoted within your Company and acknowledged and appreciated by many of your clients.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO

(A) Conservation of energy

Though your Company does not have energy intensive operations being in the services sector, the Company has always been on the lookout for energy efficient measures for operation, and value conservation of energy through utilization of newer technologies & innovation for improving productivity and quality of products and services. Every endeavour has been made to ensure the optimal usage of energy, avoid wastage and conserve energy. As an ongoing process the Company continued to undertake the following energy conservation measures to minimize the usage of energy:

- Deployment of energy-efficient computers and sophisticated office automation and management equipment with the latest technologies, which optimizes conservation of energy and create an environmentally friendly work environment
- Installing LED lights which reduces electricity consumption
- Installation of sensors at work space area resulting in lights automatically getting switched off in areas not in use
- Continuous monitoring of floor areas after normal working hours and switching off lights
- Turning off air conditioners during non-peak hours and on weekends
- Installing of Energy Meters for closed monitoring of AHU run hours on daily basis.
- Regular UPS and AC plant maintenance to ensure efficient working of the equipment.
- Air condition in HO replaced with energy savings VRV/VRF units and the gas used is eco-friendly which is harm less to Ozone layer in atmosphere
- Comply 100 % removal of dead loads during week-ends. (Turn off/plug out heating elements of vending machines, turn off Lighting circuits, ensure all manual operating loads are cut off etc)

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:

- Replacing the CFL based lighting in our Bengaluru Global Village facility to LED based lighting in phases which has given immense savings in Electricity consumption.
- Air-conditioning staggered mode of operation resulting in reduction in fuel consumption.
- Replacing old monitors with energy efficient monitors which leads to significant reduction in energy consumption.
- Migration of in-house computing infrastructure to cloud lead to significant energy and cost savings.
- Regular UPS and AC plant maintenance to ensure efficient working of the equipment.
- All air-conditioning units which is operated on R22 gas is replaced with eco-friendly gas operated A/c units. Gas used is eco-friendly which is harm less to Ozone layer in atmosphere, whereas earlier A/c units used is R-22 which is not recommended as it is harmful to atmosphere.
- Comply 100 % removal of dead loads during week- ends. (Turn off/plug out Heating elements of vending machines, turn off Lighting circuits, ensure all manual operating loads are cut off etc)
- Water, which is a scarce commodity all over, we have implemented new technology based systems for washroom water management named HUIDA where we will be using only 1 to 1.5 Liters for flushing as water against normal Commode flush of 10-15 liters per flush.
- Wattmiser :- Installed in our AHU has improved air quality inside the floor and in turn energy saving
- Water aerators to the taps have been installed at all

the facility which will save water (Claim is around 80%) without compromising water pressure (inspection done by management personally and observed that it is saving water).

- Conventional UPS in Hyderabad – unit -1 been Upgraded to Modular UPS system. UPS is modular UPS is with latest technology and there is Energy cost reduction.

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.

(B) Technology absorption

During the Financial Year under review, your Company focused its efforts and built competencies in areas of new technologies like CX, RPA, Chatbots, Machine learning & strengthened other competencies like multi cloud and hybrid cloud , modern data platform infrastructure, omni channel commerce and security

Dedicated Competency teams were setup for each of these. Your Company has progressed well with its proprietary model of achieving digital transformation called Platformation. Your Company continued to invest in differentiated IP and platforms across industry verticals of Retail, Distribution , Service industry and software solutions.

(C) Foreign exchange earnings and Outgo

During the Financial Year under review, 90 % 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 and legal charges, subsistence/living costs, overseas salaries, capital goods, etc. was ₹ 5,227.26 Lakhs and Foreign Exchange inflow on account of export of software services (net), goods and other operating revenues was ₹ 70,265 Lakhs.

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.

PUBLIC DEPOSITS

Your Company has not accepted any deposits from the public under Chapter V of the Companies Act, 2013 during the year under review.

HUMAN RESOURCES MANAGEMENT

Sonata was part of the following activities during 2020-21:

- Connect programs and virtual employee engagement activities provided the much-needed motivation and good vibes in the situation that unfolded in the first quarter. In the new remote working scenario, enthusiastic and positive communication was paramount. We have had an array of virtual 'Fun at work' games and activities conducted for teams across geographical locations. The teams and families caught on and had fun at virtual dance and yoga sessions.
- The entire organization had to quickly move to a WFH model and being able to communicate effectively in the virtual environment became highly important. We believe that effective communication helps create a World class customer and Sonatian experience. We had over 300 enthusiastic participants in the webinar conducted to make this transition seamless- "Communicate effectively in virtual environment".
- As the world rapidly moved towards digital transformation, it was imperative to bring ourselves up to speed and up-skill. We





launched the Unified Engineer Development plan to support our Platformation™ agenda.

- The Leaders' Ideation Forum (LIF) is a digitally hosted platform connecting leaders of Sonata across our various locations. The forum is one of our many initiatives to enhance communication, ideate on solutions, solve problems, and make consensus-based decisions aligning to our ethos of one culture, one team and one mission. Virtual LIFs were hosted which included Sonatians from various locations in India. The theme for the session was "Ideas, best practices for ensuring World Class delivery while remote working."
- Competency Town Hall: Various Town Halls were organized for different competency groups where leadership shared updates focusing on business perspectives in the current context and the opportunities ahead. The Town Hall communicates to the team on critical aspects of business and ensures alignment to common purpose and goals of the organization.
- All Hands meeting is a key element of our communication and culture. Working remotely didn't stop us from enhancing the frequency or quality of our All Hands meetings. Virtual All-hands meeting was organized for our accounts. These sessions held more importance than ever, as it brought together teams working across different locations & shifts. These meetings gave an opportunity for Sonatians to receive important account level updates as well as raise clarifications with senior management.
- One key account All Hands Meet - #CONVOKE; it was a confluence of thoughts & experience. Leadership used the opportunity to celebrate together achievements and success of account.
- Virtual Independence Day celebrations were organized and we had an overwhelming response by the participants. There was singing, playing of musical instruments, dancing and showcasing of artwork by the employees and their children as a part of the talent show along with Independence day Trivia conducted for the participants.
- To enable Sonatians to give the best in class experience to clients and to each other through communication, we launched BSI (Behavioral skill initiative) on LMS. Over 750 Sonatians enrolled and participated.
- The first Sonata Scalable Joint Leadership Update meeting was conducted with over 60 participants, to bring the two teams closer and enhance connect. Better leverage the strengths of Sonata and Scalable group members for business growth
- Ask CEO is a platform to share your ideas, suggestions, feedback and strategy approaches giving you direct access to connect with me. Urge employees to use the platform to share feedback/suggestions on Platformation™ as a mainstream, Creating World Class Experience and World Class Sonatian Experience.
- The pandemic did not dissuade Sonata's Toastmasters from connecting with one another and improving their leadership skills virtually. Each week the club convened to speak on themes such as Welcome to my Cubicle / WFH, Enjoy little things in Life, One Truth / One Lie, Engineers in Us etc.
- Virtual events, all-hands meets and on-boarding continued in Q3 in our endeavor to keep the teams aligned and engaged. Virtual all-hands provided scope for sharing business updates and celebrate employee achievements & milestones.
- Let's Connect meetings were organized for our strategic accounts. The forum provides scope for the Delivery leadership & HR to give a huge shout out to all our top performers by

handing over DNA awards.

- GBW Virtual Events: Sonata - GBW Virtual events across Australia, UK, Malaysia, Japan, China and India gave a chance to the GBW global employees, along with the Sonata HR team members to gather and celebrate Excellence Awards, DNA Awards and Service Recognition Awards. Grant Salmon, CEO, GBW provided latest GBW business updates, latest business wins, and information on the integration progress between GBW - Sonata team. The regional teams also shared moments in their lives along with key reflections.
- c.o.n.v.e.r.s.a.t.i.o.n.s: Is a unique format informal chat sessions, where our CEO speaks to Sonatians who he usually does not meet during his day to day interactions. These conversations enable us to engage with our employees in locations across the world including India, Europe, US and UK - allowing us to be truly global, share expectations, foster thoughts and ideas - all leading to alignment to a greater cause and better understanding of the core purpose of the organization.
- Recognition of team that has created a World Class Client Experience through Excellence in Delivery: The team's greatest challenge this time came in the form of building trust in a client. Putting its best foot forward, it took the team many thoughtfully designed interactions and meetings to win trust and establish a bond. As the project was rolled out, it was very clear that the team had exceeded all expectations in making impact with the client. The team overcame several technical challenges and arrived at solution by building a platform that has multiple features, as a one stop solution providing seamless integration with the client's internal systems and external APIs!
- Learning and development: At Sonata, we are working towards nurturing an environment of life-long learning focused on career and individual growth – transforming the Learning function to Unified Learning and Development.
- FLEX (Focused Learning Experiences), a Leadership Development Journey for the new normal was launched for aspiring and current leaders. The sessions are aligned to the current business needs of leadership and digital roles of Digital DM/PM and Architect, enabling leaders to deliver World Class Client and Sonatian Experience in line with the Growth Agenda.
- Unified Digital Architect program was launched aiming to train 25 Digital Architects by June 2021 for deployment. This would support our Platformation agenda.
- NASSCOM Future Skills B2C group was launched for all Sonatians in India. A platform access that would contribute to building a learning culture by providing access to industry level curated knowledge content from SMEs in latest areas of Digital, Leadership and Professional skills.
- We launched SonataOne, Sonata's new integrated & modern HR platform for employees to self-transact and complete various tasks such as Generate the employee certificates such as Address Proof, employment certificate, apply & track leaves, recognise colleagues, view Personal data, submit time sheets, claim travel and expense reimbursements etc.

DISCLOSURES AS REQUIRED UNDER SECTION 22 OF SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

Your Company is committed to provide a healthy environment to all employees that enables them to work without the fear of prejudice and gender bias. Your Company has in place a gender neutral Prevention of Sexual Harassment (POSH) Policy in line with

the requirements of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Your Company through this Policy has constituted a committee and has established a grievance procedure for protection against victimization. The Policy is available on intranet for the employees to access as and when required. No complaints were received under this Policy during the Financial Year 2020-21.

INTERNAL FINANCIAL CONTROLS

Internal Financial Controls are an integrated part of the risk management process, addressing financial and financial reporting risks. It is commensurate with its size and the nature of its operations. The internal financial controls have been embedded in the business processes.

Assurance on the effectiveness of internal financial controls is done through management reviews and review by internal auditors during the course of their audits. We believe that these systems provide reasonable assurance that our internal financial controls are designed effectively. The Audit Committee reviews the reports submitted by internal auditors. Suggestions for improvement are considered and the corrective action are undertaken.

SIGNIFICANT & MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNAL

During the year under review, there were no significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status of your Company and its future operations.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

During the Financial Year under review, your Company had given Inter Corporate Deposits at prevailing bank lending rate to its Wholly Owned Subsidiary, Sonata Information Technology Ltd., and Sonata Software Solutions Limited for meeting its working capital requirements. The balance outstanding as on 31st March, 2021 is Rs 180 Lakhs. The maximum amount outstanding at any point of time during the Financial Year has been ₹ 295 Lakhs.

Also, your Company has given Corporate Guarantees on behalf of Subsidiaries for facilitating its business needs. The outstanding amount as on 31st March, 2021 is as below:

Name of the Subsidiary	₹ in Lakhs
Sonata Software North America Inc., USA	5,483
Sonata Information Technology Limited, India	11,467

RISK MANAGEMENT

Your Company's Risk Management practice seeks to sustain the long-term vision and mission of your Company. It continuously evaluates the various risks surrounding the business and seeks to review and upgrade its risk management process. To further endeavour, your Board constantly formulates strategies directed at mitigating these risks which get implemented at the Executive Management level and a regular update is provided to the Board.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

During the Financial Year, your Company has spent ₹ 377 lakhs towards CSR activities. Your Company has a Policy on CSR and as part of its implementation program, identified and participated in the following initiatives:

- Sonata Software in association with Child Rights and You (CRY) helping them to setup Child Activity Centre, and they can be referred to as a place where children of socio-economically marginalized communities are empowered through education to discover their self, develop agency of their own, and enhance self-efficacy.

- Sonata Software partnered with SAHAI Trust, mainly to uphold the rights of the Physically challenged patients especially the spinal injured, through providing proper treatment and comprehensive rehabilitation and save their families from economic deprivation and thereby contributing to the creation of a healthier society where physically challenged get equal opportunities to lead dignified and independent lives.
- Sonata partnered with The Kishkinda Trust (TKT) and developed an E-Commerce platform to co-exist with their existing website with Multi-Functionality so that the retail and wholesale buyers will be able to place orders online from artisans.
- Sonata Software in partnership with Agastya International Foundation is supporting them to take Science and Mathematical experiments to the Rural schools in the Country. We have supported them with the Program -"Lab On Tab" which help Rural students to get access to Science and Maths experiments at their doorstep in Rural schools. Sonata also developed the App based learning platform for Agastya's -Lab on Tab.
- Sonata in partnership with MAP, a project of Arts and Photography Foundation, has built a responsive website for booking tickets for its various events and hosted the Digitized version of artefacts for MAP
- Sonata Software in partnership with Industree Crafts Foundation is developing a Co Create app for Artisans. The app would have a Master Bank to capture the details of Artisans and their artworks across India. This app will also help Artisans across the country to register themselves and display their crafts
- The partnership with Kriti Social Initiatives is to help empower the women in slums with skill development. This Partnership supports various women empowerment programs to empower women through skills training and capacity building, promote livelihoods for women and ensuring education of children in slums of Hyderabad. Sonata has also created a Technology Platform for Kriti to market the Products manufactured by the Women artisans.
- Scholarships for economically challenged engineering students – We partner with SKSVMA Trust to support technical education for economically challenged students in the backward districts of Karnataka. We are also supporting them with grant for infrastructure support to create Project labs.
- Sonata Software in partnership with Sense International India (SII) has leveraged technical expertise from Sonata in revamping their existing website with new functionalities and fund-raising module to help their Programs
- Sonata Software partnered with Sneha Trust, to support Sneha Trust's Vidya Unnati Program with an aim to improve the quality of education and access to opportunities, for socio-economically vulnerable children.
- Sonata Software partnered with Disom-The Leadership School' program under FMRA (Friends of Moral Re-Armament) to improve Leadership among the Rural communities who hail from economically, socially and politically marginalized backgrounds.
- Sonata Software partnered with MAP, a project of Arts and Photography Foundation, to support "The Deep Dive Program", an online program that brings scholars in global art to the audience across the globe and offers a unique opportunity to access art, histories and knowledge.
- Sonata Software in partnership with Women Weave has





designed a customer facing platform with multi-currency functionality that allows Weavers to showcase their design collections to prospective customers. This platform also enables weavers to receive orders and customization requests with regards to colors, design themes and yardage

The Annual Report on CSR in the prescribed format is enclosed to this Report as **ANNEXURE III**.

BUSINESS RESPONSIBILITY REPORT

The SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, mandates inclusion of the Business Responsibility Report (BRR) as part of the Annual Report for top 1000 listed entities based on market capitalization. In compliance with the Regulations, BRR is available on the Company’s website at www.sonata-software.com. The BRR contains a detailed report on Business Responsibilities vis-a-vis the nine principles of the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business framed by the Union Ministry of Corporate Affairs.

RELATED PARTY TRANSACTIONS

The policy on related party transactions is available on the Company’s website at <https://www.sonata-software.com/about-us/investor-relations/corporate-governance>.

All related party transactions are placed on a quarterly basis before the Audit Committee and before the Board for approval. Prior omnibus approval of the Audit Committee and the Board is obtained for the transactions which are foreseeable and of a repetitive nature particulars of the contracts or arrangements with related parties referred to in Section 188(1) in the format specified as Form AOC- 2 forms part of this Report as **ANNEXURE – IV**.

Pursuant to Regulation 23(9) of the Listing Regulations, your Company has filed the reports on related party transactions with the Stock Exchanges.

JUSTIFICATION FOR ENTERING INTO RELATED PARTY TRANSACTIONS

All the Related Party Transactions entered into by your Company with the Related Parties including rendering of services, sharing of expenses, providing of inter-corporate loans and guarantees to its subsidiaries are in the ordinary course of business and are carried out at arm’s length pricing.

BOARD EVALUATION

During the Financial Year under review, as mandated by the Companies Act, 2013, your Company conducted an exercise to evaluate the performance of the Board, Committees of the Board, Chairman of the Board, Individual Directors and the Independent Directors. As part of the evaluation process, individual criteria for each of the exercise was formulated. From these, formal questionnaire listing various parameters on which each of the

categories were required to be evaluated was shared with each member of the Board / Committee / Director. They were then required to rate individually on each of the parameters pursuant to provision of Companies Act, 2013 and Listing Regulations.

REMUNERATION TO DIRECTOR AND EMPLOYEES

Details / Disclosures of ratio of Remuneration to each Director to the median employee’s remuneration and details of remuneration paid to Employees is given as **ANNEXURE – V**.

A statement comprising the names of top 10 employees in terms of remuneration drawn and every person employed throughout the year, who were in receipt of remuneration in terms of Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, forms an integral part of this Report. However the same is not being sent along with this Annual Report to the Members of the Company in line with the provision of Section 136 of the Companies Act, 2013. Members who are interested in obtaining these particulars may write to investor@sonata-software.com and these documents will be made available for inspection electronically from the date of circulation of this Annual Report up to the date of AGM i.e, 16th August, 2021.

LISTING WITH STOCK EXCHANGES

Your Company confirms that it has paid the Annual Listing Fees for the year 2020-21 to NSE and BSE where your Company’s Shares are listed

CORPORATE GOVERNANCE

Your Company has taken adequate steps to adhere to all the stipulations laid down in SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015. A report on Corporate Governance is provided in this Annual Report.

A Certificate from Mr. Parameshwar G Hegde, a practicing Company Secretary, confirming the compliance with the conditions of Corporate Governance as stipulated under the said Regulations is attached to this report

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: 12 May, 2021

PRADIP P SHAH
CHAIRMAN