

Management Discussion and Analysis - Annual Report FY2021

SONATA SOFTWARE

The following discussion and analysis should be read in conjunction with the Company's financial statements included herein and the notes hitherto. The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles in India (GAAP) to comply with the Accounting Standards specified under Section 133 of and other relevant provisions of the Companies Act, 2013 as applicable. The Company's management accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner the form and substance of transactions and reasonably present the Company's state of affairs and profits for the year. Investors are cautioned that this discussion contains forward-looking statements that involve risks and uncertainties. When used in this discussion, words like 'will', 'shall', 'anticipate', 'believe', 'estimate', 'intend', 'expect' and other similar expressions as they relate to the Company or its business are intended to identify such statements. The Company undertakes no obligations to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances, or achievements could differ materially from those expressed or implied in such statements. Readers are cautioned not to place undue reliance on the forward-looking statements as they speak only as on their date of statement. Information provided in this Management Discussion and Analysis (MD&A) pertains to Sonata Software Limited (the Company) and its subsidiaries on a consolidated basis, unless otherwise stated.

GLOBAL ECONOMIC REVIEW 2020-21

The global economy started the year 2020 with Covid-19 at its peak leading to lockdowns that severely restricted human activities. This has led to sharp declines in business-related activities across industries and geographies. Nonetheless, in early 2021, activities in several sectors picked up and adapted to pandemic restrictions. With the vaccination rollouts gaining momentum and governments fiscal stimulus measures, the global economy is expected to rebound at 6.0% in 2021, then moderate to 4.4% in 2022, from a contraction of (-)3.3% in 2020, as per the International Monetary Fund's (IMF) World Economic Outlook of April 2021. However, the emerging variants of the virus, the effectiveness of policy support to provide a bridge to vaccine-powered normalisation, and the evolution of financial conditions all contributes a high level of uncertainty.

The pandemic is widening gaps in economic performance between countries and sectors, increasing social inequalities, particularly among vulnerable groups, and endangering damage to job prospects and living standards for many people in the long term. The covid-19 would have long-lasting economic and health implications, necessitating continued government support.

INDIAN ECONOMIC OVERVIEW

In FY2021, despite tremendous fiscal and monetary stimulus support from the government, India's economic growth tumbled to (-)8.0% as lockdowns, and other containment measures slashed domestic demand without stopping the spread of Covid-19. The economy is projected to rebound at 12.5% in FY2022 making it the fastest-growing large economy in the world. It will moderate to 6.9% in FY2023, as per IMF's World Economic Outlook release of April 2021. The recovery to be led by continued normalization in economic activities as the rollout of vaccines gains traction. However, experts believe that the given projection is overly ambitious due to the

recent increase in Covid-19 cases resulting in partial lockdowns in some states.

GLOBAL IT INDUSTRY

According to Gartner's recent release, worldwide IT spending is forecasted to total USD 4.1 trillion in 2021, reflecting a growth of 8.4% from 2020. With the new normal work model, IT is no longer limited to support corporate activities as it was traditionally but is now actively involved in delivering business value. Acceleration in digitalization has not only shifted IT from a back-office role to the front of the business, but it has also changed the source of funding from an overhead cost that is maintained, monitored, and sometimes cut to something that generates revenue. All IT spending segments are expected to expand in 2022 and beyond.

Even though cost optimization efforts will continue in 2021, organizations are now prioritising their IT spending in emerging technologies such as Cloud, Automation, Data analytics, Digital ER&D, Artificial Intelligence (AI), Machine Learning (ML) which would add their agility and flexibility and enable them to keep the operations running in unforeseen situations like a pandemic in future. With the increased vaccine rollouts and easing of lockdown restrictions, the strong recovery of IT spending is expected across countries, industries, and markets.

INDIAN IT INDUSTRY

Despite initial hiccups in early 2020, the Indian IT industry remained resilient during the pandemic crisis. It was a herculean task for IT vendors to take care of customers, employees, and business operations to keep running smoothly when all delivery locations were under lockdown. During this unprecedented time, with unusual challenges associated with work from home, disrupted supply chains and changing customers' preferences, IT vendors rapidly realigned their strategies to be more customer-service-driven and assist customers in their digital transformation journey.

According to Gartner's recent release, India's IT spending is expected to reach USD 93 billion in 2021, witnessing a growth of 7.3% from 2020. Cloud is expected to drive a greater part of the Enterprise software growth in India in 2021, as per the below table. Furthermore, the government's easing of foreign investment restrictions in some sectors such as Insurance, Infrastructure and Telecommunications would also stipulate extra funds for businesses and IT vendors to accelerate their digital transformation efforts.

With innovation and resilience being the core competencies, the Indian IT sector not only ensured continuity of services to its customers but also emerged as a bellwether for other industries to keep the operations running. Due to strong digital execution capabilities, cost advantages and favourable talent landscape, India remains a favoured destination for IT services. FY2022 is expected to see a growth trend continue in India's IT spending, particularly in the area of digitalisation of internal processes, supply chain management, customer engagement processes and interactions, and service delivery.

KEY SECTORS FOR SONATA

Digital Transformation 2.0

Sonata Software is a global IT service and technology solutions company and its unique trademarked 'Platformation™' strategy for Digital Transformation is witnessing significant upturn globally among its customers. The Company completed 4 years in March 2021 of Platformation™, the unique and revolutionary approach of Sonata to help incumbent companies achieve their mandates for digital transformation. Sonata's repository of IP, its structured





Sonata Software Limited

approach that includes evaluation of a Customer Digital Agenda, market-specific solution architecture “ARCHITECTURE SONATA SOFTWARE” and a digital library of processes with in-depth points of view of critical processes enables Sonatas clients to fast track their digital transformation initiatives.

Sonata’s empowered platforms assist customers in creating and implementing platform-based business models. Sonata helps build open, connected, intelligent, and scalable platforms at the heart of today’s modern digital businesses by combining engineering excellence with industry experience, niche horizontal expertise, platform assets, and IPs. Sonata has also created reference platform business models for several industries specializing in retail, consumer goods, distribution, manufacturing, agri-business, utility service industry, and the best-in-class platform models. The concept of Platformation™ has gone from strength to strength and has today become even more important in the post-pandemic world paving the way for Sonata’s strong growth. Sonata has now also implemented its Platformation™ approach across all its service lines, including Cloud Transformation, Data & Analytics, Artificial Intelligence (AI), Machine Learning (ML), Platform Engineering, ERP/ Dynamics Services, Platformation™ consulting services across the value chain, helping them to future proof client’s digital investments while being flexible at delivering to growing needs of their business. Even with its own IP’s, the Company has followed a Platformation™ approach, making it much faster and convenient for its customers.

According to Nasscom’s recent survey, digital transformation deals have increased by 30%, cloud spending has increased by 80%, and customer engagement has increased by 15%, since the pandemic. It is expected to see a surge of hyper-digitalisation, with the world becoming more ‘physical (Physical + Digital) in the near future. Organizations are increasingly adopting and investing in emerging technologies such as AI, ML, Big Data Analytics, Internet of Things (IoT), Cloud Computing, Cyber Security, Robotics, Blockchain, Augmented Reality (AR), Virtual Reality (VR) that can help to upgrade its existing business models, automating front-end functions, minimise operational costs, mitigate risks, resolve supply chain disruptions, meet changing consumers preferences and deliver business value by connecting their businesses and value chains to the outside world. Trust, Agility, Talent and Innovation will be critical pillars to sustain in an extremely competitive environment.

Sonata sees more synergies with its IP-Led approach in various industry verticals aligned to Microsoft GTM and Platformation™ approach that’s closely aligned to Microsoft catalyst-led digital transformation approach as Microsoft is now becoming more industry-led and digital transformation-led with its catalyst approach. With its Platformation™ strategy, Sonata is well-positioned to help its customers achieve digital transformation in today’s new normal environment of digitalization.

Customer Experience

In the world of customer experience, the global pandemic has significantly affected customer’s buying behaviour and spending pattern due to the customers’ shifting lifestyles and value sentiments.

According to a study by Fortune Business Insights, the global Customer Experience (CX) market is estimated to increase from USD 9.26 billion in 2020 to USD 21.86 billion by 2027, exhibiting a CAGR of 13.0% from 2020 to 2027. CX solutions are becoming increasingly important in most organisations digital transformation initiatives as they concentrate more on measuring and managing the customer experience to fuel growth. The market is witnessing huge investments in IT infrastructures by start-ups and small & medium enterprises. The pandemic is helping to expand the CX market growth as remote working, lockdowns, and social distancing prompted market players to adopt advanced digital CX technologies and cloud based CX solutions to improve their interactions with customers. Several companies launched new products to assist end-

user organizations in deepening clients’ relationships, maintaining customer loyalty and gaining new customers.

On March 2021, Sonata Software launched ‘CXe’, a unique enhanced integrated CX management solutions developed using the Platformation™ approach. ‘CXe’ is a compelling offering from Sonata designed for clients worldwide looking for complete end-to-end CX solutions in the post-pandemic new normal that addresses the challenges with traditional solutions. In early FY2021, Sonata had acquired the Melbourne based GAPbusters Limited (GBW), pioneers in the CX domain with 30 years’ experience delivering CX improvement for marquee brands across the globe. ‘CXe’ is a combined result of GBW’s CX Management tools and expertise supplemented by Sonata’s own Platformation™ methodology of driving digital transformation and deep expertise in aligned technologies like customer engagement, data, and analytics. Sonata is now sprucing up its team to be able to offer the solution to more new customers besides making further investments in solution development and marketing given the opportunity CX provides. The Company see CX solution as a game-changer in the market.

Industry verticals

Sonata’s focus has been on the following industry verticals:

- ISVs (Independent Software Vendors)
- Travel and Tourism
- Retail
- Consumer Packaged Goods (CPG), Distribution and Manufacturing
- Agri Commodity Business (added via Scalable Data Systems Acquisition)
- Service Industries – Energy & Utilities (added via Sopris Systems Acquisition)

In FY2021, the pandemic affected some of the industry verticals such as Travel, Non-essential retail. Despite many challenges the Company faced initially at the start of the pandemic, a slew of new opportunities has now arisen. Sonata is well poised to take advantage of all of them and deliver world-class client experience all around.

ISVs (Independent Software Vendors)

The global ISVs market is expected to reach USD 4,077.7 billion by 2027, reflecting a CAGR of 13% between 2019 to 2027 period, as per Transparency Market Research. The major factors driving market growth include the rising adoption of software as a Service (SaaS) and the growing demand for multi-cloud and hybrid-cloud systems.

Increasing business outsourcing of software and services, as well as the growing need to adopt advanced IT solutions due to the rapidly changing market landscape, are expected to boost the growth of SaaS. The pandemic has enhanced the demand for implementation of multi-cloud and hybrid-cloud platforms that assist companies to implement application workloads that embrace functionality such as data residency standards, compliance and regulations, low latency and minimize expenses that improve mobility, and provides enhanced protection, enhanced user interface, and ubiquitous access. Thus, escalating new opportunities for independent software vendors (ISVs).

In today’s dynamic environment, ISVs face multiple opportunities and have to make strategic choices from multiple fronts. Various factors have prompted a change, including shifting consumers preferences, competitive pressure, technological advancements, and meeting business needs. To remain in business and keep their products market-relevant, ISVs need to invest in building new platforms, modernizing their existing legacy products, and

sustaining and improving profitability. Sonata's Platform engineering DNA built on Platformation™ methodology assists ISVs in this transformation journey. Sonata offers Digital platform engineering, modern engineering and sustenance engineering solutions to address the challenges faced by ISVs. Sonata has been working with many marquee customers in Azure and AWS cloud and has its engineering DevOps platform for building and delivering products. Sonata has vast experience in building capabilities in advanced technologies and cloud solutions also has built different platforms for ensuring seamless delivery.

Travel and Tourism

The travel and tourism sector continues to be one of the hardest hit by the Covid-19 pandemic. According to the United Nations World Tourism Organization (UNWTO) release of January 2021, the global tourist arrivals declined to 74% in 2020 as compared to 2019. In 2020, the global tourism industry lost an estimated USD 1.3 trillion in export revenues, which is more than 11 times the loss recorded during the global economic crisis of 2009. The pandemic crisis has put 100 to 120 million direct tourism jobs at risk, many of which are in small and medium-sized business. As per UNWTO, the sector could take 2½ to 4 years to reach the 2019 level again.

Following a tough end in 2020, the global travel and tourism sector suffered further setbacks at the beginning of the 2021 year as countries tightened travel restrictions in response to the resurgence of muted variants of the coronavirus. Additionally, the pace and dissemination of the vaccination rollout is slower than expected, further delaying the restart of tourism. Travel experts are cautious in their outlook, with the majority not expecting a return to pre-pandemic levels before 2023.

Domestic tourism is helping to cushion the blow, at least in part, and governments across the globe are taking immediate measures/action to restore and re-activate the industry while safeguarding jobs and businesses. Many countries are also developing strategies to build a more resilient tourism economy in the aftermath of the Covid-19 pandemic. These include preparing plans to support the sustainable healing of tourism, encouraging the digital transition and shift to a greener tourism environment and rethinking tourism for the future. Tourism is at a turning point and the measures put in place today will shape the tourism of tomorrow.

Technology has the potential to play a vital role in reviving the sector swiftly. Digitalisation in tourism services is likely to accelerate with increased automation usage, contactless payments and services, virtual experiences, and real-time information provision. With social distancing and health and hygiene protocols likely to stay in place for the near future, touchless service delivery and investments in emerging digital technologies could be a bridge to recovery.

Sonata Software is a global travel technology services company with deep domain expertise. We provide a comprehensive set of solutions and services and are the trusted partner of many marquee names in the travel business. Sonata powers some of the world's largest tour operators, corporate travel, online travel, rail and airline segments. We capitalize on technologies such as Mobility, Analytics, and Cloud to provide ERP and Omni-Channel Commerce solutions that provide benefits such as improved customer engagement, enhanced operational performance and greater return on IT investments. Sonata's pre-built end-to-end Travel Experience Management platforms offer businesses the crucial benefits of a full suite of high-quality solutions. These travel solutions which cover the front, middle and back-office operations can be personalized and implemented rapidly.

Retail

The retail industry was worst hit by the Covid-19 pandemic in 2020, second only to the damage to Travel and Leisure. The unprecedented situation forced retailers to reconsider their growth

strategies and make short-term plans instead to navigate through the crisis. The hardest hit were department stores, apparel and speciality retail.

In the United States (US), major retailers furloughed millions of employees and filed for bankruptcy protection as a result of government-mandated shutdowns and social distancing rules. On the other hand, consumers' behaviour, preferences, and buying pattern shifted rapidly towards online shopping, benefiting e-commerce retailers while forcing all others to scramble to catch up.

Moody's has revised its outlook for the US retail sector to stable from negative and expects operating profit to grow by 20% in 2021, with growth most pronounced in the hard-hit discretionary segments. The growth is expected to be driven by large US fiscal stimulus, increased consumer spending and macroeconomic growth. However, downside risk remains high due to uncertainties related to economic growth and the trajectory of new coronavirus cases. Store rationalization is expected to continue in 2021. Health and safety have become paramount for consumers and will remain so in future.

In 2021, technology will be at the core of all aspects of the business for those who survive and thrive in this uncertain situation. With the tensions fuelled in 2020, investment in digitalization and emerging technologies will be a must for every retailer that did not already accelerate investments during the pandemic – from the supply chain, e-commerce, and store operations, to merchandising, marketing, and shopper engagement. The scenario remains the same for the retail industry across the globe with varying levels and impacts. The Covid-19 era has introduced a huge opportunity for retailers to redefine the boundaries of digital retail to stay more connected with customers, rethink business strategies, gain new revenue by embedding their business with technology and create efficiencies in the new normal.

With Sonata's expertise in developing and implementing digital solutions and enterprise applications across multiple segments - Apparel & Fashion, Groceries & FMCG and Hard Goods, retailers can chart and implement solutions that help converge the digital and physical realms, thus redefining the boundaries of digital retail. Sonata's industry-ready platforms help retailers across segments implement new-age digital solutions in a shorter time while also laying a foundation for faster innovation of business models.

Sonata's proficiency in the leading Retail, Distribution, Travel and transportation customers along with its range of IP-led platform solutions, such as Brick & Click Retail, Kartopia, Modern Distribution and Halosys positions the Company as a strong contender to gain most from the post Covid-19 recovery.

Consumer Packaged Goods (CPG), Distribution, Manufacturing

In 2020, as the globe was swirling in turmoil, CPG companies continued to focus strongly on output because people needed their products to stay home due to lockdowns and closures of physical stores. During the year, CPG demand increased by 9.4% over 2019. Following an unprecedented 21% growth in March 2020, the industry adjusted to the uncertain situation and delivered goods throughout the year. The job lost at the start of the pandemic recovered rapidly, bringing employment levels up to 98% of the pre-pandemic level by October 2020, outperforming the overall economy, and CPG companies are continuing to hire. From elevated demand to supply chain to managing waste, all about the CPG industry is in the middle of remarkable change and capitalizing on enormous opportunities. The digital transformation is ongoing in the CPG industry. Revenue growth management, e-Commerce, unified demand planning, digital brand experience and data as an asset are key factors that will define growth for the digitally transformed CPG industry in 2021.

The distribution industry was no exception; with the sudden turn





in remote workers, distributors also had to quickly change the way they do business. Distributors are hyper-focused on increasing levels of automation and efficiency within the supply chain. With the introduction of e-commerce and the increase of online product orders, distributors are swiftly transforming their presence from bricks & mortar to include a web presence to capture increased consumer's demand. e-commerce is opening up a more convenient way for distributors to engage with their customers, who are progressively shifting away from traditional ordering methods. Although there is no clear end to the Covid-19 pandemic, the future holds a necessary advancement to the distribution industry, and technology is at the forefront for distributors who are positioning themselves ahead for success.

The Covid-19 crisis wreaked havoc on manufacturers in every sector. Companies that serve booming industries such as technology, health care, and home repair witnessed a significant increase in demand, while those that manufacture components for underperformers such as aviation, energy, and the automotive industry have languished. Meanwhile, almost all manufacturers experienced supply chain disruptions, operational challenges and volatile demand environment. Even after the pandemic subsides, it will leave behind a changed economic landscape for manufacturers and their customers. Focusing on automation and targeting areas of the economy that are expected to grow could help companies succeed and recover in the coming future.

In today's digital transformation phase, when consumers preferences are changing dramatically, operational efficiency is a key market engine for manufacturers and distributors. A flexible supply chain that provides real-time visibility and insights into the entire distribution network, from procurement to storage to delivery, is a critical enabler of efficient operations.

With the platform-oriented approach and new digital technologies, manufacturers and distributors will be able to not only efficiently manage the supply chain ecosystem, which includes different players such as distributors, franchisees, retailers, stockists, logistics providers and customers but also allow each player in the ecosystem to perform at their best. Sonata brings together deep experience, industry-ready platforms, and a unique Platformation™ approach to help industrial and consumer goods manufacturers and wholesale distributors to stay competitive with digital distribution platforms and solutions. Equipped with these solutions, manufacturers and distributors can establish an adaptive distribution network that can withstand the changing market dynamics and new distribution models.

Agri Manufacturing and Commodity Business

In 2020, the Agri manufacturing and commodity business was relatively undeterred by the Covid-19 pandemic. However, the impact was seen in terms of supply chain disruptions and agricultural production. Even though farm operations and supply chains were exempt from the lockdown guidelines, challenges such as supplying raw materials across closed borders and having enough healthy employees to keep facilities operative remained.

In an already competitive commodities market, disruptive shifts in global production and consumption models have changed the commodity procurement pattern. Although commodity markets have always been volatile, decision-making in real-time is crucial in today's markets, with severe weather, pandemic disruptions, evolving customer requirements, volatile tariffs, and others having a major impact on profitability and even a percent gain can improve the revenues. As a result, to execute transactions profitably, the trading team requires high-quality operations and the right platforms. Organizations who do not embrace digital automation in commodity sourcing can lose insights into their trading decision-making process and making it difficult to stay competitive in the long run.

In this new normal, maintaining adequate visibility, transparency, and accountability across the commodity transacting lifecycle would necessitate an immediate focus on governance, operations, and technology. Given the instant paradigm shift, technology has become critical in the execution of the risk monitoring and oversight of a commodity trading business.

With the acquisition of Scalable Data Systems, Sonata entered the Agri Commodity business. Scalable Data Systems designs digital platforms that can scale up or down as business demands, powered by Microsoft Dynamics, Sonata Software's Platformation™ and a suite of natively built assets.

With Sonata's unique ERP integrated CTRM platform, customers can achieve better visibility on their commodity sourcing and trading needs, single source-of-trade data, superior control over trading decisions, and reduced cost structure for better profitability.

Utility and Service Industries

Services play a key role in increasing productivity, efficiency and effectiveness in the whole economy. Services can be strategically used to facilitate economic makeover. These include telework enabling ICT (Information & Communication Technologies) services, digital financial services, and e-commerce platforms, which have kept economies running during pandemic induced lockdowns. ICT services, which can increase efficiency and reduce costs, promote the digital transformation of farming, manufacturing, and other sectors. This services-enabled digitization boots supply and export capacity, enhancing countries' economic resilience and recovery in the wake of the pandemic.

Sonata has spent 30 years working with services companies from the energy sector to speciality contractors, professional services firms, and a wide variety of field services and project-centric companies. With the acquisition of Sopris Systems in 2019, which specialises in helping project-centric and field services companies, Sonata got access to enter utilities services industries.

Even though not severely impacted due to pandemic, the utilities industry is also revisiting its processes and operations to adjust to the situation, particularly from a safety and security point of view. The utilities industry is now needed to focus on two distinct features: a major jolt in supply chain activities and more strict guidance from regulators. Utilities must create alternate roadmaps and mechanisms to ensure that the top and bottom lines are healthy in tandem with customer satisfaction. And second is with mandatory social distancing, isolation, pandemic fear, plant and field operations must be redefined to provide more safety.

Summary

Sonata Software has a unique leadership position in helping customers accelerate their enterprise transformation through Platformation™. In alignment with this strategy, we continue to strengthen, co-create and innovate our Platformation™ offering in collaboration with our customers, partners, and strategic ecosystem in our focus markets. Our strategy has been well complemented through our strategic investments and acquisitions. We have invested in platform technology Companies, that bring in unique IPs, assets and help add industry, technology & services alignment to enhance differentiation and create unique value propositions to accelerate enterprise transformation.

COMPANY OVERVIEW

Through its unique Platformation™ approach, Sonata enables digital transformation initiatives for enterprises to create businesses that are connected, open, intelligent and scalable. With a suite of specialised IP, Sonata's Platformation™ methodology brings together industry expertise, platform technology excellence, design thinking-led innovation and strategic engagement models to deliver sustained long-term value to customers. Sonata's solution portfolio includes

its own digital platforms such as Brick & Click Retail Platform®, Modern Distribution Platform®, Rezopia Digital Travel Platform®, Kartopia E-commerce Platform®, Halosys Mobility Platform®, and Commodity CTRM Platform®, best-in-class capabilities on ISV digital technology platforms such as Microsoft Dynamics 365, Microsoft Azure, SAP Hybris, Cloud Engineering and Managed Services, as well as new digital applications like IoT, Artificial Intelligence, Machine Learning, Robotic Process Automation, Blockchain, and Cybersecurity. Sonata's people and systems are nurtured to bring together the depth of thought leadership, customer commitment and execution excellence to make a difference to business with technology.

Highlights 2020-21

- 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.
- Some of our key new engagements are listed below:

One of the largest non-profit healthcare services companies	Develop NextGen User-Interface Console for their application
Leading manufacturer of digital audio interfaces and audio converters	Dynamics 365 Implementation
Leading retail chain for apparel in Australia	Build, design & architect the data Platform - migration from Qlikview to PowerBI
Leading electronic manufacturing company in US	Dynamics 365 Upgrade assessment
Partnered with a reputed hardware solutions retailer in US	Software & Networking Assessment of their current platform to move to the Cloud
Leading financial advisory firm in Europe	Build the Omni-channel borrower platform

Awards and Recognition

The Company's customer-focused service won a fair share of rewards and recognition as mentioned below –

- Proud winners of the MS Eagle Award for this year, dedicated to partners who set new standards for MS Dynamics 365.

INVESTMENT IN PEOPLE

To fuel its growth strategies, Sonata continued to make key investments in people at all levels in the Company. The total headcount of the Company stood at 4,102 of whom 3,320 are technology professionals. The FY21 also witnessed the following key addition of senior leaders:

- Mr. Suresh K P joined the Company as Vice President - Talent Transformation
- Mr. Nidhish Shetty joined the Company as Vice President – Open Source Platform Engineering and Data & Analytics

Trainings and Workshops

As the world rapidly moved towards digital transformation, it was imperative to bring ourselves up to speed and up-skill. The Company launched the Unified Engineer Development plan to support our Platformation™ agenda. More than 100 Sonatinas have completed the program from OS and MS competencies. The program for Dynamics and D&A will be launched next.

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. A virtual LIF was hosted on 26th June which included Sonatinas from various locations in India. The theme for the session was "Ideas, best practices for ensuring World Class delivery while remote working."

As an intrinsic part of the Onboarding process, Stepping Stones to Sonata, was conducted for new joinees of Sonata and Scalable. This induction framework helped in integrating new employees into the organization by helping them understand systems, procedures, culture, and business of the organization and help them settle in faster.

To enable Sonatinas to give the best in class experience to clients and to each other through communication, the Company launched BSI (Behavioural 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.

Customer	Product and Solution
Leading producer of fish and its products in Norway	Implementation and licenses of CTRM
Leading financial services software company in the ANZ region	Support with Dynamics Connectors using the Dynamics technology
A large multinational energy corporation in the US	Phase 2 HES implementation
A leading apparel chain store in ANZ region	upgrades to Dynamics 365
A global airline company in APAC	Adopts Prism Next
In the US, an American brand of automotive oil change specialty shops and service centers	Sonata-GBW implemented the Star Audit project – mystery shopping, brand auditing
A leading clothing and apparel company in Australia	Upgrade eCommerce websites from SAP Commerce version 6.2 to v20.05 as part of their SAP Commerce Consolidation Project – Phase 1 SRG
A large luxury marine transport manufacturer in Europe	Implement a Data Warehouse for the EMEA region
A reputed management institute and a Talent management Profiling POC for a private equity firm for online education in India	Implemented a remote Digital Classroom solution using MS technologies
Partnered with a leading investment banking company	To build an omnichannel borrower platform to enhance their customer experience





Virtual events, all-hands meets and on-boarding continued in FY2020-21 in our endeavor to keep the teams aligned and engaged. Virtual all-hands provided scope for sharing business updates and celebrate employee achievements & milestones.

CORPORATE SOCIAL RESPONSIBILITIES (CSR)

- Combating the COVID-19 situation in rural schools has been an uphill task. Our Sustainability partner, Agastya International Foundation, continued to make the best use of technology in delivering fun and education to over 1000 children from 15 schools. Science, nutrition, arts & crafts, model making, and sanitation – the children of rural South & North Karnataka continued to learn and make the most of it because of their efforts.
- Sonata Software has supported the Museum of Art & Photography (MAP), Bengaluru as part of our CSR engagement since 2019. As a member of MAP's Founding Circle, Sonata has made a financial donation as well as an in-kind contribution in the form of services to develop the Museum's new and interactive website. MAPs' initiative during the lockdown is also something we have supported. The Bouquet of Hope initiative is another means to help migrant workers who have suffered immensely because of the pandemic.
- Sonata partnered with Kriti Social Initiatives to make an impact in two main ways : to empower women through skills training and capacity building, promote livelihoods for women and ensure the education of children in slums in Hyderabad and to work on social Initiatives in building technology platforms for various women empowerment programs. But due to the pandemic, Kriti had to change focus to some other areas of impact with the grant:
 - o Distribution of books to children studying in low income schools.
 - o Providing teachers to government schools which were affected due to Covid.
 - o Income generation activities for women: Kriti is investing in developing e-commerce capability – launch of e-commerce store and providing sales and digital marketing personnel to drive the growth.
- Sonata continues to support and work with our Sustainability partners in these times in order for them to meet their goals.
- Sonata partners with Sense International (India) to support differently-abled children under its Sustainability initiatives.

OPERATIONAL REVIEW

The Company added 34 new clients and enhanced its delivery center and customer service presence globally.

1. Platformation™ Led Services:

Platformation™ continues to be our unique approach to digital, which is helping customers in their digital transformation journey. Our Platformation™ strategy has been well complemented through our strategic investments in IPs, solutions and inorganic initiatives.

Sonata's focus on Platformation™ at the core and industry led approach have started to pay off in these times when clients are looking to begin their digital journeys with the Company. We celebrated 4 years of Platformation™ in March 2021, and now it is becoming truly main stream.

The Platformation™ initiatives cover 5 key areas -

- **Converting existing clients to digital clients** - this framework has now been developed, tried and matured in different client contexts. Our teams are now able to road map

digital partner approaches and engage with clients across different archetypes top-down, build platforms and deliver digital services. Some of key Platformation™ engagements in existing clients are:

- o Sonata has been signed on for building infrastructure for data and API platforms for a large music holding company in the APAC. This is the beginning of 2 year data Platformation™ initiative expected to be \$ 1mn over 2 years. This initial phase will run for 3 months.
- o Our client, a leading company in the travel industry in Europe, has chosen Sonata as their partner for all digital initiatives because of our ability to show digital capability and delivery over a sustained period of time.
- **Winning new clients through Platformation™** – direct and thru alliance – our POV based industry led approach has helped us win key clients across our Platformation™ offering, i.e., Dynamics, Data, and Cloud.
- **Developing world-class competencies aligned to Platformation™** – all our competencies have now been converted to digital competencies and the offerings, tools, methodologies have been transformed.
- **Building world class talent** – our efforts continue in transforming our talent to align to Platformation™, whether it's the UEP program or digital architect program or digital delivery manager program.

We continue to invest in CX with our new entity GBW, and they continue to win large programs with both existing and new clients.

2. Delivery Process Excellence:

Delivery Excellence team is re-chartered and renamed as "Customer Success Team" to put the processes and system to ensure that Sonata provide world class client experience to our clients.

Successfully completed ISO9001 Surveillance audit in Remote delivery mode for both Sonata Software Ltd and Sonata Information Technology Limited (Digital Infrastructure Services Group) in June 2020.

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 Sep 2020.

ISO20000 Surveillance cum Upgrade Audit is completed in Dec 2020/Jan 2021 in Remote delivery mode and projects & functions from below Sonata Offices are covered: Global Village, Hyderabad, Head Office. With successful completion of this audit, Sonata's IT Service Management System (ITSM) is now upgraded and compliant to ISO20000:2018 version of Information Technology - Service management standard.

Sonata/GBW enabled Outlook India with a robust and responsive platform to drive an insightful study of the Mood of the Nation. The solution was conceived using Design Thinking principles and further developed using the Platformation™ approach, Sonata's unique framework for digital transformation. This is Sonata's first fully customized program for the Indian market. Functionally and technically, jointly managed by the Indian and Australian teams, the study ran virtually in three mini-survey campaigns via email for Outlook India subscribers, website and social media page visitors.

Sonata partnered with a world leader in claims management solutions in their digital transformation journey, by building

the Digital First Notice of Loss (FNOL) platform through Sonata's Platformation™ approach, using modern engineering practices & technologies. The new digital platform went live on 1st Oct 2020.

Sonata implemented a digital platform, which has gone live in Sep 2020 for the largest ferry operator headquartered in UK, operating 20+ Ships, 30000+ sailings, carrying 10+ million passengers, 1.6 million cars and 2.2 million freight units every year between UK & Ireland and Continental Europe.

An ISV Platformation™ project for a leading global OTA focused on the hostel market has gone live in Jun 2020. Sonata designed and developed this platform leveraging Sonata's Platformation™ methodology.

Sonata has successfully completed the validation of Asset Management Application, which has gone live in September 2020 for Johnson & Johnson, a multinational company developing medical devices, pharmaceutical, and consumer packaged goods.

Besides these, Sonata also implemented Finance & Supply Chain Management modules for one of the leading Company. We also developed the Carrier App and Shipper App for the digital freight ecosystem platform for one of the US-based start-ups. We continue to focus on helping our customers to shape successful outcomes for their business by understanding their needs better through Remote Digital Delivery Model in a high collaborative manner.

Sonata Software Ltd participated in the HYDSPIN (HYDERABAD Software Process Improvement Network) Process Benchmarking 2020 initiative, which surveyed the Best practices of key processes along with Lessons learned and Regular Practices followed among leading IT Service, Product based, Product and Service-Oriented organizations.

Sonata has developed a Digital Platform for Health, Environment & Safety Management (HES Platform) for a large US Based Oil & Gas multi-national. We followed the Platform consulting through business, technology, data lens to identify platform initiatives and roadmap across various layers covering technology (API, Data, UI) and business capabilities.

The benefits to our clients have been many-fold - Consolidation of all Safety measures. Digital Accessibility & Transformation of HES Services, Support Cross-Functional Value Streams, Increased understanding of Risk profile and Monitoring of Safeguards and improved Customer Satisfaction.

Our continuous focus of being a digital partner for our clients starts with delivering a world-class client experience across the life cycle from marketing, sales, pre-sales, solutioning, delivery and account management. Responsiveness, quality of people, quality of delivery, quality of governance is key. Setting up the CCoE model is essential, ensuring we practice all processes, including digital delivery as recommended by the customer success team is critical.

3. Marketing Initiatives

The Company continued to undertake strategic brand-enhancing initiatives during the year. Some of these include:

- Sonata participated in MS Inspire, the Microsoft flagship customer event in July 2020.
- "3 key talents for a successful digital transformation" – World Economic Forum published the article coauthored by Mr. Srikar Reddy, CEO & MD, Sonata Software in collaboration with Jean-Claude Monney, a Digital Transformation and Knowledge Management Coach who has worked previously with Microsoft and was a faculty member at the Columbia University

- Held flagship customer event 'Sonata Spark' along with Scalable Data Systems in Melbourne in April 2019, was successful in bringing together Sonata's customers, prospects and partners to discuss and brainstorm on topics related to Platform based digital transformation and future of business & technology
- Two successful events conducted in collaboration with Sonata's alliance partners, Microsoft – ComRisk 2019 and the Retail Innovation Summit
- Attended the Google Cloud Platform (GCP) organized in Mumbai. Sonata being a GCP selling partner for Google, has been part of their go-to-market strategy
- Participated in AXUG event's Northern California chapter on September 2019

SEGMENT-WISE PERFORMANCE

The Company is engaged in business providing IT Services and Solutions to its customers in the US, Europe, Middle East, Asia Pacific, and Distribution of Software Products in India. The Company's consolidated operations include Indian and Overseas subsidiaries under the two distinct segments:

- International IT Services contributed with 28% of total revenues and 75% of PAT
- Domestic Products and Services with 72% of the total revenues and 25% of PAT

During the year, the International IT services revenues stood at Rs 118,386 Lakhs (USD 160.3 million) a de-growth of 7% on Y-o-Y basis. Domestic products and services stood at Rs 3,06,561 lakhs. The total consolidated revenue stood at Rs 4,22,808 lakhs a growth of 13% on Y-o-Y basis.

The Company added 34 new logos during the year across verticals, regions in the International Services segment.

From a geographical perspective, USA contributed 54% to our services revenues, followed by Europe (including UK) contributing 24% and Rest of the World (RoW) delivering the balance. The onsite revenue contributed 35% while the balance was from offshore activities.

From a vertical perspective, Travel & Tourism contributed to 9% in the revenues, ISV 32%, Retail Distribution contributed 30% while the balance came from other services.

From a competency perspective, 30% of our revenue was from AX business(Microsoft Dynamics), 12% was contributed by Data and Analytics and 20% by Microsoft Digital Platformation™ Services while the balance came from ERP and other services. Overall, 62% of our business came from Digital.

All the above highlights are a reflection of Sonata's journey to reposition itself as a unique technology solutions provider that is committed to develop an emerging breed of platforms enabling its customers to gain a competitive advantage through the Company's future-ready digital transformation initiatives.

FINANCIAL OVERVIEW

Consolidated Financial Highlights:

Particulars	2020-21 (₹ in Lakhs)	2019-20 (₹ in Lakhs)	YoY Growth
Total Income	425,583	380,166	12%
EBIDTA	40,710	43,121	-6%
Interest & Depreciation	5,496	5,172	6%
PAT After Non-Controlling Interest	24,396	27,693	-12%
EPS (₹)	23.48	26.66	-12%





1. Total Income

Total income increased 12% from ₹ 380,166 lakhs in 2019-20 to ₹ 425,583 lakhs in 2020-21 largely owing to increase in revenue from international IT services and domestic products & services.

2. EBITDA

The EBITDA margin is 10% in 2020-21.

3. Profit after Tax After Non - Controlling Interest

The Net Profit margin is 6% in 2020-21.

4. Interest and Borrowings

The interest cost for the year 2020-21 is ₹ 1,539 lakhs, out of which interest expense on lease liability as per Ind AS 116 is ₹ 1,014 lakhs. The Company had a Net Cash balance of ₹ 64,811 lakhs (including investment in Mutual Funds and net of bank borrowing).

5. Capital Employed

The Capital Employed is ₹ 99,520 lakhs in 2020-21. The Return on Average Capital Employed (ROCE) for the year ended 31st March, 2021 was reported at 30%.

6. Net Worth

The Net Worth is ₹ 90,546 lakhs in 2020-21. The Return on Average Net Worth (RONW) for the year ended 31st March, 2021 was reported at 31%.

7. Fixed Assets

The Company's fixed assets which includes property, plant, equipment and goodwill is ₹ 32,313 lakhs as at March 31, 2021. and depreciation for the year is ₹ 2,016 lakhs.

8. Working Capital Management

Days sales outstanding for international IT services Increased from 44 Days in 2019-20 to 50 days in 2020-21.

Standalone Financial Highlights:

Particulars	2020-21 (₹ in Lakhs)	2019-20 (₹ in Lakhs)	YoY Growth
Total Income	82,621	97,397	-15%
EBIDTA	27,891	30,025	-7%
Interest & Depreciation	2,862	3,150	-9%
PAT	17,903	21,126	-15%
EPS (Rs)	17.23	20.33	-15%

1. Total Income

Income decreased 15% from ₹ 97,397 lakhs in 2019-20 to ₹ 82,621 lakhs in 2020-21 mainly on account of COVID.

2. EBITDA

EBIDTA decreased 7% from ₹ 30,025 lakhs in 2019-20 to ₹ 27,891 lakhs in 2020-21.

3. Profit after Tax

Profit after Tax decreased 15% from ₹ 21,126 lakhs in 2019-20 to ₹ 17,903 lakhs in 2020-21.

4. Interest and Borrowings

The interest cost for the year 2020-21 is ₹ 972 lakhs, out of which interest expense on lease liability as per Ind AS 116 is ₹ 930 lakhs. The Company had a Net Cash balance of ₹ 32,127 lakhs (including investment in Mutual Funds).

5. Capital Employed

The Capital Employed is ₹ 52,952 lakhs in 2020-21. The Return on Average Capital Employed (ROCE) for the year ended 31st March, 2021 was reported at 42%.

6. Net Worth

The Net Worth is ₹ 52,952 lakhs in 2020-21. The Return on Average Net worth (RONW) for the year ended 31st March, 2021 was reported at 40%.

7. Fixed Assets

The Company's fixed assets which includes property, plant, equipment and goodwill is ₹ 3,288 lakhs as at March 31, 2021. and depreciation for the year is ₹ 552 lakhs.

OUTLOOK

2020 was an exceptional year for the global economy impacting growth across industries and sectors. As outlined in the economic and industry review, the year 2021 continues to remain uncertain for projections due to the resurgence of muted virus variant cases and the uncertain macroeconomy.

The Covid-19 pandemic has accelerated the adoption of digital technologies by several years, and that many of these changes could be here for the long term. Organizations are rapidly adopting the changes and increasing their investments in emerging technologies to stay relevant in the competitive market.

Sonata completed another strong year witnessing solid growth in both the segments it operates in – International IT Services and Domestic Products and Services demonstrating resilience. The Company at the start of the year, witnessed some impact in the travel and non-retail segment due to Covid-19, while other segments remained resilient. The worst is behind now, and the Company looks forward to an era of positive growth. As industry returns to normalcy and increased digitization, the Company see enormous opportunity for IT services, particularly for the companies like Sonata, who have a greater digital footprint and unique digital offering.

The Company continued to serve its clients and have also seized the opportunity to build innovative solutions, forge strategic partnerships, improve client relations and focus on employee wellness initiatives.

The engines that will drive Sonata's growth and value going forward are:

- Platformation™ as mainstream
- Penetrating existing client accounts with opportunities through cross-sell and up-sell
- Acquiring new clients for Platformation™ led Digital Transformation across verticals –Distribution, Retail, Travel, and ISVs
- Synergistically leveraging technology alliance partners, led by our very strong and deep Microsoft Alliance
- Grow IP & proprietary platform revenues through own and channel partners
- Continue to focus on digital infrastructure partnership
- Invest in new growth areas – cloud, security, sonata IP
- Continue to leverage internal operational efficiencies and cost reduction programs

Sonata is well placed to make most of the opportunities to support its new and existing customers. The Company will continue to focus on its strategy to be the digital transformation partner across core

verticals based on its IPs and specialized services around digital technologies like analytics, cloud, social, omnichannel commerce and mobility. It will continue to prominence on improving its capabilities and invest in new innovative growth platform in the coming year.

Risk & Concern

Nature of Risk	Risk Explanation	Risk Mitigation
Economic Risk	The Company's business may be adversely impacted by unforeseen economic reforms and events in the country it serves in.	Coronavirus Pandemic has impacted the whole world, regardless of the size of the economy or its diversity. The Company has a diversified geographical presence and has always maintained healthy and long - standing relationship with its clients in partnering them as their IT solution provider and adding value to their businesses. These have resulted in minimal impact to the overall business of the Company, and these mitigation strategies will endure
Foreign Currency Risk	Unfavourable currency fluctuations may adversely impact Company's earnings.	The Company uses foreign currency forward contracts to hedge risks involving foreign currency fluctuation. There is a periodic evaluation and consultation with appropriate professionals to validate the Company's hedging strategies.
Concentration Risk	The regional concentration as well as vertical concentration can adversely impact Company's business in case of a slowdown.	The Company continues to further diversify its business in terms of regional and vertical exposure on an ongoing basis.
Competition Risk	The Company operates in a competitive business environment. A loss of client can impact the regular cash flows.	The Company seeks to differentiate itself from its competitors with the following strong differentiated strategies: -Platformation™ approach which includes proprietary IP, frameworks, industry-specific trademark solution architecture components (MARCHITECTURE™), and digital library of processes - A strong and multidimensional alliance with Microsoft - Robust Financial structure The combination of IP, relationships, and financials create significant competition differentiators
Attrition Risk	Human capital plays a significant role in the IT services; attrition can lead to service and delivery failures.	The Company deploys best-in-class HR principles and practices to maintain a strong bonding between the Management and the employees. Employee engagement is high, with periodic engagement programs across levels within the organisation. Sonata's emphasis on its DNA (Deep Nurtured Attributes) coupled with exciting rewards and recognition, binds employees to the Company, keeping our attrition rates well within Industry averages.
Regulatory Risk	The Company operates across several nations viz. UK and US. Any change in law, regulations and taxation framework may affect the business operations. Further legislation in various countries in which the Company operates may impose restrictions on companies in those countries from outsourcing work to us, or may implement stricter immigration laws, or may limit our ability to send our employees to certain client sites.	The Company has a professional team in and outside India to mitigate this risk on a continuous basis. 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.

Material Development in Human Resource

Sonata is a people-focused and talent conscious enterprise, operating in a competitive business environment. It considers its employees to have a competitive edge. To achieve leadership and scalable growth, the Company has aligned competencies of its human capital with technology enablement. The Company significantly invests in professional development and providing career development opportunities for its employees. A robust training and development framework, rewards and recognition systems, is aligned to the business to help them excel in their work.

The Company ended the year with a headcount of 4,102 which was decreased by 3% compared to the previous year's headcount of 4,211.

Internal Control System

The Company has set up a proper and adequate and sound internal control system to safeguard the Group's assets and to enhance shareholders' investment, as well as reviewing its adequacy and effectiveness of the said system.

The duty of reviewing the adequacy and effectiveness of the internal control system has been assigned to the Audit Committee ("AC"), to seek assurance on the adequacy and effectiveness of the internal control system through reports it receives from independent reviews conducted by the Internal Auditor.

The Company constantly reviews its processes and the systems with an aim to remain competitive and 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 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.

