Notes forming part of financial statements

1 COMPANY OVERVIEW

Sonata Software Limited (SSL or the Company) is a Company primarily engaged in the business of providing Information Technology Services and Solutions to its customers in the United States of America, Europe, Middle East, Australia and India.

The Company is a public limited company incorporated and domiciled in India with its registered office at Mumbai and operationally headquartered at Bengaluru. The Company is listed on The National Stock Exchange of India Limited and BSE Limited. The financial statements are approved for issue by the Company's Board of Directors on May 12, 2021.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION & PRESENTATION OF FINANCIAL STATEMENTS

a. Statement of compliance

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter.

b. Basis of measurement

The financial statements have been prepared on a historical cost convention and on an accrual basis, except for certain financial instruments which are measured at fair value at end of the each reporting period, as explained in the accounting policies below.

c. Use of judgement, estimates and assumptions

The preparation of the financial statements in conformity with Ind AS requires the management to make judgements, estimates and assumptions considered in the reported amounts of assets and liabilities and disclosure relating to contingent liabilities as at the date of financial statement and the reported amounts of income and expenditure during the reported year. Estimates and underlying assumptions are reviewed on a periodic basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

i) Income taxes

The Company's major tax jurisdictions is India. Significant judgments are involved in determining the provision for income taxes, including amount expected to be paid/recovered for uncertain tax positions. In assessing the realizability of deferred income tax assets, management considers whether some portion or all of the deferred income tax assets will not be realized. The realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred income tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred income tax assets are deductible, management believes that the company will realize the benefits of those deductible differences. The amount of the deferred income tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

ii) Liability towards acquisition of businesses

The Contingent consideration representing liability towards acquisition of business is reassessed at every reporting date. Any increase or decrease in the probability of achievement of financial targets would impact the measurement of the liability. Appropriate changes in estimates are made when the management becomes aware of the circumstances surrounding such estimates.

iii) Impairment testing

Investments in subsidiaries, goodwill and intangible assets are tested for impairment annually and when events occur or changes in circumstances indicate that the recoverable amount of the asset or cash generating units to which these pertain is less than its carrying value. The recoverable amount of cash generating units is higher of value-in-use and fair value less cost to dispose. The calculation of value in use of a cash generating unit involves use of significant estimates and assumptions which includes turnover and earnings multiples, growth rates and net margins used to calculate projected future cash flows, risk-adjusted discount rate, future economic and market conditions.

iv) Depreciation and amortisation

Depreciation and amortisation is based on management estimates of the future useful lives of certain class of property, plant and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the depreciation and amortisation charges.

v) Other estimates

The preparation of financial statements involves estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amount of revenues and expenses for the reporting period. Specifically, the Company estimates the probability of collection of accounts receivable by analyzing historical payment patterns, customer concentrations, customer credit worthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required.

The stock compensation expense is determined based on the Company's estimate of equity instruments that will eventually vest.

Fair valuation of derivative hedging instruments designated as cash flow hedges involves significant estimates relating to the occurrence of forecast transaction.

vi) Estimation of uncertainties relating to the global health pandemic COVID-19:

The management has considered the possible effects that may result from COVID-19 in the preparation of these financial statements including the recoverability of carrying amounts of financial and non-financial assets. In developing the assumptions relating to the recoverability of these assets, the management has considered the global economic conditions prevailing at the date of approval of these financial statements and has used internal and external sources of Information including credit reports to the extent determined by it. The eventual outcome of impact of the global health pandemic may be different from those estimated as on the date of approval of these financial statements.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (i.e. the functional currency). The financial statements are presented in Indian Rupee, the national currency of India, which is the functional currency of the Company. The functional currency of its Branches is as per its respective domicile currency.

b. Investment in subsidiaries

Investment in subsidiaries is measured at cost. Dividend income from subsidiaries is recognised when its right to receive the dividend is established.

c. Property, plant and equipment

Property, plant and equipment are measured at cost or its deemed cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Subsequent expenditure relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized in the statement of profit and loss when incurred.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Statement of Profit and Loss.

d. Capital work-in-progress

Amounts paid towards the acquisition of property, plant and equipment outstanding as of each reporting date and the cost of property, plant and equipment not ready for intended use before such date are disclosed under capital advances and capital work-in-progress respectively.

e. Depreciation/ Amortisation

Depreciable amount for assets is the cost of asset less its estimated residual value. Depreciation has been provided on buildings and plant and equipments on the straight line method and on furniture and fixtures, vehicles and office equipments on the written down method, as per the useful life prescribed in Schedule II of the Companies Act, 2013.

Leasehold land and leasehold improvements are amortized over primary lease period.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. The Company assesses at each Balance Sheet date whether there is objective evidence that a asset or a group of assets is impaired. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

f. Leases

The Company's lease asset classes primarily consist of leases for land and buildings. The Company, at the inception of a contract, assesses whether the contract is a lease or not lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a time in exchange for a consideration. This policy has been applied to contracts existing and entered into on or after April 1, 2019.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets (assets of less than ₹ 500,000 in value). The Company recognises the lease payments associated with these leases as an expense over the lease term.

g. Financial Instruments

All financial instruments are recognised initially at fair value. Transaction costs that are attributable to the acquisition of the financial asset (other than financial assets recorded at fair value through profit or loss) are included in the fair value of the financial assets. Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trade) are recognised on trade date. While, loans and borrowings and payables are recognised net of directly attributable transaction costs.

For the purpose of subsequent measurement, financial instruments of the Company are classified in the following categories: non-derivative financial assets comprising amortised cost, debt instruments at fair value through other comprehensive income (FVTOCI), equity instruments at FVTOCI or fair value through profit and loss account (FVTPL), non derivative financial liabilities at amortised cost or FVTPL and derivative financial instruments (under the category of financial assets or financial liabilities) at FVTPL.

The classification of financial instruments depends on the objective of the business model for which it is held. Management determines the classification of its financial instruments at initial recognition.

Non-derivative financial assets

i. Financial assets at amortised cost

A financial asset shall be measured at amortised cost if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

They are presented as current assets, except for those maturing later than 12 months after the reporting date which are presented as non-current assets. Financial assets are measured initially at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest rate method, less any impairment loss.

Financial assets at amortised cost are represented by trade receivables, security deposits, cash and cash equivalents, employee and other advances and eligible current and non-current assets.

Cash and cash equivalents comprise cash on hand and in banks and demand deposits with banks which can be withdrawn at any time without prior notice or penalty on the principal.

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, in banks and demand deposits with banks, net of outstanding bank overdrafts that are repayable on demand, book overdraft and are considered part of the Company's cash management system.

ii. Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI)

For assets, if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and where the company has exercised the option to classify the equity investment as at FVTOCI, all fair value changes on the investment are recognised in OCI. The accumulated gains or losses on such investments are not recycled to the Statement of Profit and Loss even on sale of such investment.

iii. Financial assets at Fair Value through Profit and loss (FVTPL) -

Financial assets which is not classified in any of the above category is measured at FVTPL. These include surplus funds invested in mutual funds etc.

Financial assets included within the FVTPL category are measured at fair values with all changes recorded in the statement of profit and loss.

Non-derivative financial liabilities

Financial liabilities at amortised cost

Financial liabilities at amortised cost represented by borrowings, trade and other payables are initially recognized at fair value, and subsequently carried at amortized cost using the effective interest rate method. For trade and other payable maturing within one year from the Balance Sheet date, the carrying value approximates fair value due to short maturity.

Financial liabilities at FVTPL

Financial liabilities at FVTPL represented by contingent consideration are measured at fair value with all changes recognised in the statement of profit and loss.

Derivative financial instruments and hedging activities

A derivative is a financial instrument which changes value in response to changes in an underlying asset and is settled at a future date. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Company enters into derivative contracts to hedge the risks asserted with currency fluctuations relating to firm commitments and highly probable transactions. The Company does not use derivative instruments for speculative purposes.

The Company documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Other Comprehensive Income. The ineffective portion of changes in the fair value of the derivative is recognised in the Statement of Profit and Loss.

Amounts accumulated in hedging reserve are reclassified to the Statement of Profit and Loss in the periods when the hedged item affects the Statement of Profit and Loss.

The full fair value of a hedging derivative is classified as a current/ non-current, asset or liability based on the remaining maturity of the hedged item.

When a hedging instrument expires, swapped or unwound, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in Statement of Changes in Equity is recognised in the Statement of Profit and Loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Fair value measurement

The Company classifies the fair value of its financial instruments in the following hierarchy, based on the inputs used in their valuation:

i) Level 1 - The fair value of financial instruments quoted in active markets is based on their quoted closing price at the Balance Sheet date.

ii) Level 2 - The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques using observable market data. Such valuation techniques include discounted cash flows, standard valuation models based on market parameters for interest rates, yield curves or foreign exchange rates, dealer quotes for similar instruments and use of comparable arm's length transactions.

iii) Level 3 - The fair value of financial instruments that are measured on the basis of entity specific valuations using inputs that are not based on observable market data (unobservable inputs). When the fair value of unquoted instruments cannot be measured with sufficient reliability, the Company carries such instruments at cost less impairment, if applicable.

h. Employee Benefits

The Company participates in various employee benefit plans. Post-employment benefits are classified as either defined contribution plans or defined benefit plans. Under a defined contribution plan, the Company's only obligation is to pay a fixed amount with no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. The related actuarial and investment risks fall on the employee. The expenditure for defined contribution plans is recognized as expense during the period when the employee provides service. Under a defined benefit plan, it is the Company's obligation to provide agreed benefits to the employees. The related actuarial and investment risks fall on the Company. The present value of the defined benefit obligations is calculated using the projected unit credit method.

Provident Fund: Employees receive benefits from a provident fund, which is a defined benefit plan. The employer and employees each make periodic contributions to the plan. A portion of the contribution is made to the approved provident fund trust managed by the Trustees of Sonata Software Limited Provident Fund while the remainder of the contribution is made to the government administered pension fund. The rate at which the annual interest is payable to the beneficiaries by the trust is being administered by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate.

Gratuity: The Company provides for Gratuity, a defined benefit plan covering the eligible employees. The Gratuity plan provides a lump-sum payment to vested employees at retirement, death or termination of employment, of an amount based on the respective employee's salary and tenure of the employment with the Company.

Liabilities with regard to the Gratuity plan are determined by actuarial valuation , performed by an independent actuary, at each Balance Sheet date using projected unit method. The Company fully contributes all ascertained liabilities to the trust managed by the Trustees of Sonata Software Limited Gratuity Fund. The Trustees administers the contributions made to the Trust. The fund's investments are managed by certain insurance companies as per the mandate provided to them by the trustees and the asset allocation is within the permissible limits prescribed in the insurance regulations.

The Company recognizes the net obligation of a defined benefit plan in its Balance Sheet as an asset or liability. Gains and losses through re-measurements of the net defined benefit liability/(asset) are recognized in other comprehensive income and are not reclassified to profit or loss in subsequent periods. The actual return of the portfolio of plan assets, in excess of the yields computed by applying the discount rate used to measure the defined benefit obligation is recognized in other comprehensive income. The effect of any plan amendments are recognized in net profit in the statement of Profit and Loss.

Superannuation Fund: Certain employees of the Company are participants in a defined contribution plan of superannuation. The Company has no further obligations to the plan beyond its monthly contributions which are periodically contributed to the Sonata Software Limited Superannuation Fund , the corpus of which is invested with the Life Insurance Company.

Short-term employee benefits

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

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

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

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

Long-term employee benefits

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

i. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset, if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions for onerous contracts are recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. Provisions for onerous contracts are measured at the present value of lower of the expected net cost of fulfilling the contract and the expected cost of terminating the contract.

j. Income Taxes

Income tax comprises current and deferred tax. Income tax expense is recognized in the Statement of Profit and Loss except to the extent it relates to items directly recognized in equity or in other comprehensive income.

a) **Current income tax -** Current income tax liability/ (asset) for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the taxable income for the year. The tax rates and tax laws used to compute the current tax amount are those that are enacted or substantively enacted by the reporting date and applicable for the year. The Company off sets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis or to realize the asset and liability simultaneously.

b) **Deferred tax -** Deferred income tax is recognized using the Balance Sheet approach. Deferred income tax assets and liabilities are recognized for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount in financial statements, except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profits or loss at the time of the transaction.

Deferred income tax asset is recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized. Deferred income tax liabilities are recognized for all taxable temporary differences.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

k. Cash flow Statement:

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipt or payments and item of income or expense associated with investing or financing cash-flows. The cash flow from operating, investing and financing activities of the Company are segregated.

l. Revenue Recognition

The Company derives revenue primarily from Information Technology Services and Solutions. The Company recognizes revenue when it transfers control over a product or a service to a customer. The method for recognizing revenues and costs depends on the nature of the services rendered

a) Time and materials contracts

Revenues from contracts priced on a time and material basis are recognised as the related services are performed and related costs are incurred.

b) Fixed-price contracts

Revenues from fixed-price contracts are recognized using the percentage-of-completion method. Percentage of completion is determined based on project costs incurred to date as a percentage of total estimated project costs required to complete the project. The cost expended (or input) method has been used to measure progress towards completion as there is a direct relationship between input and productivity.

If the Company does not have a sufficient basis to measure the progress of completion or to estimate the total contract revenues and costs, revenue is recognized only to the extent of contract cost incurred for which recoverability is probable.

When total cost estimates exceed revenues in an arrangement, the estimated losses are recognized in the statement of profit and loss in the period in which such losses become probable based on the current contract estimates.

c) Hardware/software products and licenses

Revenues from sale of product and licenses are recognised when customer obtains control of the specified asset. In case of customization the same is recognised over the life of the contract using the proportionate completion method, with contract costs determining the degree of completion. Foreseeable losses on such contracts are recognised when probable.

When another party is involved in providing goods or services to the customer, the entity determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the entity is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the entity is an agent). The entity determines whether it is a principal or an agent for each specified good or service promised to the customer. A specified good or service is a distinct good or service (or a distinct bundle of goods or services) to be provided to the customer. Company recognises revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred. Company recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

d) Maintenance Contracts

Revenue from maintenance contracts is recognized ratably over the period of the contract using the percentage-of-completion method. When services are performed through an indefinite number of repetitive acts over a specified period of time, revenue is recognized on a straight line basis over the specified period or under some other method that better represents the stage of completion.

'Unbilled revenues' represent cost and earnings in excess of billings as at the end of the reporting period.

'Unearned revenues' represent billing in excess of revenue recognized. Advance payments received from customers for which no services are rendered are presented as 'Advance from customers'.

Revenues are reported net of GST and applicable discounts and allowances.

m. Government grants:

Grants from the Government are recognised by the company when there is reasonable assurance that the conditions attached to the grant will be complied and it will be received.

Government grants related to revenue are recognised on a systematic basis in the statement of profit and loss over the periods necessary to match them with the related costs which they are intended to compensate. Such grants are deducted in reporting the related expense. The grant pertaining to an asset is recognized as income over the expected useful life of the asset.

n. **Dividend and dividend distribution tax:**

Final dividends on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors. The Company declares and pays dividends in Indian rupees and are subject to applicable distribution taxes. The applicable distribution taxes are treated as an appropriation of profits.

The Finance Act 2020 has abolished the Dividend Distribution Tax (DDT) and has shifted the tax liability on dividends to the shareholders. Accordingly, the Company distributes the dividend after deducting the taxes at applicable rates.

o. **Foreign Currency transactions and translations**

Transactions in foreign currency are translated into the respective functional currencies using the exchange rates prevailing at the dates of the respective transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the exchange rates prevailing at reporting date of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Profit and Loss and reported within foreign exchange gains/ (losses).

Non-monetary assets and liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Foreign currency gains and losses are reported on a net basis. This includes changes in the fair value of foreign exchange derivative instruments, which are accounted at fair value through profit or loss.

p. **Finance Income and expense**

Finance income consists of interest income on funds invested, dividend income and fair value gains on the FVTPL financial assets. Interest income is recognized as it accrues in the statement of profit and loss, using the effective interest method.

Dividend income is recognized in the statement of profit and loss on the date that the Company's right to receive payment is established.

Finance expenses consist of interest expense on loans and borrowings. Borrowing costs are recognized in the Statement of Profit and Loss using the effective interest method.

q. **Share based payments**

Employees of the Company receive remuneration in the form of cash settled share based transaction, for rendering services over a defined vesting period. Equity instruments granted are measured by reference to the fair value of the instrument at the date of grant. The equity instruments are granted by the Employee Welfare Trust.

The expense is recognized in the Statement of Profit and Loss with a corresponding increase to the share based payment reserve, a component of equity.

The equity instruments generally vest in a graded manner over the vesting period. The fair value determined at the grant date is expensed over the vesting period of the respective tranches of such grants (accelerated amortization).

The fair value of the amount payable to the employees in respect of Stock Appreciation Rights (SAR), which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the SAR plan. Any changes in the liability are recognized in Statement of Profit and Loss.

r. **Impairment**

a) **Financial assets :**

In accordance with Ind AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss.

The Company assesses at each Balance Sheet date whether a financial asset or a group of financial assets is impaired. The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivable and unbilled revenue. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. The Company recognizes lifetime expected credit losses for all trade receivables and/or other contract assets that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

ECL allowance (or reversal) is recognised as income / expense in the Statement of Profit and Loss.

b) **Non-financial assets**

The Company assesses at each reporting date whether there is any objective evidence that a non financial asset or a group of non financial assets is impaired. If any such indication exists, the Company estimates the amount of impairment loss.

An impairment loss is calculated as the difference between an asset's carrying amount and recoverable amount. Losses are recognised in Statement of Profit and Loss and reflected in an allowance account. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through Statement of Profit and Loss.

The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net off any accumulated depreciation/amortisation) had no impairment loss been recognised for the asset in prior years.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

s. Earnings per share

Basic earnings per equity share is computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares outstanding during the period.

Diluted earnings per equity share is computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares considered for deriving basic earnings per equity share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares. The dilutive potential equity shares are adjusted for the proceeds receivable had the equity shares been actually issued at fair value(i.e. the average market value of the outstanding equity shares). Dilutive potential equity shares are deemed converted as at the beginning of the period, unless issued at a later date. Dilutive potential equity shares are determined independently for each period presented.

t. Contingent Liabilities

Contingent liabilities exist when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required or the amount cannot be reliably estimated. Contingent liabilities are appropriately disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

u. Contingent Assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. The Company does not recognize a contingent asset.

v. Events after the reporting period

Adjusting events are events that provide further evidence of conditions that existed at the end of the reporting period. The financial statements are adjusted for such events before authorisation for issue.

Non-adjusting events are events that are indicative of conditions that arose after the end of the reporting period. Non-adjusting events after the reporting date are not accounted, but disclosed.

Notes forming part of financial statements

3. Property, Plant and Equipment

₹ in Lakhs

	Land leasehold	Buildings	Office equipments	Leasehold improvements	Furniture and fixtures	Plant and equipments	Vehicles	Total
Gross carrying value (Deemed cost)								
As at April 1, 2019	**276**	**115**	**388**	**620**	**300**	**1,204**	**175**	**3,078**
Additions	-	-	45	22	17	693	-	777
Disposals	-	-	-	-	(3)	(149)	(7)	(159)
Translation adjustments	-	-	1	-	-	9	-	10
Reclassified on account of adoption of Ind AS 116 (Refer Note 38)	(276)	-	-	-	-	-	-	(276)
As at March 31, 2020	**-**	**115**	**434**	**642**	**314**	**1,757**	**168**	**3,430**
As at April 1, 2020	**-**	**115**	**434**	**642**	**314**	**1,757**	**168**	**3,430**
Additions	-	-	2	8	3	21	-	34
Disposals	-	-	(34)	(242)	(156)	(17)	(7)	(456)
Translation adjustments	-	-	1	-	-	(3)	-	(2)
As at March 31, 2021	**-**	**115**	**403**	**408**	**161**	**1,758**	**161**	**3,006**
Accumulated Depreciation								
As at April 1, 2019	**34**	**7**	**210**	**410**	**132**	**501**	**73**	**1,367**
Charge for the year	-	3	73	120	40	363	31	630
Depreciation on disposals	-	-	-	-	(3)	(144)	(6)	(153)
Translation adjustments	-	-	(1)	-	-	-	-	(1)
Reclassified on account of adoption of Ind AS 116 (Refer note 38)	(34)	-	-	-	-	-	-	(34)
As at March 31, 2020	**-**	**10**	**282**	**530**	**169**	**720**	**98**	**1,809**
As at April 1, 2020	**-**	**10**	**282**	**530**	**169**	**720**	**98**	**1,809**
Charge for the year	-	2	51	27	29	421	22	552
Depreciation on disposals	-	-	(32)	(233)	(143)	(17)	(6)	(431)
Translation adjustments	-	-	1	-	-	1	-	2
As at March 31, 2021	**-**	**12**	**302**	**324**	**55**	**1,125**	**114**	**1,932**
Net carrying value								
As at March 31, 2020	**-**	**105**	**152**	**112**	**145**	**1,037**	**70**	**1,621**
As at March 31, 2021	**-**	**103**	**101**	**84**	**106**	**633**	**47**	**1,074**

4.1. Investments

₹ in Lakhs

	As at March 31, 2021	As at March 31, 2020
Trade, Long-term, unquoted and at cost		
In subsidiary companies		
Investment in equity instruments (Unquoted)		
3,375,394 Equity shares of ₹ 10/- each in Sonata Information Technology Limited (fully paid) (As at March 31, 2020 - 3,375,394 Equity shares of ₹ 10/- each (fully paid))	338	338
300,000 Equity shares of 1 US Dollar each in Sonata Software North America Inc., (fully paid) (As at March 31, 2020 - 300,000 Equity shares of 1 US Dollar each - (fully paid))	122	122
2 Equity shares of Euro 12,500 each in Sonata Software GmbH, Germany (fully paid) (As at March 31, 2020 - 2 Equity shares of Euro 12,500 each (fully paid))	32	32
800 Equity shares of 1 Pound each in Sonata Europe Limited, UK (fully paid) (As at March 31, 2020 - 800 Equity shares of 1 Pound each (fully paid))	1	1
500 Equity shares in Sonata Software FZ LLC of 1,000 AED each (fully paid) (As at March 31, 2020 - 500 Equity shares of 1,000 AED each (fully paid))	66	66
98 Equity shares in Sonata Software (Qatar) LLC of 1,000 QAR each (fully paid) (As at March 31, 2020 - 98 Equity shares of 1,000 QAR each (fully paid))	12	12

₹ in Lakhs

	As at March 31, 2021	As at March 31, 2020
2 Equity shares in Scalable Data Systems Pty. Ltd. of 1 AUD each (fully paid)	2,237	2,237
(As at March 31, 2020 - 2 Equity shares of 1 AUD each (fully paid))		
10000 Equity shares in Sonata Software Solutions Ltd. of 10 INR each (fully paid)	1	1
(As at March 31, 2020 - 10000 Equity shares of 10 INR each (fully paid))		
Investment in preference shares (Unquoted)		
2,459,560 - 2% non-cumulative convertible redeemable preference	2,476	2,299
shares of 1 Pound each in Sonata Europe Limited, UK (fully paid)		
(As at March 31, 2020 - 2,459,560 shares of 1 Pound each (fully paid))		
Total	**5,285**	**5,108**
Aggregate carrying amount of unquoted investments	5,285	5,108
Investments carried at cost	2,809	2,809
Investments carried at fair value through profit & loss	2,476	2,299

4.2. Other financial assets

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Unsecured, considered good unless otherwise stated		
Net investment in Sub-lease of ROU asset (Refer note 38)	289	322
Balance held as margin money or security against guarantees	-	1
Total	**289**	**323**

5. Other non-current assets

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Unsecured, considered good unless otherwise stated		
Security deposits	1,407	1,482
Other deposits	132	132
Prepaid expenses	394	89
Advance Tax	4,290	3,498
Other recoverables	4	3
Total	**6,227**	**5,204**

6.1 Investments

Other current investments

Non-trade

Investments in Mutual Fund (Quoted)

	As at March 31, 2021		As at March 31, 2020	
	No. of units	₹ in Lakhs	No. of units	₹ in Lakhs
Aditya Birla Sunlife Money Manager Fund	719,350	2,066	-	-
ICICI Prudential Money Market Fund	649,908	1,919	-	-
ICICI Prudential Short term fund - Growth Option	1,137,375	522	1,137,375	480
Total		**4,507**		**480**
Aggregate cost of quoted investments		4,507		480
Market value of quoted investments		4,507		480
Investments carried at fair value though profit or loss		4,507		480

6.2. Trade receivables

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Unsecured		
Considered good*	19,158	23,009
Considered doubtful	736	323
	19,894	**23,332**
Less : Allowances for credit losses	736	323
Total	**19,158**	**23,009**

* Include dues from related parties (Refer note 37)

Movement in expected credit loss allowance

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Balance at the beginning of the year	323	452
Movement in Expected Credit Loss allowance on Trade Receivables calculated at lifetime Expected Credit Loss	413	(129)
Provision at the end of the year	**736**	**323**

Expected Credit Loss

The Company uses a provision matrix to determine impairment loss on portfolio of its trade receivable. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At regular intervals, the historically observed default rates are updated and changes in forward-looking estimates are analysed. The Company estimates the following matrix at the reporting date.

Default rate (in %)	17.5	5.0

6.3. Cash and cash equivalents

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Balances with banks		
In current accounts	1,000	2,095
In EEFC accounts	350	8,543
In demand deposit accounts	24,690	3,124
Total	**26,040**	**13,762**

6.4. Bank balances other than above

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
In fixed deposit accounts	1,514	1,418
In earmarked accounts		
Unpaid dividend accounts	467	375
Balance held as margin money or security against borrowings	66	63
Total	**2,047**	**1,856**

6.5. Loans

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Unsecured, considered good		
Loans and advances to related parties		
Inter-corporate deposits (Refer note 37)	180	220
Total	**180**	**220**

6.6. Other financial assets

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Advances recoverable from related parties (Refer note 37)	324	762
Security deposits	15	14
Interest accrued but not due on bank deposits/margin money	393	1
Interest accrued on inter-corporate deposit (Refer note 37)	3	3
Unbilled revenue	1,568	1,315
Fair value of forward contracts (Refer note 25)	1,126	-
Total	**3,429**	**2,095**

7. Other current assets

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Loans and advances to employees	67	63
Prepaid expenses	244	379
Balances with Government authorities		
VAT credit receivable	119	9
GST credit receivable	223	295
Other recoverables	324	144
Total	**977**	**890**

8. Equity share capital

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Authorized		
150,000,000 equity shares of face value ₹ 1/- each	**1,500**	**1,500**
(As at March 31, 2020 - 150,000,000 equity shares of face value ₹ 1/- each)		
Issued		
105,159,306 equity shares of face value ₹ 1/- each fully paid-up	**1,052**	**1,052**
(As at March 31, 2020 - 105,159,306 equity shares of face value ₹ 1/- each)		
Subscribed and paid-up		
103,908,181 equity shares of face value ₹ 1/- each fully paid-up	**1,039**	**1,039**
(As at March 31, 2020 - 103,908,181 equity shares of face value ₹ 1/- each)		
Out of issued capital, 1,251,125 (As at March 31, 2020 - 1,251,125) shares are held by Sonata Software Limited Employee Welfare Trust		
1,251,125 equity shares held by trust of face value ₹ 1/- each	13	13
(As at March 31, 2020 - 1,251,125 equity shares of face value ₹ 1/- each)		
Total	**1,039**	**1,039**
Refer notes (i) to (v) below		

Notes :

		As at March 31, 2021	As at March 31, 2020
i)	**Reconciliation of number of shares and amount outstanding at the beginning and at the end of the reporting year**		
	Equity shares with voting rights		
	Number of shares outstanding at the beginning of the year	103,908,181	103,859,431
	Add: Share issued on exercise of employee stock options	-	48,750
		103,908,181	**103,908,181**
	Add: Number of shares held by Sonata Software Limited Employee Welfare Trust (Shares issued for consideration other than cash)	1,251,125	1,251,125
	Number of shares outstanding at the end of the year	**105,159,306**	**105,159,306**

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

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

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

The shareholders have all other rights as available to equity shareholders as per the provisions of the Companies Act 2013, read together with the Memorandum of Association and Articles of Association of the Company, as applicable.

		March 31, 2021		March 31, 2020	
iii)	**Details of shares held by each shareholder holding more than 5% shares**	No. of shares	% of holding	No. of shares	% of holding
	Hemendra M Kothari	10,660,026	10.14	10,660,026	10.14
	Akshay Rajan Raheja	8,250,000	7.85	8,250,000	7.85
	Viren Rajan Raheja	8,250,000	7.85	8,250,000	7.85
	Suman R Raheja	6,900,000	6.56	6,900,000	6.56
	HDFC Trustee Company Limited - A/C HDFC Multi-Aaset Fund	8,892,000	8.46	9,726,600	8.00

			₹ in Lakhs		₹ in Lakhs
(iv)	1,251,125 equity shares held by trust of face value ₹ 1/- each		13		13
	(As at 31.03.2020 : 1,251,125 equity shares of face value ₹ 1/- each)				

(v) During the year ended March 31, 2021 on account of interim dividend for fiscal 2021 the Company has incurred a net cash outflow of Rs. 4,156 lakhs.

9. Other equity

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Securities premium reserve	**4,496**	**4,493**
Amount received on issue of shares in excess of the par value has been classified as security premium, net of utilisation.		
General reserve	**8,292**	**8,292**
This represent appropriation of profit by the company.		
Employee Stock option reserve	**231**	**284**
The ESOP reserve is used to account option granted to emplyees at a concessional rate.		
Retained earnings		
Opening balance	25,677	38,319
Adjustments during the year		
Impact on account of adoption of Ind AS 116 (Refer Note 38)	-	558
Profit for the year	17,903	21,126
Less :		
Dividend paid	4,156	29,351
Tax on dividend	-	5,044
Set-off of tax on dividend paid by subsidiary	-	(69)
Closing balance	**39,424**	**25,677**
Retained earning comprises of the amounts that can be distributed as dividends to its equity share holders.		
Other Comprehensive Income		
Remeasurement of the defined benefit plans		
Opening balance	(754)	(88)
For the year, (net of tax)	(51)	(666)
Closing balance	**(805)**	**(754)**
Acturial gain or losses on gratuity are recognised in other comprehensive income.		
Effective portion of cash flow hedges		
Opening balance	(1,632)	1,133
Exchange differences on cash flow hedges, (net of tax)	1,877	(2,765)
Closing balance	**245**	**(1,632)**
The effective portion of changes in the fair value of dervatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income.		
Exchange difference on foreign currency translation		
Opening balance	(71)	(98)
For the year (net of tax)	101	27
Closing balance	**30**	**(71)**
Exchange difference relating to the translation of the result and net assets of the company's foreign operations from their functional currencies to the group's presentation currency are regognised directly in other comprehensive income.		
Total	**51,913**	**36,289**

10. Other financial liabilities

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Lease Liability (Refer note 38)	6,423	7,382
Total	**6,423**	**7,382**

11. Trade payables

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Total outstanding dues of micro enterprises and small enterprises (Refer Note 24)	37	37
Total outstanding dues of creditors other than micro enterprises and small enterprises	9,283	7,766
Total	**9,320**	**7,803**

* Include dues from related parties (Refer note 37)

12. Other financial liabilities

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Lease Liability (Refer Note 38)	1,788	1,709
Unpaid dividends	467	375
Payable on purchase of fixed assets	5	52
Other liabilities	2	2
Reimbursable expenses payable to related party (Refer note 37)	343	73
Fair value of forward contracts (Refer note 25)	-	2,560
Payable for purchase of investment - contingent consideration	-	898
Total	**2,605**	**5,669**

13. Other current liabilities

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Income received in advance (Unearned revenue)	10	-
Gratuity payable (net) (Refer note 29)	915	737
Other payables		
Statutory remittances	772	1,139
Advances from customers	38	24
Other liabilities	1,691	1,484
Total	**3,426**	**3,384**

14. Provisions

(₹in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Provision for employee benefits - Compensated absences	1,433	1,598
Total	**1,433**	**1,598**

15. Current tax liabilities (net)

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Provision for tax	2,095	2,071
Total	**2,095**	**2,071**

Income Tax

(₹ in Lakhs)

	For the year ended March 31, 2021	For the year ended March 31, 2020
(a) Income tax expense in the statement of profit and loss consists of:		
Current Tax:		
In respect of current year	5,904	6,001
In respect of prior years	1,485	-
Deferred Tax:		
In respect of current year	(263)	(252)
Total Income tax expense recognised in the statement of profit and loss	**7,126**	**5,749**
(b) Income tax recognised in other Comprehensive income		
Deferred tax related to items recognised in other comprehensive income during the year:		
Net loss / (gain) on measurement of defined benefit plan	(15)	(180)
Net loss / (gain) on measurement of Effective portion of cash flow hedges	546	(748)
Net loss / (gain) on measurement on other items	30	7
Total	**561**	**(921)**
The reconciliation between the provision of income tax of the Company and amounts computed by applying the Indian statutory income tax rate to profit before taxes is as follows:		
Profit before tax	25,029	26,875
Enacted income tax rate in India	25.17%	25.17%
Computed expected tax expense	6,299	6,764
Effect of:		
Income exempt from tax	(728)	(1,404)
Expenses that are not deductible in determining taxable profit	95	87
Items that are deductible in determining taxable profit	13	(45)
Provision for tax relating to prior years	1,485	393
Others	(38)	(46)
Income tax expense recognised in the statement of profit and loss	**7,126**	**5,749**

The applicable Indian corporate statutory tax rate for the year ended March 31, 2021 and March 31, 2020 is 25.17% and 25.17% respectively.

On September 20, 2019, the Government of India, vide the Taxation Laws (Amendment) Ordinance 2019, inserted Section 115BAA in the Income Tax Act, 1961, which provides domestic companies an option to pay Corporate Tax at reduced rate effective April 01, 2019, subject to certain conditions. The Company had opted to pay tax at the reduced rate.

Dividend income from certain category of investments is exempt from tax. The difference between the reported income tax expense and income tax computed at statutory tax rate is primarily attributable to income exempt from tax.

The Company is also subject to tax on income attributable to its permanent establishments in foreign jurisdictions due to operation of its foreign branches.

16. Deferred Tax

Deferred Tax assets / (liabilities) as at March 31, 2021 in relation to:

(₹ in Lakhs)

	As on April 1, 2020	Recognised in Profit & Loss	Recognised in Other Comprehensive Income/ Reserves	As on March 31, 2021
Property, plant and equipment	432	7	-	439
Intangible assets	(7)	(4)	-	(11)
Allowances for credit losses	81	104	-	185
Disallowance u/s 40(a)	109	19	-	128
Disallowance u/s 43B	402	40	-	442
Net gain or loss on Fair value of Mutual Funds	56	(81)	-	(25)
Fair Value through Other Comprehensive Income	587	-	(561)	26
Impairment loss recognised on investments of PF Trust	360	50	-	410
Others	(22)	127	-	105
Total	**1,998**	**262**	**(561)**	**1,699**

Deferred Tax assets / (liabilities) as at March 31, 2020 in relation to: (₹ in Lakhs)

	As on April 1, 2019	Recognised in Profit & Loss	Recognised in Other Comprehensive Income	As on March 31, 2020
Property, plant and equipment	587	(155)	-	432
Intangible Assets	(24)	17	-	(7)
Allowances for credit losses	157	(76)	-	81
Disallowance u/s 40(a)	114	(5)	-	109
Disallowance u/s 43B	431	(29)	-	402
Net gain or loss on Fair value of Mutual Funds	(31)	87	-	56
Fair Value through Other Comprehensive Income	(334)	-	921	587
Impairment loss recognised on investments of PF Trust	140	220	-	360
Others*	84	193	(299)	(22)
Total	**1,124**	**252**	**622**	**1,998**

*Deferred tax assets of ₹ 299 has been reversed through retained earnings on account of adoption of Ind AS 116.

Deferred tax assets has not been recognised on accumulated long term capital loss of ₹ 3,578 and ₹ 4,015 as at March 31, 2021 and March 31, 2020 respectively as it is probable that taxable profit will not be available against which the unused tax losses can be utilised in foreseeable future.

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Unused tax losses (long term capital loss) which expire in:		
-AY 2021-22	-	438
-AY 2022-23	2,154	2,154
-AY 2024-25	461	461
-AY 2025-26	962	962
Total	**3,578**	**4,015**

17.1. Revenue from operations

(₹ in Lakhs)

	For the year ended March 31, 2021	For the year ended March 31, 2020
Revenue from software services (Refer note 21)	71,786	80,958
Revenue from software product and licenses	6,340	6,599
Other operating revenues	15	127
Total	**78,141**	**87,684**

17.2. Other income

(₹ in Lakhs)

	For the year ended March 31, 2021	For the year ended March 31, 2020
Interest		
from fixed deposits/margin money with banks	794	432
from inter-corporate deposits (Refer note 37)	13	75
from unwinding of rent deposits discounted	24	23
from rent sub lease (Refer note 38)	33	36
Dividend income from long-term investments in subsidiaries (Refer note 37)	2,894	5,506
Net gain on investments carried at fair value through profit and loss	205	267
Net gain on foreign currency transactions and translations	247	3,217
Other non-operating income		
Commission (Refer note 37)	98	66
Miscellaneous income	172	91
Total	**4,480**	**9,713**

18. Employee benefit expense

(₹ in Lakhs)

	For the year ended March 31, 2021	For the year ended March 31, 2020
Salaries including bonus	37,173	42,712
Contributions to provident and other funds	3,290	3,482
Share based payments to employees (Refer note 30)	915	234
Staff welfare expenses	266	671
	41,644	**47,099**
Less: Deputation cost/Service charges recovered from subsidiary (Refer note 37)	311	393
Total	**41,333**	**46,706**

19. Finance costs

(₹ in Lakhs)

	For the year ended March 31, 2021	For the year ended March 31, 2020
Interest expense on:		
Lease rentals discounted (Refer note 38)	930	1,040
Contingent consideration	27	41
Others	-	9
Other borrowing costs	15	-
Total	**972**	**1,090**

20. Other expenses

(₹ in Lakhs)

	For the year ended March 31, 2021	For the year ended March 31, 2020
Power and fuel	268	563
Rent (includes related parties - refer note 37)	480	928
Repairs and maintenance - Buildings	3	7
Repairs and maintenance - Machinery	39	97
Insurance	488	502
Rates and taxes	62	185
Communication cost	435	394
Facility maintenance	348	631
Travelling and conveyance expenses	309	3,358
Sales commission	219	15
Professional and technical fees	677	1,488
Software project fees	732	192
Legal fees	37	25
Insourcing professional fees	1,020	1,901
Software license fees	789	523
Expenditure on Corporate Social Responsibility (Refer note 33)	377	335
Payments to auditors	91	110
Net loss on fixed assets sold / scrapped	22	1
Impairment loss recognised on trade receivables and bad written off	390	(90)
Impairment loss recognised on investments of PF trust	-	2,224
Miscellaneous expenses	592	1,007
	7,378	**14,396**
Less: Service charges recovered from subsidiary (Refer note 37)	55	82
Total	**7,323**	**14,314**
Note - Payments to auditors comprises (net of input tax credit):		
Statutory audit	80	80
Other services	11	27
Reimbursement of expenses	-	3
	91	**110**

21. Revenue from software services

Disaggregate revenue information

The table below presents disaggregated revenues from contracts with customers for the year ended March 31, 2021 by contract type. The Company believes that this disaggregation best depicts how the nature, amount, timing and uncertainity of our revenues and cashflows are affected by industry, market and other economic factors.

(₹ in Lakhs)

	For the year ended March 31, 2021	For the year ended March 31, 2020
Time & Material	61,003	71,474
Fixed Price	10,783	9,484
	71,786	**80,958**

The Company has evaluated the impact of COVID–19 resulting from (i) the possibility of constraints to render services which may require revision of estimations of costs to complete the contract because of additional efforts; (ii) onerous obligations; (iii) penalties relating to breaches of service level agreements ,and (iv) termination or deferment of contracts by customers. The Company has concluded that the impact of COVID–19 is not material based on these estimates. Due to the nature of the pandemic, the Company will continue to monitor developments to identify significant uncertainties relating to revenue in future periods.

Trade receivables and Contract Balances

The company classifies the right to consideration in exchange for deliverables as either a receivable or as unbilled revenue.

A receivable is a right to consideration that is unconditional upon passage of time. Revenue for time and material contracts are recognized as related service are performed. Revenue for fixed price maintenance contracts is recognized on a straightline basis over the period of the contract. Revenues in excess of billings is recorded as unbilled revenue and is classified as a financial asset for these cases as right to consideration is unconditional upon passage of time.

Revenues from fixed-price contracts are recognized using the "percentage-of-completion" method. Invoicing to the clients is based on milestones as defined in the contract. This would result in the timing of revenue recognition being different from the timing of billing the customers. Unbilled revenue for fixed price contracts is classified as non financial asset as the contractual right to consideration is dependent on completion of contractual milestones.

Invoicing in excess of earnings are classified as unearned revenue.

Trade receivable and unbilled revenues are presented net of impairment in the Balance Sheet.

During the year ended March 31, 2021, ₹ 1,315 Lakhs of unbilled revenue as of April 1, 2020 has been reclassified to Trade receivables upon billing to customers on completion of milestones.

During the year ended March 31, 2021, the company recognized revenue of Nil arising from opening unearned revenue as of April 1, 2020

Performance obligations and remaining performance obligations

The remaining performance obligation disclosure provides the aggregate amount of the transaction price yet to be recognized as at the end of the reporting period and an explanation as to when the Company expects to recognize these amounts in revenue. Applying the practical expedient as given in Ind AS 115, the Company has not disclosed the remaining performance obligation related disclosures for contracts where the revenue recognized corresponds directly with the value to the customer of the entity's performance completed to date, typically those contracts where invoicing is on time and material basis. Remaining performance obligation estimates are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, periodic revalidations, adjustment for revenue that has not materialized and adjustments for currency.

The aggregate value of performance obligations that are completely or partially unsatisfied as at March 31, 2021, other than those meeting the exclusion criteria mentioned above, is ₹ 387 Lakhs. The Company expects to recognize the revenue within the next one year. This includes contracts that can be terminated for convenience without a substantive penalty since, based on current assessment, the occurrence of the same is expected to be remote.

22. Contingent Liabilities

(₹ in Lakhs)

		As at March 31, 2021	As at March 31, 200
a)	**Guarantees**		
	The Company has given corporate guarantees to certain suppliers of Sonata Information Technology Limited (SITL) and Sonata Software North America (SSNA), its wholly owned subsidiaries.	16,950	20,172
b)	**Disputed demand of Service tax**		
	The demand for payment of service tax for the period from FY 2006-07 to FY 2012-13 on services received and consumed by UK branch of the company and a subsidiary company at USA, treating it as import of service, wrong availment of cenvat credit and usage of software services provided to subsidiary. The company had filed appeal before the Commissioner of Appeals and is confident of getting favorable outcome based on legal precedents which support its stand.	1,028	1,028
c)	**Other claims against the Company not acknowledged as debt**	**2,799**	**2,799**
d)	**Disputed demands of Income-tax**	**6,845**	**13,554**

Details of disputed demands of Income-tax primarily relate to: (₹ in Lakhs)

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

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

For the financial year 2005-06 and 2006-07 ₹ 4,570 (As at March 31, 2020 - ₹ 4,570), the Company has received favorable order from Income-tax Appellate Tribunal (ITAT) and the Department has preferred an appeal before the Honorable High Court of Mumbai.

For the financial year 2001-02, ITAT had given a favorable order on the ground of income accrued under Section 10A of the Act against which the department had filed an appeal before the Honorable High Court of Mumbai Nil (As at March 31, 2020 - ₹ 149). The Company has opted to apply for settlement of these disputes under Direct Tax Vivad Se Vishwas Act, 2020, the necessary applications were filed and liability has been settled by the company during the year.

For the financial year 2013-14, Nil (As at March 31, 2020 -₹ 43), the Company has preferred an appeal before Commissioner of Income-tax (Appeals) on the ground of income accrued under Section 10A of the Act. The Company has opted to apply for settlement of these disputes under Direct Tax Vivad Se Vishwas Act, 2020, the necessary applications were filed and liability has been settled by the company during the year.

For financial year 2010-11 ₹ 2,275 (As at March 31, 2020 ₹ 2,275), Assessing Officer has re-opened the Assessment under section 148 of the Act and disallowed 10A benefit. The company has preferred an appeal before Commissioner of Income-tax (Appeals).

For the financial year 2015-16, Nil (As at March 31, 2020 - ₹ 67), the Company has preferred an appeal before Commissioner of Income-tax (Appeals) on the ground of income accrued under Section 10A of the Act. Company has availed the scheme of Vivad Se Vishwas during the year and and settled the tax due as per scheme.

(ii) Disallowance of Inter-Company Service Charges

The Company charges Sonata Information Technology Limited, its wholly owned subsidiary, for certain support services rendered. During assessments, the Income-tax department denied benefits under Section 10A of the Income Tax Act on such support services and assessed the same as normal business income and raised demand of Nil (As at March 31, 2020 - ₹ 2,337) for financial years 2001-02 to 2004-05. The Company had received favorable orders from ITAT. However, the department preferred an appeal on the said orders before the Honorable High Court of Mumbai. Company has availed the scheme of Vivad Se Vishwas during the year and and settled the tax due as per scheme.

Nil (As at March 31, 2020- ₹ 116) for the financial year 2010-11. The Company had filed an appeal before the Commissioner of Income-tax (Appeals). The Company has received favorable orders and the Department had preferred an appeal before ITAT which was heard during the previous year and dismissed. Department has filed appeal before High Court. High Court has admitted the appeal pending hearing. The Company has opted to apply for settlement of these disputes under Direct Tax Vivad Se Vishwas Act, 2020, the necessary applications were filed and liability has been settled by the company during the year.

(iii) Transfer Pricing Adjustment

Nil (As at March 31, 2020 – ₹ 1,072) for the financial year 2011-12 and financial year 2013-14. The Income-tax department has recommended the upward adjustment in the value of Investment in subsidiary and sale of services to associated enterprises as Transfer Pricing Adjustment in the International transactions in order to consider them to be at arm's length price. The Company had preferred an appeal before Commissioner of Income-tax (Appeals) heard and partly allowed. For the financial year 2011-12, the Company has preferred an appeal before Income-tax Appellate Tribunal (ITAT) and for the financial year 2013-14, the company has preferred an appeal before Commissioner of Income-tax (Appeals). The Company has opted to apply for settlement of these disputes under Direct Tax Vivad Se Vishwas Act, 2020, the necessary applications were filed and liability has been settled by the company during the year.

(iv) Withholding tax demand

The Income-tax department has been contending that amounts paid by the Company for buying the software products is in the nature of 'Royalty' and hence had to withhold Income-tax on the same as per the Income Tax Act and had raised demand of Nil (As at March 31, 2020 - ₹ 2,842) for the financial years 1999-00, 2000-01 and 2001-02. The Company's contention has been that the payments were made for purchase of 'Goods' and hence was under no obligation to withhold Income-tax on the same. The Company had received favorable orders from the ITAT which were reversed by the Honorable High Court of Karnataka. The Company had preferred a Special Leave Petition Appeal on the said order to the Honorable Supreme Court of India. During the year the company had received a favorable judgement from Honourable Supreme Court of India on purchase of software products from non-resident is not taxable as 'Royalty' and withholding tax is not applicable as per the Income-tax Act, 1961. Consequently on account of this favorable judgement, there is no liability on the company in this respect.

(v) Deductions claimed under Section 80 O

Prior to the enactment of Section 10A of the Act, the Company claimed deduction for exports made, under Section 80 O of the Act. The department had re-opened the assessments and disallowed certain aspects of the claims made on the contention that cost allocation principles followed for the claim are erroneous and raised a demand of Nil (As at March 31, 2020 - ₹ 83) for the financial year 1994-95. The Company had received favorable orders from Income-tax Appellate Tribunal. The department had preferred an appeal on the said order before the Honorable High Court of Mumbai. The Company has opted to apply for settlement of these disputes under Direct Tax Vivad Se Vishwas Act, 2020, the necessary applications were filed and liability has been settled by the company during the year.

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

23. Commitments

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Estimated amount of contracts remaining to be executed on capital account and not provided for	7	19

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

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	37	14
(ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	-	-
(iii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	-	-
(iv) The amount of interest due and payable for the year	-	-
(v) The amount of interest accrued and remaining unpaid at the end of the accounting year	-	-
(vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

25. Financial instruments

The carrying value and fair value of financial instruments by categories as at March 31, 2021 and March 31, 2020 is as follows:

(₹ in Lakhs)

	Note No.	Carrying Value		Fair Value	
		As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
Amortised Cost					
Loans - Inter-corporate deposits	6.5	180	220	180	220
Security Deposits	5 & 6.6	1,421	1,496	1,421	1,496
Trade receivable	6.2	19,158	23,009	19,158	23,009
Cash and cash equivalents	6.3	26,040	13,762	26,040	13,762
Bank balances other than Cash & cash equivalents	6.4	2,047	1,856	2,047	1,856
Other financial assets	4.2 & 6.6	2,576	2,404	2,576	2,404
FVTPL					
Investment in Mutual Fund (quoted)	6.1	4,506	480	4,506	480
Forward Contracts	6.6	636	-	636	-
Investment in Preference Shares (unquoted)	4.1	2,476	2,299	2,476	2,299
FVTOCI					
Forward Contracts	6.6	490	-	490	-
Total Assets		**59,530**	**45,526**	**59,530**	**45,526**
Financial liabilities					
Amortised Cost					
Trade payables	11	9,320	7,803	9,320	7,803
Other financial liabilities	10 & 12	9,028	502	9,028	502
FVTPL					
Forward Contracts	10	-	627	-	627
Payable for acquisition of business - contingent consideration	10	-	898	-	898
FVTOCI					
Forward Contracts		-	1,933	-	1,933
Total Liabilities		**18,348**	**11,763**	**18,348**	**11,763**

The management assessed that fair value of cash and short-term deposits, trade receivables, trade payables, inter corporate deposits and other current assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

1. The fair value of the quoted mutual funds are based on price quotations at reporting date. The fair value of other financial liabilities and other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. In addition to being sensitive to a reasonably possible change in the forecast cash flows or discount rate, the fair value of the equity instruments is also sensitive to a reasonably possible change in the growth rates.

2. The fair values of the unquoted equity and preference shares have been estimated using a discounted cash flow model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, discount rate, credit risk and volatility, the probabilities of the various estimates whose range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

3. The Company enters into derivative financial instruments with Banks. Foreign exchange forward contracts are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing model, using present value calculations. The models incorporate various inputs including the credit quality of banks, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves etc. As at March 31, 2021, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative bank default risk. The changes in bank credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

26. Fair value hierarchy

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table presents the fair value measurement hierarchy of financial assets and liabilities measured at fair value on recurring basis as at March 31, 2021 and March 31, 2020.

(i) Quantitative disclosures of fair value measurement hierarchy for financial assets and financial liabilities are as under:

(₹ in Lakhs)

	Fair value as at		Fair value hierarchy	Valuation technique and Key inputs
	As at March 31, 2021	As at March 31, 2020		
Investment in Mutual funds	4,506	480	Level 1	Fair value is determined based on the Net asset value published by respective funds.
Foreign currency forward contracts	1,126	2,560	Level 2	The fair value of forward foreign contracts are determined using forward exchange rates at the reporting date.
Other financial liabilities	-	898	Level 3	Payable for acquisition of subsidiary is a financial liability.

There have been no transfers among Level 1, Level 2 and Level 3 during the year.

(ii) Reconciliation of fair value measurement of investment in unquoted preference shares classified as FVTPL (Level 3):

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Opening balance	2,299	2,226
Remeasurement recognised	177	73
Purchases	-	-
Sales	-	-
Closing balance	2,476	2,299

Derivative financial instruments

The Company is exposed to foreign currency fluctuations on foreign currency assets/ liabilities and forecasted cash flows denominated in foreign currency. The Company uses derivatives to hedge foreign currency assets/ liabilities and foreign currency forecasted cash flows. The counter party in these derivative instruments is a bank and the Company considers the risks of non-performance by the counterparty as non-material.

For movement in cash flow hedge reserve gain or loss - Refer note 9

The following table presents the aggregate contracted principal amounts of the Company's derivative contracts outstanding:

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Designated derivative instruments (Sell):		
In USD	595	735
in GBP	105	151
in EUR	29	43

The foreign exchange forward contracts mature anywhere between 0-1.5 year. The table below analyzes the derivative financial instruments into relevant maturity groupings based on the remaining period as at the reporting date:

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Designated derivative instruments (Sell):		
Less than 3 months		
In USD	167	153
in GBP	26	29
in EUR	8	8
More than 3 months		
In USD	428	582
in GBP	78	122
in EUR	21	35

Average rate of coverage

	As at March 31, 2021		As at March 31, 2020	
	₹ in Lakhs	Weighted Average Rate (₹)	₹ in Lakhs	Weighted Average Rate (₹)
USD	595	77.47	735	74.29
GBP	105	101.35	151	94.98
EUR	29	90.88	43	84.52

27. Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, foreign currency risk and interest rate risk. The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The primary market risk to the Company is foreign exchange risk. The Company uses derivative financial instruments to mitigate foreign exchange related risk exposures. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivative for speculative purposes may be undertaken.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. Credit risk arises from cash held with banks and financial institutions, as well as credit exposure to clients, including outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment.

The following table gives details in respect of revenues generated from top customer and top 5 customers (excluding Inter-company):

(₹ in Lakhs)

	For the year ended	
	March 31, 2021	March 31, 2020
Revenue from top customer	8,600	21,275
Revenue from top 5 customers	14,447	30,731

One customer accounted for more than 10% of the revenue for the year ended March 31, 2021 and two of the customer accounted for more than 10% of the receivables for the year ended March 31, 2021. One customer accounted for more than 10% of the revenue for the year ended March 31, 2020 and one of the customer accounted for more than 10% of the receivables for the year ended March 31, 2020.

Investments

The Company limits its exposure to credit risk by generally investing in liquid securities and only with counterparties that have a good credit rating. The Company does not expect any losses from non-performance by these counterparties, and does not have any significant concentration of exposures to specific industry sectors.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Also, the Company has unutilized credit limits with banks.

The Company's corporate treasury department is responsible for liquidity, funding as well as settlement management. In addition, processes and policies related to such risks are overseen by senior management.

The working capital position of the Company is given below:

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Cash and cash equivalents	26,040	13,762
Bank balances other than Cash & cash equivalents	2,047	1,418
Investments in mutual funds (quoted)	4,506	480
Inter Corporate deposits with subsidiary	180	220
Trade receivables	19,158	23,009
Other financial assets	3,428	2,095
Other current assets	978	890

The table below provides details regarding the contractual maturities of significant financial liabilities as at March 31, 2021 and March 31, 2020:

	As at March 31, 2021		
	Less than 1 year	1-2 years	2 years & above
Trade payables	9,320	-	-
Other financial liabilities	9,028	-	-
Lease liabilities	1,788	1,674	4,749

	As at March 31, 2020		
	Less than 1 year	1-2 years	2 years & above
Trade payables	7,803	-	-
Other financial liabilities	1,400	-	-
Lease liabilities	1,709	1,608	5,774

Foreign Currency risk

The Company's exchange risk arises from its foreign operations, foreign currency revenues and expenses, (primarily in U.S. Dollar, British pound sterling and Euro). A significant portion of the Company's revenues are in these foreign currencies, while a significant portion of its costs are in Indian rupees. As a result, if the value of the Indian rupee appreciates relative to these foreign currencies, the Company's revenues measured in rupees may decrease. The exchange rate between the Indian rupee and these foreign currencies has changed substantially in recent periods and may continue to fluctuate substantially in the future. The Company reviews on a periodic basis to formulate the strategy for foreign currency risk management.

Consequently, the Company uses derivative financial instruments, such as foreign exchange forward contracts, to mitigate the risk of changes in foreign currency exchange rates in respect of its forecasted cash flows and trade receivables.

The details in respect of the outstanding foreign exchange forward contracts are given under the derivative financial instruments section.

In respect of the Company's forward contracts, a 1% decrease/ increase in the respective exchange rates of each of the currencies underlying such contracts would have resulted in:

a) an approximately ₹ 592 lakhs increase and decrease in the Company's net profit as at March 31, 2021;

b) an approximately ₹ 270 lakhs increase and decrease in the Company's net profit as at March 31, 2020.

The following table presents foreign currency risk from non-derivative financial instruments as of March 31, 2021 and March 31, 2020.

(₹ in Lakhs)

Exposure currency	USD	GBP	EUR	Other Currencies*
As at March 31, 2021				
Assets				
Trade receivables	14,111	2,749	649	636
Cash and Cash equivalents	427	307	13	524
Other assets	14	164	15	19
Liabilities				
Trade Payable	(1,484)	(364)	(4)	(198)
Net assets/liabilities	**13,068**	**2,856**	**673**	**981**
As at March 31, 2020				
Assets				
Trade receivables	15,124	5,530	1,492	179
Cash and Cash equivalents	9,077	774	14	195
Other non-current assets	46	236	14	(1)
Liabilities				
Trade Payable	3,224	81	32	127
Other non-current liabilities	-	-	-	915
Net assets/liabilities	**27,471**	**6,621**	**1,552**	**1,415**

*Others include currencies such as Singapore Dollar, Australian Dollar, Swiss Franc, etc.

For the year ended March 31, 2021, every 1% increase/decrease of the respective foreign currencies compared to functional currency of the Company would impact operating margins by 0.11%/ (0.11)%. For the year ended March 31, 2020, the impact on operating margins would be 0.41%/ (0.41)%.

28. Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the return on capital as well as the level of dividends on its equity shares. The Company's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value.

The capital structure of the company consists of the following:

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Total equity attributable to the equity share holders of the Company	53,184	37,328
As percentage of total capital	100%	100%
Current borrowings	-	-
As a percentage of total capital	-	-
Total capital (borrowings and equity)	**53,184**	**37,328**

The Company is predominantly equity financed which is evident from the capital structure table. Further, the Company has generally been a net cash Company with cash and bank balances along with investment which is predominantly investment in liquid and short term mutual funds.

29. Employee benefit plans

i) Defined contribution plans

Provident fund

a) Eligible employees of Sonata Software Limited receive benefits from a provident fund, which is a defined benefit plan. Both the eligible employee and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. The Company contributes a portion to the Sonata Software Provident Fund. The trust invests in specific designated instruments as permitted by Indian law. The remaining portion is contributed to the government administered pension fund. The rate at which the annual interest is payable to the beneficiaries by the trust is being administered by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate.

The Sonata Software Limited Provident Fund Trust had applied to the Employee Provident Fund Organisation (EPFO) for surrender of exemption granted under Section 17(1)(a) of The Employee Provident Fund and Miscellaneous provision Act, 1952. The EPFO had agreed vide thier letter dated March 12, 2021 for surrender of exemption granted and Sonata Sofware Limited to comply as unexempted establishment w.e.f May 01, 2021. The Sonata Software Limited Provident Fund Trust is in the process of submission of documents for surrender of exemption .

Provident fund contributions amounting to ₹ 1,447 lakhs (for the year ended March 31, 2020 ₹ 1,571 lakhs) has been charged to the Statement of Profit and Loss (as part of Contribution to Provident Fund and other Funds in Note 18 Employee benefits expense).

b) During the year the Company has recognised the following amounts in the Statement of Profit and Loss towards Employers contribution to:

(₹ in Lakhs)

	Year ended March 31, 2021	Year ended March 31, 2020
Employee's State Insurance (as part of Staff welfare expenses in Note 18 Employee benefits expense)	10	16
Superannuation (as part of Contribution to Provident Fund and other Funds in Note 18 Employee benefits expense)	781	792
National Pension Scheme (as part of Contribution to Provident Fund and other Funds in Note 18 Employee benefits expense)	45	43
National Insurance Contribution (as part of Contribution to Provident Fund and other Funds in Note 18 Employee benefits expense)	324	598

ii) **Defined benefit plans - Gratuity**

The principal assumptions used for the purposes of the actuarial valuations were as follows.

	March 31, 2021	March 31, 2020
Discount rate(s)	6.26%	6.82%
Expected rate(s) of salary increase	5.00%	5.00%
Mortality Rate	Indian Assured Lives Mortality 2006-08	Indian Assured Lives Mortality 2006-08

Amounts recognised in Statement of Profit and Loss in respect of these defined benefit plans are as follows:

(₹ in Lakhs)

	Year ended March 31, 2021	Year ended March 31, 2020
Service Cost:		
Current Service Cost	623	457
Net Interest Expense	50	2
Components of defined benefit costs recognised in profit or loss	**673**	**459**
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	(640)	291
Actuarial (gains) / losses arising from changes in financial assumptions	170	478
Actuarial (gains) / losses arising from experience adjustments	309	77
Actuarial (gains) / losses arising from Demographic adjustments	227	-
Components of defined benefit costs recognised in other comprehensive income	**66**	**846**

The current service cost and the net interest expense for the year are included in the 'Employee benefit expense' line item in the Statement of Profit and Loss.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the balance sheet arising from the entity's obligation in respect of its defined benefit plans is as follows:

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Present value of funded defined benefit obligation	(5,291)	(4,136)
Fair value of plan assets	4,376	3,399
Net (liability) / Assets arising from defined benefit obligation	**(915)**	**(737)**
Movements in the present value of the defined benefit obligation are as follows.		
Opening defined benefit obligation	4,136	3,176
Current service cost	623	457
Interest cost	282	252
Remeasurement (gains)/losses:		
Actuarial gains and losses arising from changes in financial assumptions	170	478
Actuarial gains and losses arising from experience adjustments	309	77
Actuarial (gains) / losses arising from Demographic adjustments	227	-
Benefits paid	(456)	(304)
Closing defined benefit obligation	**5,291**	**4,136**
Movements in the fair value of the plan assets are as follows.		
Opening fair value of plan assets	3,399	3,150
Interest income	232	250
Return on plan assets (excluding amounts included in net interest expense)	640	(291)
Contributions from the employer	561	594
Benefits paid	(456)	(305)
Closing fair value of plan assets	**4,376**	**3,399**

The major categories of plan assets as a percentage of total plan

	As at March 31, 2021	As at March 31, 2020
Insurer Managed Funds	100%	100%
Category of funds :		
Secure Fund	18.02%	16.08%
Defensive Fund	34.40%	39.88%
Balanced Fund	47.49%	43.92%
Stable Fund	0.09%	0.12%

Sensitivity analysis for significant actuarial assumptions is computed to show the movement in defined benefit obligation by 1%.

(₹ in Lakhs)

	As at March 31, 2021		As at March 31, 2020	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	332	295	516	431
Future salary growth (1% movement)	333	301	521	442

The Company expects to contribute ₹ 1,152 lakhs to its defined benefit plans during the next fiscal year.

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

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

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

Experience adjustments (₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020	As at March 31, 2019	As at March 31, 2018	As at March 31, 2017
Present value of defined benefit obligation	5,291	4,136	3,176	2,709	2,320
Fair value of plan assets	4,376	3,399	3,150	2,628	2,488
Surplus / (deficit)	(915)	(737)	(26)	(81)	168
Experience adjustments on plan liabilities - (gain)/losses	309	77	73	145	(74)
Experience adjustments on plan assets - (losses)/gain	640	(291)	27	(15)	91

Maturity profile of defined benefit obligation: (₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Within 1 year	580	422
1-2 years	554	122
2-3 years	772	162
3-4 years	490	150
4-5 years	541	152
5 years and Above	5,385	9,882

The Company has established an income tax approved irrevocable trust fund to which it regularly contributes to finance liabilities of the plan. The fund's investments are managed by insurance company as per the mandate provided to them by the trustees and the asset allocation is within the permissible limits prescribed in the insurance regulations.

30. Share-based payments

a) Employee share option plan of the Company

i) Details of the employee share option plan of the Company

The Company has a stock option plan for employees of the Company and its subsidiaries, authorized by the nomination and remuneration committee . In accordance with the terms of the plan, as approved by shareholders at its annual general meeting dated August 19, 2014. Eligible employees are granted to get stock option with graded vesting period of four years. The quantum of stock option is decided by the Nomination and Remuneration Committee. The shares are transferred to employees from the Sonata Software Ltd Employee Welfare Trust based on approval.

Each vested stock option shall convert into one equity share of the Company upon exercise. The exercise price of the stock option shall be the closing market price of the share on National Stock Exchange of India Ltd on the trading day immediately preceding the date of the grant . The stock options carry neither rights to dividends nor voting rights unless the transfer of shares from the Sonata Software Ltd Employee Welfare Trust to the employee is duly registered by the company . Options may be exercised at any time from the date of vesting to the date of their expiry.

The following share-based payment arrangements were in existence during the current and prior years :

Number of Shares	Grant date	Expiry date	Exercise price (₹)	Fair Value at grant date (₹)
375,000	Apr 1, 2012	Apr 1, 2017	18.10	4.45 - 6.55
120,000	May 20, 2015	May 20, 2020	165.75	53.35 - 68.45
160,000	Aug 8, 2016	Aug 9, 2021	154.45	55.21 - 68.60
60,000	May 29, 2017	May 29, 2022	149.65	43.49 - 55.86
75,000	Nov 13, 2017	Nov 14, 2022	191.95	54.78 - 79.62
120,000	May 31, 2019	May 30, 2024	354.50	115.54-137.75
60,000	May 29, 2020	May 28, 2025	206.50	54.22 - 62.63

ii) Fair value of share options outstanding at the year end

Options are priced using Black - Scholes pricing model.

Inputs into the model

Grant date	Apr 1, 2012	May 20, 2015	Aug 8, 2016	May 29, 2017	Nov 13, 2017	May 31, 2019	May 29, 2020
Grant date share price (₹)	13.74	148.98	150.09	142.17	188.51	356.70	202.90
Exercise price (₹)	18.10	165.75	154.45	149.65	191.95	354.50	206.50
Expected volatility (%)	49.84 - 51.82	46.52 - 47.05	43.18 - 44.24	36.47 - 40.61	31.78 - 40.86	53-26	40
Option life (in years)	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Dividend yield (%)	-	-	-	-	-	2.50	2.50
Risk-free interest rate (%)	8.18 - 8.60	7.79 - 7.86	6.91 - 7.08	6.66 - 6.79	6.52 - 6.81	6.71 - 7.03	4.76-5.26

iii) Movements in share options during the year

The following reconciles the share options outstanding at the beginning and end of the year:

	For the year ended March 31, 2021		For the year ended March 31, 2020	
	Number of Options	Weighted average exercise price (₹)	Number of Options	Weighted average exercise price (₹)
Balance at beginning of year	320,000	228.87	305,000	164.15
Granted during the year	60,000	206.50	120,000	354.50
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	48,750	175.83
Cancelled during the year	178,000	68.33	56,250	191.95
Balance at end of year	**202,000**	**92.17**	**320,000**	**228.87**
Exercisable at the end of the year	65,500	77.82	140,000	153.76

iv) **Stock options exercised during the year**

No share options were exercised during the year

The following share options were exercised during 2019-20:

Granted on	Number Exercised	Exercised Date	Share price at exercise Date (₹)
May 20, 2015	30,000	May 20, 2019	332.45
November 13, 2017	18,750	Aug 1, 2019	321.05
Total	**48,750**		

v) **Share options outstanding at the end of the year**

The share options outstanding at the end of the year had a weighted average exercise price of ₹ 269.98 (as at March 31, 2020 ₹ 228.87)

During the year, the amount recognised as reversal of expense for employee Stock Options is ₹ 53 lakhs

b) **Other Stock Based Compensation Arrangements**

Stock Appreciation Rights Plan provides the certain employee with the right to receive cash that is equal to the increase in the value of the company's shares from the date the right was granted and the right was exercised. They are not entitled to any shares or dividend. Plan 1 and 2 of 2018 has been approved by the Board vide Board Meeting dated May 29, 2017 subsequently amended dated August 13, 2018. Plan of 2019 has been approved by the Board vide Board meeting dated August 13, 2018.

The Company has also granted stock appreciation rights plan to certain employees during the year which is subject to certain vesting conditions. Details of the grant/issue as at March 31, 2021 are given below:

	For the year ended March 31, 2021							
	As per plan 1 (2018)	As per plan 2(2018)	As per plan1 (2019)	As per plan 3 (2018)	As per plan 4 (2018)	As per plan 2(2019)	As per plan 2 (2020)	As per plan 3(2020)
Outstanding units as at the beginning of the year	225,000	348,000	62,000	144,000	180,000	93,000	-	-
Number of units granted under letter of intent during the year		-					165,000	55,500
Exercised units	5,000	23,000	32,500			34,500	-	-
Lapsed units	-	128,000		99,000	-	-	-	-
Forfeited units	-	-	-	-	-		-	-
Cancelled units		-	-	-	-	-		-
Outstanding units as at the end of the year	220,000	197,000	29,500	45,000	180,000	58,500	165,000	55,500
Contractual life (in years)	3	3	1	3	3	1	3	1
Date of grant	May 29, 2017	Dec 18, 2018	Sep 30, 2018	May 31, 2019	Oct 30, 2019	Oct 1, 2019	May 29, 2020	Jan 1, 2021
Grant price per unit (₹)	149.65	315.30	200.00	354.50	317.40	224.00	206.05	251.00
Number of units exercisable at the end of the year	220,000	127,000	29,500	15,000	60,000	58,500	-	-
Weighted average exercise price (₹)	169.21	335.66	200.00	354.50	317.40	224.00	-	-
Weighted average exercise price for options exercisable at the end of the year (₹)	169.21	356.60	200.00	398.74	357.01	224.00	231.77	251.00

	For the year ended March 31, 2020					
	As per plan 1 (2018)	As per plan 2(2018)	As per plan1 (2019)	As per plan 3 (2018)	As per plan 4 (2018)	As per plan 2(2019)
Outstanding units as at the beginning of the year	23,000	348000	101,500	-	-	-
Number of units granted under letter of intent during the year		-		144,000	180,000	93,000
Vested units	5,000	-	39,500			-
Lapsed units	-	-	-	-	-	-
Forfeited units	-	-	-	-	-	-
Cancelled units		-	-	-	-	-
Outstanding units as at the end of the year	225,000	348,000	62,000	144,000	180,000	93,000
Contractual life (in years)	3	3	1	3	3	1
Date of grant	May 29, 2017	Dec 18, 2018	Sep 30, 2018	May 31, 2019	Oct 30, 2019	Oct 1, 2019
Grant price per unit (₹)	149.65	315.30	200.00	354.50	317.40	224.00
Number of units exercisable at the end of the year	145,000	116,000	62,000	-	-	-
Weighted average exercise price (₹)	161.28	354.65	200.00	398.74	357.01	224.00
Weighted average exercise price for options exercisable at the end of the year (₹)	148.00	315.30	200.00	-	-	-

The weighted average fair value of each unit for the above mentioned stock appreciation rights plan has been calculated using the Black - Scholes pricing model with the following assumptions:

	For the year ended March 31, 2021							
	As per plan 1 (2018)	As per plan 2(2018)	As per plan1 (2019)	As per plan 3 (2018)	As per plan 4 (2018)	As per plan 2 (2019)	As per plan 2 (2020)	As per plan 3 (2020)
Grant date	May 29, 2017	Dec 18, 2018	Sep 30, 2018	May 31, 2019	Oct 30, 2019	Oct 1, 2019	May 29, 2020	Jan 1, 2021
Exercise price (₹)	149.65-187.72	315.3-395.52	200.00	354.9-444.68	317.4-398.15	224.00	206.05-258.47	251.00
Dividend yield	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Expected life (in years)	3	3	1	3	3	1	3	1
Risk free interest rate	3.86%	3.86%-4.25%	3.86%	3.86%-5.18%	3.86%-5.18%	3.86%	4.25%-5.58%	4.25%
Volatility	40%	40%	40%	40%	40%	40%	40%	40%

	For the year ended March 31, 2020					
	As per plan 1 (2018)	As per plan 2(2018)	As per plan1 (2019)	As per plan 3 (2018)	As per plan 4 (2018)	As per plan 2(2019)
Grant date	May 29, 2017	Dec 18, 2018	Sep 30, 2018	May 31, 2019	Oct 30, 2019	Oct 1, 2019
Exercise price (₹)	163.34-177.71	86.02-94.65	149.42	354.5-444.68	317.40-398.15	224
Dividend yield	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Expected life (in years)	3	3	1	3	3	1
Risk free interest rate	4.87-5.76%	4.87-5.76%	4.87-5.76%	4.87-5.76%	4.87-5.76%	4.87-5.76%
Volatility	45%	45%	45%	45%	45%	45%

During the year, the expense recognised for Stock appreciation rights is ₹ 967 lakhs and the related liability accounted is ₹ 1439 lakhs

31. Segment reporting

The Company publishes this financial statement along with the consolidated financial statements. In accordance with Ind AS 108, Operating Segments, the Company has disclosed the segment information in the consolidated financial statements.

32. Consolidation of Employee Welfare Trust

Ind AS 110 – Consolidated financial statements defines control and establishes control as the main basis for consolidating the entities. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, in view of which the company has consolidated Sonata employee welfare trust accounts.

33. Corporate Social Responsibility

As per Section 135 of Companies Act, 2013 a company meeting the applicability threshold, needs to spend atleast 2% of its average net profit of the immediately preceding three financial years on Corporate Social Responsibility (CSR) activities. A CSR committee has been formed by the Company as per the Companies Act, 2013. The CSR initiatives are focused towards those programme directly or indirectly, benefit the community and society at large.

(i) Gross amount required to be spent by the Company during the year is ₹ 374 lakhs (Previous year is ₹ 348 lakhs).

(ii) Amount spent during the year is ₹ 377 lakhs (Previous year is ₹ 335 lakhs).

(₹ in Lakhs)

	In Cash	Yet to be paid in Cash	Total
1. Construction / acquisition of any asset	-	-	-
2. On purposes other than (1) above	-	377	377
Total	**-**	**377**	**377**

(iii) Amount unspent is ₹ Nil lakhs (Previous year is ₹ 13 lakhs).

34. Earnings Per Share

Reconciliation of number of equity shares used in the computation of basic and diluted earnings per share is set out below:

	For the year ended March 31, 2021		For the year ended March 31, 2020	
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
Weighted average number of equity shares outstanding during the period	105,159,306	105,159,306	105,110,556	105,110,556
Weighted average number of Potential equity shares exercised by Sonata Employee Welfare Trust	(1,251,125)	(1,251,125)	(1,251,125)	(1,251,125)
Weighted average number of equity shares resulting from assumed exercise of employee stock options	-	35,013	31,654	31,654
Weighted average number of equity shares for calculation of earning per share	103,908,181	103,943,194	103,891,085	103,891,085

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

36. Distributions made and proposed :

The Board of Directors at their meeting held on November 06, 2020 had declared an interim dividend of 400% (₹ 4 per equity share of par value of ₹ 1 each). Further, the Board of Directors at its meeting held on May 12, 2021 have recommended a final dividend of 1,000% (₹ 10 per equity share of par value ₹ 1 each), which is subject to approval of shareholders.

The Board of Directors at their meeting held on October 30, 2019 had declared an interim dividend of 575% (₹ 5.75 per equity share of par value of ₹ 1 each). Further, the Board of Directors at its meeting held on Feb 26, 2020 have recommended a second interim of 1450% (₹ 14.5 per equity share of par value ₹ 1 each).

37. Related party disclosure

i) Details of related parties :

Description of relationship	Names of related parties
a) Wholly Owned Subsidiaries (WOS)	Sonata Information Technology Limited Sonata Software Solutions Limited* Sonata Software North America Inc.** Sonata Software GmbH Sonata Europe Limited Sonata Software FZ LLC Scalable Data Systems Pty Ltd.
(b) Subsidiary	Interactive Business Information Systems Inc. (subsidiary of Sonata Software North America Inc.) Sopris Systems LLC (subsidiary of Sonata Software North America Inc.) Sonata Software (Qatar) LLC GAPbuster Limited *** Gapbuster Europe Limited *** Gapbuster Inc *** Gapbuster Worldwide Pty Limited *** Gapbuster China Co. Limited *** Kabushiki Kaisha Gapbuster Japan *** Gapbuster Worldwide Malaysia Sdn Bh ***
(c) Entity with common Key Management Personnel (KMPE)	Palred Technology Services Private Limited
(d) Post-employment benefit plan (Refer Note 29)	Sonata Software Limited Gratuity Fund Sonata Software Officers' Superannuation Fund Sonata Software Provident Fund
(e) Key Management Personnel (KMP)	Mr. P Srikar Reddy, Managing Director & Chief Executive Officer Mr. Pradip P Shah, Chairman & Independent Director Mr. B K Syngal, Independent Director (upto August 10, 2019) Mr. S N Talwar, Independent Director (upto August 10, 2019) Ms. Radhika Rajan, Independent Director Mr. Viren Raheja, Non Executive Director Mr. S B Ghia, Non Executive Director Mr. Sanjay K Asher - (w.e.f. August 8, 2019) Mr. Prasanna Oke, Chief Financial Officer (upto June 30, 2019) Mr. Jagannathan C N, Chief Financial Officer (w.e.f. October 30, 2019) Ms. Mangal Krishnarao Kulkarni, Company Secretary (w.e.f. July 1, 2019)

ii) Transactions with related parties :

(₹ in Lakhs)

	WOS, Subsidiary and KMPE		KMP	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Rendering of services				
Sonata Software North America Inc.	36,040	32,727		
Sonata Europe Limited	6,120	7,929		
Sonata Software FZ LLC	153	136		
Rezopia Inc.	-	15		
Sonata Information Technology Limited	1,295	1,681		
Interactive Business Information Systems Inc.	935	1,218		
Scalable Data Systems Pty Ltd	1,091	345		
Sopris Systems LLC	44	139		
Sonata Software Solutions Limited	25	-		

(₹ in Lakhs)

	WOS, Subsidiary and KMPE		KMP	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Purchase of Software products and licenses				
Sonata Information Technology Limited	5,028	6,647		
Sonata Software Solutions Limited	553	-		
Interactive Business Information Systems Inc.	37	38		
Sonata Software (Qatar) LLC	61	106		
Sopris Systems LLC	-	18		
Commission on Sales				
Palred Technology Services Private Limited	6	-		
Service charges recovered				
Sonata Information Technology Limited	366	474		
Inter corporate deposits given				
Sonata Information Technology Limited	100	23,245		
Sonata Software Solutions Limited	505	220		
Inter corporate deposits recovered				
Sonata Information Technology Limited	100	23,245		
Sonata Software Solutions Limited	546	-		
Interest income on inter corporate deposits				
Sonata Information Technology Limited	-	66		
Scalable Data Systems Pty Ltd	-	5		
Sonata Software Solutions Limited	13	2		
Interest income from rent on sub lease				
Sonata Information Technology Limited	33	36		
Recovery of rent				
Sonata Information Technology Limited	72	81		
Dividend received				
Sonata Europe Limited	541	-		
Scalable Data Systems Pty Ltd	2,015	-		
Sonata Information Technology Limited	338	5,506		
Commission received on guarantees given on behalf of subsidiary				
Sonata Information Technology Limited	58	56		
Sonata Software North America Inc.	40	10		
Compensation of key management personnel of the Company				
Short-term employee benefits****			453	327
Share-based payment transactions			548	153
Others			347	245
Total compensation paid to key management personnel			**1,348**	**725**
Balances outstanding at the end of the year				
Inter corporate deposit				
Sonata Software Solutions Limited	180	220		

(₹ in Lakhs)

	WOS, Subsidiary and KMPE		KMP	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Interest accrued on Inter corporate deposit				
Sonata Information Technology Limited	3	-		
Sonata Software Solutions Limited	-	2		
Trade receivables				
Sonata Software North America Inc.	11,466	9,500		
Sonata Europe Limited	326	1,965		
Sonata Software FZ LLC	39	45		
Interactive Business Information Systems Inc.	191	157		
Sonata Information Technology Limited	380	246		
Sopris Systems, LLC	8	148		
Scalable Data Systems Pty Ltd	242	24		
Sonata Software Solutions Limited	25			
Advances recoverable				
Sonata Information Technology Limited	89	631		
Sonata Europe Limited	11	72		
Sonata Software North America Inc.	10	46		
Sonata Software GmbH	11	10		
Sonata Software Solutions Limited	160	2		
Trade payables				
Sonata Information Technology Limited	697	3,169		
Sonata Software (Qatar) LLC	33	37		
Scalable Data Systems Pty Ltd	119	40		
Sopris Systems, LLC	18	19		
Sonata Software Solutions Limited	465	-		
Interactive Business Information Systems Inc.	33	-		
Reimbursement of expenses payable				
Sonata Software North America Inc.	344	45		
Sonata Europe Limited	-	28		
Reimbursement of expenses receivable				
Sonata Europe Limited	1	-		
Guarantees given on behalf of Subsidiary				
Sonata Software North America Inc.	5,483	8,323		
Sonata Information Technology Limited	11,467	11,849		
Payable to key management personnel of the Company				
Short-term employee benefits****			205	100
Share-based payment transactions			786	218
Others			336	230

*Incorporated on February 24, 2020

**Rezopia Inc. and Halosys Technologies Inc. merged with Sonata Software North America (SSNA) w.e.f June 14, 2019.

***Sonata Europe Limited has acquired 100% stake in GAPbuster Ltd, a UK registered Company and its subsidiaries on April 20,2020.

**** The above employment benefits excludes gratuity and compensated absences which cannot be separately identified from the composite amount advised by the actuary.

38. Leases

The Company has adopted Ind AS 116 'Leases' with the date of initial application being April 1, 2020. Ind AS 116 replaces Ind AS 17 – Leases and related interpretation and guidance. The Company has applied Ind AS 116 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at April 1, 2020.

In adopting Ind AS 116, the Company has applied the below practical expedients :

a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics

b) leases of low value assets (assets of less than ₹ 500,000 in value) has not been considered for application of Ind AS 116

c) exclusion of the initial direct costs from measurement of the right-of-use asset at the date of transition

d) application of hindsight, in determining the lease term if the contract contains options to extend or terminate the lease.

e) applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.

The aggregate depreciation expense of ₹ 1325 lakhs (March 31, 2020 ₹ 1,431 lakhs) on ROU assets is included under depreciation and amortization expense in the statement of Profit and Loss.

Following are the changes in the carrying value of right of use assets:

(₹ in Lakhs)

	Category of ROU Asset		
	Land	Buildings	Total
Balance as at April 1, 2020	229	8,158	8,387
Reclassified on account of adoption of Ind AS 116	-	-	-
Additions	-	-	-
Deletion	-	-	-
Depreciation	(13)	(1,325)	(1,338)
Translation difference	-	-	-
Balance as at March 31, 2021	**216**	**6,833**	**7,049**

	Category of ROU Asset		
	Land	Buildings	Total
Balance as at April 1, 2019	-	9,789	9,789
Reclassified on account of adoption of Ind AS 116	242	-	242
Additions	-	-	-
Deletion	-	(213)	(213)
Depreciation	(13)	(1,418)	(1,431)
Translation difference	-	-	-
Balance as at March 31, 2020	**229**	**8,158**	**8,387**

Rental expense recorded for short-term leases was ₹ 480 lakhs (March 31, 2020 ₹ 928 lakhs) for the year ended March 31, 2021.

The following is the movement in lease liabilities:

	For the year ended March 31, 2021	For the year ended March 31, 2020
Balance at the beginning of the year	9,091	10,081
Additions	-	-
Finance cost accrued during the year	930	1,040
Deletions	-	(213)
Payment of lease liabilities	(1,810)	(1,818)
Translation Difference	-	1
Balance at the end of the year	**8,211**	**9,091**

The following is the break-up of lease liabilities based on their maturities:

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Current lease liabilities	1,788	1,709
Non-current lease liabilities	6,423	7,382
Total	**8,211**	**9,091**

The following is the movement in the net investment in sublease in ROU asset:

	For the year ended March 31, 2021	For the year ended March 31, 2020
Balance at the beginning of the year	322	345
Interest income accrued during the year	33	36
Lease receipts	(66)	(59)
Balance at the end of the year	**289**	**322**

Contractual maturities of lease liabilities

The table below provides details regarding the contractual maturities of net investment in sublease of ROU asset on an undiscounted basis:

(₹ in Lakhs)

	As at March 31, 2021	As at March 31, 2020
Not later than one year	1,894	1,810
Later than one year and not later than 5 years	7,229	7,806
Later than 5 years	2,169	3,486
Total	**11,292**	**13,102**

The table below provides details regarding the contractual maturities of net investment in sublease of ROU asset on an undiscounted basis:

	As at March 31, 2021	As at March 31, 2020
Not later than one year	67	66
Later than one year and not later than 5 years	269	265
Later than 5 years	56	127
Total	**392**	**458**

39. During the year the Company has received ₹ 937 lakhs from governments of various countries on compliance of certain conditions consequent to the outbreak of COVID-19 pandemic and accordingly, accounted as a credit to employee benefits expense (refer note 18).

40. The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified. The Group will assess the impact of the Code when it comes into effect and will record any related impact in the period when the Code becomes effective.

For and on behalf of the Board of Directors

Pradip P Shah
Chairman
Mumbai

P Srikar Reddy
Managing Director & Chief Executive Officer
Bengaluru

Jagannathan C N
Chief Financial Officer
Bengaluru

R Sathyanarayana
VP - Finance & Accounts
Bengaluru

Mangal Krishnarao Kulkarni
Company Secretary
Bengaluru

Date : May 12, 2021