

**Sonata Software Limited
Earnings Call
FY06-07**

Event Date/Time: May 04, 2007/ 1500 hrs

CORPORATE PARTICIPANTS

B Ramaswamy

President & Managing Director - Sonata Software Limited

CONFERENCE CALL PARTICIPANTS

Janaki Krishnan

Reuters - Mumbai

Trupti

Dhunseri Industries - Kolkata

Gyanesh

UTI Securities - Mumbai

Rupani

ARM Research - Mumbai

Aruwala

ARM Research - Mumbai

Jigar Walia

Parag Parikh Financial Advisory Services - Mumbai

Ritesh Rathor

UTI Mutual Funds - Mumbai

Hiten

Parag Parikh Financial Advisory Services - Mumbai

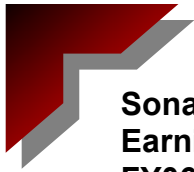
PRESENTATION

Shikha – Moderator

Good afternoon ladies and gentlemen, I am Shikha, the moderator for this conference. Welcome to the conference call of Sonata Software Limited. Mr. B. Ramaswamy, President and Managing Director from Sonata Software Limited, is your call leader today. For the duration of the presentation, all participants' lines will be in the listen-only mode. After the presentation, the question and answer session will be conducted for the participants in the conference. Now I hand over the floor to Mr. B. Ramaswamy. Thank you, and over to you Mr. Ramaswamy.

Ramaswamy - President & Managing Director- Sonata Software Limited

Thank you Shikha. This is Ramaswamy, I welcome all of you. What I would like to do is before we go on to Q&A, which you are going to be looking forward to, but I will just give an overview in



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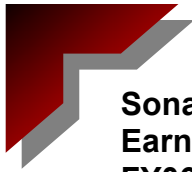
terms of the results of the fourth quarter as well as the year that ended. We have these detailed results published already on our website and also in our press release to the stock exchanges. First, let me just take you through the results of each one of the standalone companies and then talk about the consolidated results.

Sonata Software Limited, which is basically the parent company, which is tasked with all the services business internationally we had a turnover of 49.87 crores for Q4, sequentially there was a growth of 11%. In terms of if you look back at the last four quarters this is not only the highest turnover, but highest sequential growth. As you may have noticed in the first two quarters, we had a sequential growth of 6% and 7% respectively. In the third quarter, we had actually a negative growth of minus 4% (-4%) sequentially. That was because one of our top ten clients transitioned to their own facility because of this acquisition and we had a vacuum, which was created by that. The important satisfying feature is that we have been able to fill that vacuum and start a growth, and I think that is a very, very important thing for us in terms of, we were able to take this in our stride and I will come to that in terms of what our strategy is in terms of making sure that risk, which exists is beyond our control when something like Infor getting acquired by a large company and they have in their own facility in Hyderabad happens.

So in terms of expenses there also we had a sequential growth of 11%, and that is because we have started the transition of work from TUI InfoTec to Sonata and there has been a lot of knowledge acquisition in the first phase which is done on site and that is the reason why there is an increased cost and hence the EBIDT was just about 2% sequential growth. In terms of tax we had an incidence of Rs. 49 lakhs but last quarter we had a negative Rs.2.55 crores (-2.55 crores). That was because that we had written back provisions which were no more required and that is why there was a negative tax of Rs.2.55 crores last quarter and this quarter we had a tax incidence of Rs.49 lakhs. So net-net the PAT was at Rs.7.25 crores, if you do sequentially it is minus 26% (-26%) and year-on-year also it is negative at 13%, though the top line, the year-on-year is 21% and sequentially it is 11%. Staying still with Sonata in terms of the overall year we had a 25% top line growth and a 34% bottom line PAT growth. We had an operating margin of 24% and PAT percentage of 19%. The return on capital employed and return on net worth was 21.25% and 20.95% respectively as compared to 16.46% a year ago and 16.46 a year ago. So there has been a significant improvement on that count. Cash generation for the quarter was Rs.9 crores and for the year as a whole it was Rs.44 crores. This, again I think is a very, very important thing that we are focusing on to say that the organic activity or the business as usual is generating enough cash and it is able to fund the growth and expansion of the organic business, also to be able to support inorganic initiatives of the kind that we have taken, taken with investment of TUI InfoTec.

Now coming to terms of other subsidiaries which is Sonata Information Technology Limited for the quarter we had a sequential growth %, 23% in terms of top line and PAT there was a sequential growth of 6%. For the year as a whole the growth year-on-year for the top line was % 22% and in terms of profit it was 50% year-on-year. Here the business being what it is the EBITDA margin is low, it is at 1% but the point is that the return on capital employed was 25%.

Coming to my next major subsidiary, which is ODSI, which is a 100% subsidiary, which is involved in services, marketing and execution in the west coast. When I say execution, it is not offshore delivery is taken care of by Sonata, but it is only the project management, the account management and those kinds of activities are being done by ODSI for their clients. Now that had a sequential growth in the Q4 of 2% in terms of top line and in terms of PAT the sequential growth was almost about 54%. In terms of overall growth year-on-year it was minus 7% (-7%), ODSI, in terms of top line, but the bottom line was about 2% year-on-year.



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TUI InfoTec, this is the first quarter where we published for all three months. Last quarter it was only for two months, November and December. This year it is for all the three months. The quarter reported a turnover of Rs.163 crores and EBIDT of Rs.23 crores which is 11% and PAT of lets say Rs.10.27 crores total and our share which is 50% was about Rs.5.18 crores. There is no point in comparing sequential growth because it was just for two months, last quarter and this is for the entire year. Also we are not comparing it with the last year because we had not invested in it.

They are the four principle constituents to be consolidated records. If you look at the consolidated results for Q4 we had a sequential growth of 24% in terms of top line and on year-on-year growth of 95% in terms of top line. Profit after minority interest was at 65% year-on-year but minus 18% (-18%) sequentially that is mainly because of the Sonata Software Limited, which I explained to you at a standalone level. So year-on-year we grew top line by 76% and bottom line year-on-year grew by 74%. So consolidated revenue was Rs.894 crores and the net profit after tax was Rs.48.03 crores at the group level. In terms of, lets say cash flow position, we have, as a group, about Rs.132 crores cash, Rs.18 crores in Sonata. Also we have a debt of about €10 million which we have raised through foreign currency loan for the investment in TUI InfoTec. This gives you a broad overview of the results of this quarter adding us to the total year and I will now open up for questions.

Shikha - Moderator

Thank you, sir. We will now begin the question and answer interactive session for the conference participants connected to audio conference service from Airtel. Participants who wish to ask questions may please press “*” “1” on their touchtone-enabled telephone keypad. On pressing “*” “1” participants will get a chance to present their questions on a first-in-line basis. To ask questions please press “* “1” now. The first question comes from Mr. Janaki Krishnan from Reuters, Mumbai. Ms. Krishnan you may ask your question now.

Janaki Krishnan – Reuters - Mumbai

Hi. I wanted to get a sense of what is happening in this quarter for the April-June quarter and what sort of growth you all envisage?

Ramaswamy - President & Managing Director- Sonata Software Limited

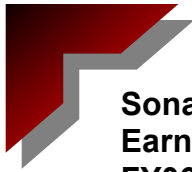
Janaki we are not giving guidance as a policy decision from the board so I am constraint to not...

Janaki Krishnan – Reuters - Mumbai

It is not in terms of numbers but just to have a sense of what is exactly happening? What kind of deals you are looking at, the kind of pipeline you have, deal pipeline?

Ramaswamy - President & Managing Director- Sonata Software Limited

Overall, I can talk to you this way. On the organic front we have lets say the so called, I do not know whether you attended our analyst meeting about five months ago in November. Overall



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what we are looking at is two kinds of segments, which is the ISVs, which is the independent software vendors or the product companies. Second is the so-called medium sized enterprises. The reason for why we are looking at that segment is that now that offshore is mainstream, there are companies who are looking at offshore as their strategic kind of an initiative at all levels and sizes. We feel that there is a mid-market, which is not comfortable with very large kind of associations and they want size compatibility because they want attention and they want risk-free kind of the strategy for their so-called outsourcing initiative. These are companies who would look for typically a mid-sized company who has a strong track record, financially sound, client references and fairly broad capabilities. That is where we are aligning our offerings and our strategy to address these segments. We are leading this with some of our key offerings be it managed testing, be it web development, be it package implementation and so on, but we are able to offer a wide array of services. Now we have done this in the US mainly organically, right now we have five marketing offices and the traction that we find here is that a majority of our new customer acquisitions is coming through existing customer referrals. One other thing that we are witnessing also is, our clients are scaling up nicely. Compared to lets say three to four years ago, we had a real problem in terms of lets say continuing relationship on a long-term basis and scaling up the client. Today we have very consciously worked on that issue and been able to successfully develop a partnership kind of a strategy where customers are also keen. They start small, but as they get to taste success they take the next step, and the next step and so on. That helps us in terms of revenue stream because they are scaling up. That is very clearly reflected in this quarter's result as I mentioned initially that there was 11% sequential growth on the back of a major client being gone. That has been taken care of by the clients who scaled up not necessarily those who were acquired last quarter, but maybe acquired last year or even previous year.

Janaki Krishnan – Reuters - Mumbai

Okay, yeah.

Ramaswamy - President & Managing Director- Sonata Software Limited

So that I think is our very, very healthy or very positive aspect of our business model as we are witnessing today. So I think what we need to do going forward is to make sure that our client acquisition engine is in full blast, because the client we acquire in this quarter is the client who will turn out to be a million dollar, maybe four quarters down the line or six quarters down the line. There is also a situation where some of the clients are petering off and also the ISV segment being what it is with lot of M&A happening is one issue, which is beyond our control, which is if they get acquired. For example, let us say Global has acquired Infor and they found that they had a 500 people center in Hyderabad, why would they want a 100 people. So this is the situation with Sonata being outside of their fold. That is the risk that we have identified, that is, the risk is, we need to address. The only way to address is by saying that we spread our risk in terms of lets say client concentration and also continuous additions i.e., I think global strategy. That is organic one.

The inorganic one was that we for Europe (indiscernible) before lets say TUI InfoTec was acquired, our geographical mix was like 55:45 in favor of Europe, and we always had that success, but the point was it was a English speaking UK market, not so much in continental Europe. Continental Europe is a different cup of tea not only for Sonata, for everybody else. You need language capability and more than language there is a cultural issue and so on and so forth. So we felt very clearly that organic will not work, I mean just opening up two offices with Indians



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posted there and scaling it up is not simply that will sort of cut it. So we did make that bold move in terms of making a significant acquisition, make an investment in TUI InfoTec where we have invested Rs.108 crores, which is about €18 million in a company, which has a turnover of €130 million.

Our whole strategy was that we got a platform in the German speaking market with 450 people who speak the German language. Second is that there is an assured revenue from the group customers because it was a captive company. Third there were deep domain capabilities in the area of travel, hospitality and airlines. Fourthly they have a very significant revenue stream almost about 50% - 60% of their revenue coming in from what is called the infrastructure management, which is an emerging area of opportunity for the Indian companies. That again is not a service that you can build organically. Unlike services where you can start with a group of 20 people and scale up to 2000 people, because if you are talking about the customers' entire nervous system being hosted there so that is another thing that we have done in a significant way. The whole strategy there is to woo the western market. Now there is a sort of revenue, which is assured by the customer, I mean the group customer, there is potential to even the group companies no doubt, but more importantly I think our motivation, both partners, is to say that how do we take this capability which is residing both in Hannover in InfoTec and in Sonata which is a global delivery model to the external customers. So what we have done is that company had no sales and marketing we have hired a person to head the sales and he was the VP at Lufthansa Systems and he has done this before in the last four five years where he converted the 100% of the business from Lufthansa to almost about 40% from external customers. Focusing on the mid-market not the Deutsche telecom, not the Deutsche Post or Deutsche bank but mid-market again. So we have just started building sales and marketing team around him and we are trying to sort of build the brand there with our case studies of having worked successfully for the TUI group companies even in Germany in the offshore onsite model. So that is the way forward there.

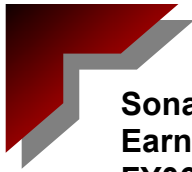
Janaki Krishnan – Reuters - Mumbai

Okay, how important or urgent is acquisition? How urgent is an acquisition for you all at this point in time?

Ramaswamy - President & Managing Director- Sonata Software Limited

I think our hunger for growth is there. We need to get growth fast so while organic is fine, it is going to go on, at certain places like I said organic strategy will not work. When you want to acquire deep domain capability it is possible over time. TCS would get insurance claim and domain expertise for 25 years. The question is if you want to fast forward it or compress it that is one answer. But in case of geographies like Germany or infrastructure management I think, inorganic was the only answer. I think we are talking about a duo strategy where organic is making sense, that is the best way to go because you do not invest money, you do not take risk and nothing. But inorganic has its own issues in terms of integration and risk of failure etc., it is there. No joint venture and acquisition has been successful world over all the time. So there is a risk element attached but we need to make it and analysis whether it is worth the risk, worth the money that we are spending and so on and so forth. We believe that these are the two areas or three areas where inorganic claims itself as the best candidate.

Janaki Krishnan – Reuters - Mumbai



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Yes. Okay. If you do make an acquisition in this year what kind of possible size would you be looking at?

Ramaswamy - President & Managing Director- Sonata Software Limited

What kind of a...?

Janki Krishnan – Reuters - Mumbai

Size you would be looking at, the revenues of the target company?

Ramaswamy - President & Managing Director- Sonata Software Limited

If we are going after that fact you will be having a wrong kind of a... I am sorry to say, mindset we do not want to. If there is a deep capability and even if it is a million dollar company I would look at it if it fits into its own gamut of lets say either the horizontal practice or in terms of vertical domain. I do not think size is the issue but it is more importantly does it satisfy you. We have four issues that we need to look at if we are looking at inorganic kind of a thing. Does it have an extended customer base or a different customer base, does it give me new geography, does it give me new domain areas, does it give me new technology or offering, if it satisfies one or more of that ideally all of them, but it will not be all of them ideally at least two or three of them, I think it is a candidate. I think it is a candidate. Obviously, I am not going to look at \$2 billion company as an acquisition target. Lets be realistic, but the point is within a range I think these are the four important characteristics or criteria that we would look at.

Janki Krishnan – Reuters - Mumbai

Okay. How much are your revenues from the US now?

Ramaswamy - President & Managing Director- Sonata Software Limited

International revenues are 45% US, and 55% in Europe.

Janaki Krishnan – Reuters - Mumbai

Okay were you significantly impacted by the appreciation on the rupee vis-à-vis the dollar?

Ramaswamy - President & Managing Director- Sonata Software Limited

Fortunately for us the Euro and Sterling Pound we did not have too much of an impact but US Dollars we did. Last quarter we had an impact of about 1 crore.

Janaki Krishnan – Reuters - Mumbai



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Okay. If the rupee does hold steady now it should be okay for you all right? I mean you are suitably hedged at this level?

Ramaswamy - President & Managing Director- Sonata Software Limited

Yes, right.

Janaki Krishnan – Reuters - Mumbai

Okay, but if the rupee does rise again then it would be a problem for you all?

Ramaswamy - President & Managing Director- Sonata Software Limited

For everybody.

Janaki Krishnan – Reuters - Mumbai

Okay. But do you think that you are shifting, where is your focus? Is your focus more in the US market or in the European market?

Ramaswamy - President & Managing Director- Sonata Software Limited

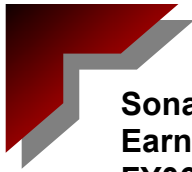
I think as I said we have the bandwidth that would take care of it at this point in time. We have sufficiently, mutually exclusive focus on these two markets. I do not think it will be wise to say that we will only focus in Germany now or in Europe because US is all said and done the largest market. Our size still there is very, very small and there is a lot of headroom to grow there. So we would be not making a wise decision to ignore US and our focus will be there. There are distinct teams who are focused in Europe. I think sort of resources quality, scaling up execution engine is not the issue and we would focus equally on both markets.

Janaki Krishnan – Reuters - Mumbai

Do you think because of the uncertainty in the way the rupee would swing, do you think you would, like your US exposure, to be restricted at this level?

Ramaswamy - President & Managing Director- Sonata Software Limited

I do not think so. If lets say we have a situation where currency is an issue but I know it is not going to be Rs.15 or something like that tomorrow morning. So there is going to be that fluctuation, but I think it is all of us who have to manage and live with it. Just because the tax is going to be max I cannot vacate the business in software. Maybe some people are thinking of that, but I do not think we should look at it that way. These are issues that we manage as a business. These are external situations, which are posing us a challenge, but I think fundamentally the business is going to be still profitable. Return on capital employed is still going to be better.



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Janaki Krishnan – Reuters - Mumbai

Okay, that is very true. Are you also looking at the Indian market as a growth opportunity?

Ramaswamy - President & Managing Director- Sonata Software Limited

We are one of the players who have stuck on to the Indian market right from the beginning, 21 years ago, and we believe that the Indian market is something that we want to focus. Inasmuch we started this entire Indian business where lot of investors who are very skeptical about why do you want to persist with that way back in 2000, based on their so-called feedback. At least let us have a distinct kind of an understanding of your business where it is coming from so that we know what is services internationally and what is domestic kind of thing. So we have completely distinct businesses, FIDL is a 100% subsidiary. One is I want to give an overview in terms of what kind of business that we are in there. There is a large amount of volume trading that is happening, which is we represent principles in selling the software packages. That has been our traditional business. We represent about 27 companies and the margins there are low as I mentioned that if the return on capital employed is quite decent, they qualify as a viable business. But what is more important for us is to leverage those relationships. If today we are a global SI for Microsoft it is because of the relationship that we have had in the last several years almost finding about 15 years in Indian market.

The second business is the IT business solutions where we are partners, way back in 1995 we started with implementing (indiscernible) as an ERP in India and we have developed deep capabilities and we have now grown that to Oracle applications and (indiscernible). We have, lets say, offerings in specialized industries around Microsoft etc. We just released, a few weeks ago, a product called Sonnets Construct, which is a vertical focused product for the consumption industry in India. We have five customers already and we believe that we are going to be the #1 ERP for the construction industry in India.

The Indian market is also fast changing in terms of texture not only in price. Price in the US where there are specializations within the industry, the Indian market is heading towards that where I think the value addition will come in, be it for IT or for the solution providers. Having built a platform of customers through this so called license sale, it is easy for us to dice, and slice this market, and say what kind of capabilities do I want to build and want to address and where do I want to cater these? The other offering that we have got in the last few months is what is called Sonnets CRM, this is focused on only the BPO industry. You are aware how big the BPO industry is, how profitable it is, and so on, and here we are to address that solution that segment in terms of a CRM solution, which is again the core for that business. That is something, which is promising. That is the kind of strategy that we are looking Janaki.

Janaki Krishnan – Reuters - Mumbai

How about expansion within India, more centers, any kind of investment that you have planned?

Ramaswamy - President & Managing Director- Sonata Software Limited



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We have three development centers in Bangalore, one in Hyderabad, all leased facilities. We have been allotted land in Hyderabad about 7.8 acres by the Andhra Pradesh Government under the SEZ scheme, just got possession of the land. We are going to build a campus there for 2500 people, trying to do phase I this year provided the approach road etc. is cleared and there is a quarry which needs to be removed and all that kind of thing. We need space and we are wanting to do this.

Janki Krishnan – Reuters - Mumbai

Okay. Thanks very much.

Ramaswamy - President & Managing Director- Sonata Software Limited

Thanks Janaki.

Shikha – Moderator

Thank you Ma'am. Participants who wish to ask questions may please press "*" "1". The next question comes from Ms. Trupti from Dhunseri Industries, Kolkata. Ms Trupti you may ask your question now.

Trupti - Dhunseri Industries - Kolkata

Good afternoon sir. I just wanted to know what is TUI's total IT spending?

Ramaswamy - President & Managing Director- Sonata Software Limited

TUI group company's total IT spending from all the group companies is estimated to be €300 million.

Trupti - Dhunseri Industries - Kolkata

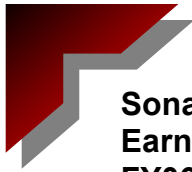
How much is enjoyed by TUI InfoTec?

Ramaswamy - President & Managing Director- Sonata Software Limited

€130 million.

Trupti - Dhunseri Industries - Kolkata

Around €30 million?



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Ramaswamy - President & Managing Director- Sonata Software Limited

130.

Trupti - Dhunseri Industries - Kolkata

130? So do you think in the future we can gain more of the total revenue?

Ramaswamy - President & Managing Director- Sonata Software Limited

When they say IT spend of €300 million, there are three things. One is the in-house staff that they have. To a certain extent that can be looked at as an opportunity if some kind of transfer is possible. Second is there are certain kinds of hardware and software spending, hardware and license spending especially. That I do not think we can aim for, whether it is IBM or software license that they have associated with IBM, or Oracle, or whatever it is we can aim for, but definitely there is a big piece of what they have as outsourcing, local partners, whether it is IBM in UK or somewhere else that is something that we can really look at.

Trupti - Dhunseri Industries - Kolkata

When can we expect this number to go up from €130 million to some other number?

Ramaswamy - President & Managing Director- Sonata Software Limited

That is the work that has to be started immediately, it has to be done in four phases Trupti. One is I think there is a change in ownership for the first time as far as TUI InfoTec is concerned, so we need to make sure that their customers who are basically brothers and sisters are rattled by the fact that now we are talking about an independent entity, you are now no more my sister company. That needs to be assured that €130 million is not lost. Once we do that, which is what we are doing in the last three to four months. Simultaneously we are going to talk about an initiative wherein we are going to take to the other customers. There are companies who are not in TUI InfoTec at all to say that we have a cost effective solution and a value proposition and do the account mining there. So it will be a gradual process, but we did not want to shake the board and say we wanted to because €130 million is €130 million. Whatever is the outsourceable is more than about 60%-70%. There is 50% still sitting there but the point is we still need to be cautious and careful in terms of how you want to go about that.

Trupti - Dhunseri Industries - Kolkata

Okay. Sir one more question. Any order in pipeline for TUI InfoTec?

Ramaswamy - President & Managing Director- Sonata Software Limited

As I just mentioned, a little while ago, we have just established the sales and marketing organization. He joined us on April 1st and he is going through his so-called plan preparation in



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terms of how he wants to have this team etc. So the marketing and sales activities have just started I would say, planning has just started.

Trupti - Dhunseri Industries - Kolkata

Okay Sir. Thank you so much.

Ramaswamy - President & Managing Director- Sonata Software Limited

Thank you.

Shikha - Moderator

Thank you Ma'am. The next question comes from Mr. Gyanesh from UTI Securities Limited, Mumbai. Mr. Gyanesh you may ask your question now.

Gyanesh- UTI Securities - Mumbai

Thank you. Good afternoon. Can you tell me what is the total head count of Sonata at group level?

Ramaswamy - President & Managing Director- Sonata Software Limited

2250.

Gyanesh- UTI Securities - Mumbai

2250? Going forward what are the hiring plans?

Ramaswamy - President & Managing Director- Sonata Software Limited

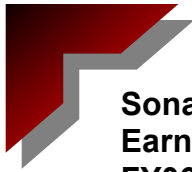
We say that based on the business plan that we have. We will be looking at hiring and again we believe that it is a forward looking kind of a metric, where you cannot be specific in terms of what your hiring plans are.

Gyanesh- UTI Securities - Mumbai

What would be the mix of (indiscernible) versus freshers if you can give that?

Ramaswamy - President & Managing Director- Sonata Software Limited

About 60% would be freshers and 40% (indiscernible).



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Gyanesh- UTI Securities - Mumbai

Okay. Thank you.

Shikha – Moderator

Thank you Sir. The next question comes from Ms. Rupani Aunali from ARM Research, Mumbai. Ms. Aunali you may ask your question now.

Rupani - ARM Research - Mumbai

Hello this is Aunali. Let me first congratulate you on the good numbers.

Ramaswamy - President & Managing Director- Sonata Software Limited

Thank you. Who is this?

Rupani - ARM Research - Mumbai

Rupani from Mumbai.

Ramaswamy - President & Managing Director- Sonata Software Limited

Hi Rupani.

Rupani - ARM Research - Mumbai

My analyst would like to ask a few questions, his name is Aruwala.

Aruwala - ARM Research - Mumbai

Sir, would the margins be maintained in the coming quarter.

Ramaswamy - President & Managing Director- Sonata Software Limited

This is a business as usual scenario. There are two or three things, which are going to play on that. One is we are going to increase the marketing expenditure there. Two, we are also going to incur some amount of expenditure in terms of transitioning and so on, which might impact the margins in a negative way, but on the contrary, work is going to be transitioned to India at a lower cost. They are going to be incurring lower cost for the same amount of work. So net-net I think we should be looking forward to an improvement in margin over a period of time.



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Aruwala - ARM Research - Mumbai

What is the possible topline that we can have for the full year next from the US?

Ramaswamy - President & Managing Director- Sonata Software Limited

But that is a forward looking thing and we are not giving guidance on those.

Aruwala - ARM Research - Mumbai

Okay fine. That will be all sir.

Shikha – Moderator

Thank you sir. Participants who wish to ask questions may please press “*” “1”. Next question comes from Mr. Jigar Walia from Parag Parikh Financial Advisory Services, Mumbai. Mr. Walia you may ask your question now.

Jigar Walia - Parag Parikh Financial Advisory Services - Mumbai

Very good afternoon to you sir. Sir I have a question which pertains to the non TUI clients. From TUI we know from the past couple of quarters its story is very good, if you can give us some sense in terms of the other top clients if you can name who are the top clients in IT business as well as the non SITL clients in top five and how is the growth shaping up? I believe (indiscernible) has extended business to Sonata?

Ramaswamy - President & Managing Director- Sonata Software Limited

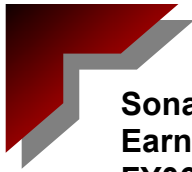
Jigar, we would not want to discuss clients and what their standing is in terms of the top 5, top 10 etc, but if you really want to know, we have this issue also in terms of whether we can talk about our clients' stories externally and where we have got permission it is all on our website in terms of who our clients. Individually what is the contract size, whether they are extending that will not be able to be revealed.

Jigar Walia - Parag Parikh Financial Advisory Services - Mumbai

If you can give us some sense in terms of how are the other clients growing apart from the US?

Ramaswamy - President & Managing Director- Sonata Software Limited

I think, as I explained to the other lady who asked this question earlier on, I think what we are finding is our whole business model which we thought out to be three years ago is working very well. We are looking at a long multi-year relationship. Though it may start with half a million or \$200,000 whatever it is, whether it can be sustain at 1 plus million for a reasonable time frame.



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That mode seems to have sunk in and has taken roots. So I think what you see as a growth in each quarter is a result of our client acquisition a few quarters ago. So I think as long as we have this client acquisition engine in full blast and our account mining and delivery capability which has been proven, I think this organic growth is quite robust or can be predicted.

Jigar Walia - Parag Parikh Financial Advisory Services - Mumbai

One question pertaining to TUI. Is it possible for you to tell us what was TUI's turnover for the full year in calendar year '06?

Ramaswamy - President & Managing Director- Sonata Software Limited

Full year calendar in '06, is it? I can tell you but I do not have it right away. It would be, I know it is about 130 million but I can check and let you know.

Jigar Walia - Parag Parikh Financial Advisory Services - Mumbai

I think 130 million was the '05 number.

Ramaswamy - President & Managing Director- Sonata Software Limited

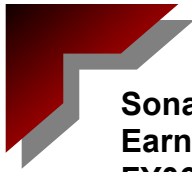
Same year. They are not in the Indian industry like 46% year-on-year growth, 20% sequential growth and all that. Their group companies have more or less the same contracts, they renew it again, and again, and again kind of thing. So it is not going to be very different.

Jigar Walia - Parag Parikh Financial Advisory Services - Mumbai

Sir one thing on TUI parents acquisition of First Choice. Can you tell us what is the status of that right now? Is there any indication from the group company in terms of what happens to that now, possible outcome for TUI InfoTec? Although it would be positive, any clear indications from their side?

Ramaswamy - President & Managing Director- Sonata Software Limited

Right now, you must have done the research in the available public domain because First Choice is also a listed company. There is going to be a new company called TUI Travel and to this company the entire business of First Choice will be vested or transferred and from TUI AG's perspective all the travel business and airline business will be transferred. So TUI AG will have 51% of this new company. The hotels will be retained and some specialist cruises will be retained by TUI AG and so will Hapag-Lloyd. Hapag-Lloyd is a shipping company that will still be under the TUI fold, not in the new company PLC structure. Right now they are going through this process of getting the approval from antitrust authorities. Now 12 days earlier to their proposal Thomas Cook and MyTravel they had their merger plan and that is also in the pipeline. They are expected to get that by middle of May. Before they get that approval none of these two companies legally are required to talk or do anything and that is why there is no talk even in a very unofficial or informal manner because it affects their so called application or hearing in terms



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of antitrust. All that we know is that it will be a complementary business. It is going to be a bigger business in terms of their travel and what we need to look at is in terms of their IT kind of landscape which we do not have too much visibility on. What we know is what we get from public domain and that is the First Choice where a lean IT but they have gone through the so-called product way and they are one of the star customers for a company called Anite, which is a travel related reservation system called @comRES. So to that extent there is an opportunity, Jigar, in the sense that if there is a wide variety of platforms, there needs to be an integration, there has to be homogeneity, they need to talk to each other, and so on, and so forth, so that is an opportunity. There is the other side of the applications landscape in TUI UK and TUI Germany has. So that could be the advantage for us I think we need to wait for a while, but the whole commitment of TUI revenues to TUI JV that stands still by agreement.

Jigar Walia - Parag Parikh Financial Advisory Services - Mumbai

Sir, one last question from my side. This pertains to generally talking about the company, are you saying firing all guns, in terms of acquiring more number of clients. You have got TUI plus you already appointed Jens Habler as your sales leader and you are also opened to acquisitions still even after TUI, if it fits into your profiling and more business from outside TUI, although you are talking in forward numbers giving outlook in terms of the hiring policing. Just wanted to know from your side, is the groundwork at the back end level, is it very strong enough or you are building that up as fast as you want to acquire the new plant? On the front end side I think it is very aggressive. I think the pie is also very big for you as far as TUI itself is concerned, but on the back-end side are you investing a lot into capabilities or would you be spending a lot more in terms of salaries or recruitment and something like that?

Ramaswamy - President & Managing Director- Sonata Software Limited

I think the whole HR strategy as well as this whole execution process is something that we have worked on for the last lets say 5, 6, 7, years. As we have moved on we have been able to scale up also. Today we are managing some 200 people for compliance which has grown from 25 kind of number. So I think those processes I am not saying that they are perfect and has reached nirvana but I feel that we are quite strong and quite comfortable in that area. In fact this is exactly what a customer is looking for. Forget all those issues of whether you have cash in the bank or whatever it is. They do not look at that. All that they are saying is that if I give you work for 100 people how will you execute, please tell me where will the people be, who are those people, can I talk to them and how have you done it for others, can I talk to your customers?

I think that is what we are really focused on and we have been working. There is a lot more to do but I think we are comfortable there.

Jigar Walia - Parag Parikh Financial Advisory Services - Mumbai

Thank you very much sir. Thanks a lot.

Shikha - Moderator

Thank you sir. The next question comes from Mr. Ritesh Rathor from UTI Mutual Funds, Mumbai. Mr. Rathor you may ask your question now.



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Ritesh Rathor – UTI Mutual Funds - Mumbai

Sir, what kind of attrition are we facing on salary hike expected in the next quarter?

Ramaswamy - President & Managing Director- Sonata Software Limited

I also do not know what hike is there next quarter, but I can say that last year, we had a 15% hike average and our attrition rate was about 13%.

Ritesh Rathor – UTI Mutual Funds - Mumbai

In terms of integration with TUI, do you have any one-time expenses coming in next quarter?

Ramaswamy - President & Managing Director- Sonata Software Limited

It will be for this knowledge acquisition as I said which is going to be spread over six to nine months. It started around November 14 and some of those clusters are taking more time than what we envisaged because of the complexity of the German language and no documentation etc. but I see that happening for say, the next three quarters at least, not at the same level but the bulk of it should be over in the next two quarters.

Ritesh Rathor – UTI Mutual Funds - Mumbai

How many people currently on the QA side?

Ramaswamy - President & Managing Director- Sonata Software Limited

Which one?

Ritesh Rathor – UTI Mutual Funds - Mumbai

TUI.

Ramaswamy - President & Managing Director- Sonata Software Limited

There are about 30 people in the knowledge acquisition thing and all of them were on-site at one point in time but now slowly people are also transitioning to offshore as an offshore parallel kind of thing.

Ritesh Rathor – UTI Mutual Funds - Mumbai



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In terms of sales and marketing you have recruited one person and you are looking at non-TUI geographies for sales and marketing right? So how big would be his team?

Ramaswamy - President & Managing Director- Sonata Software Limited

The plan that is working on right now he is putting it together because he has experience of doing it for Lufthansa Systems in the last five, six years, so the plans are being prepared. He just joined us on April 1.

Ritesh Rathor – UTI Mutual Funds - Mumbai

Once the teams get prepared in the next two months take for example, how big would be the sales switch length, it would take another five months to get a client and then again you start executing that project, would it be that way?

Ramaswamy - President & Managing Director- Sonata Software Limited

There are two things, one is the infrastructure and the other is software services. Infrastructure is typically a 120-180 days sales cycle from RFP to start kind of thing. Software cycle the services could be smaller but if they are also RFP of a large nature that could also be 90-120 day cycle time.

Ritesh Rathor – UTI Mutual Funds - Mumbai

Currently do we have any sales and marketing team, how big would it be? Are you integrating with this person coming in?

Ramaswamy - President & Managing Director- Sonata Software Limited

Yes, he is the one who is going to be heading the team.

Ritesh Rathor – UTI Mutual Funds - Mumbai

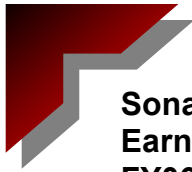
There was nobody earlier to him?

Ramaswamy - President & Managing Director- Sonata Software Limited

They were never selling to anybody, it was all group customers that they were addressing.

Ritesh Rathor – UTI Mutual Funds - Mumbai

You are talking of TUI InfoTec only right?



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Ramaswamy - President & Managing Director- Sonata Software Limited

I am talking about TUI InfoTec.

Ritesh Rathor – UTI Mutual Funds - Mumbai

Okay. Thanks sir.

Ramaswamy - President & Managing Director- Sonata Software Limited

Thanks.

Shikha – Moderator

Thank you sir. Participants who wish to ask questions may please press "*" "1". The next question comes again from Mr. Jigar Walia from Parag Parikh Financial Advisory Services, Mumbai. Mr. Walia you may ask your question now.

Jigar Walia - Parag Parikh Financial Advisory Services - Mumbai

Hello. Sir my question pertains to the financials for this quarter, largely looking at this very nominal drop as compared to the sequential quarter last year. I just wanted to understand this Q4 performance in numbers which in terms of the tax rates or the other operating, does that reflect a normal year for TUI particularly?

Ramaswamy - President & Managing Director- Sonata Software Limited

For TUI it is business as usual. It is a full quarter.

Jigar Walia - Parag Parikh Financial Advisory Services - Mumbai

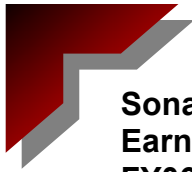
Last year there was this higher other operating income and lower taxation which was ...

Ramaswamy - President & Managing Director- Sonata Software Limited

That was only for two months because of that cycle. I do not know what the situation is there, that was the tax rate they said it is. These are all, we have not bothered to understand German tax laws, we just take it as certified by PWC. I think quarter one is typically a business as usual kind of thing.

Jigar Walia - Parag Parikh Financial Advisory Services - Mumbai

Which we can assume as normal going ahead?



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Ramaswamy - President & Managing Director- Sonata Software Limited

To say so.

Jigar Walia - Parag Parikh Financial Advisory Services - Mumbai

Thanks a lot sir. Thank you.

Shikha – Moderator

Thanks a lot, sir. Participants who wish to ask questions may please press “*” “1”. The next question comes from Hiten from Parag Parikh Financial Advisory Services, Mumbai. Mr. Hiten you may ask your question now.

Hiten - Parag Parikh Financial Advisory Services - Mumbai

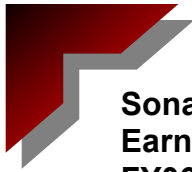
Hello. How are you? Congratulations sir on your good numbers once again and going forward best of luck for a good streamlining of operations of TUI InfoTec with Sonata Software. Just one small question. I wanted to know with this new person coming into the marketing side, is there going to be some change in name of TUI InfoTec because probably your business cycle or your business contacts might change with the TUI name not being there because the external orders might come in terms of that same industry like other portals who want to give orders to you, probably with the TUI name not being there, it could make a difference?

Ramaswamy - President & Managing Director- Sonata Software Limited

We thought about it a lot, Hiten and they were also opened to any other name, but as a JV we thought both partners should put together what is best. We are faced with a situation where a customer in Germany is looking at the risk side of the equation much more, sort of deplete than say in the English speaking countries. So to address that risk you need to have a very strong brand making that promise. TUI is such a brand. TUI is a very strong brand in Germany. It is okay in India not many people know about TUI and when you say TUI they say who kind of thing. The point is it is a \$20 billion consumer company and everybody recognizes TUI smile and there is lot brand, what you call character in that. So we finally decided that I think we need to retain back an order of communication, the thing that a joint venture with Sonata with our logo and name also. So it is going to be a joint effort, but instead of saying that start all over from scratch a new name, we have this joint branding.

Hiten - Parag Parikh Financial Advisory Services - Mumbai

Okay sir and just one more thing sir. As far as other income is concerned, last quarter that international business had some 9 crores of other income and this quarter also it has got around 7.6 crores, so this is always going to be the case or is there a foreign exchange component also into this or something like that?



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Ramaswamy - President & Managing Director- Sonata Software Limited

No. It would have been a miracle if I had an income from exchange.

Hiten - Parag Parikh Financial Advisory Services - Mumbai

Not including ForEx ups and downs.

Ramaswamy - President & Managing Director- Sonata Software Limited

I am saying the other income was mainly because TUI InfoTec has Euro €13 million in cash. So they are earning some interest on that money. Majority of the other income is on account of that.

Hiten - Parag Parikh Financial Advisory Services - Mumbai

So that will continue till either you people take dividends or you invest into some other businesses?

Ramaswamy - President & Managing Director- Sonata Software Limited

There is also a CapEx that is there, this €13 million is there, sure when the dividend comes there will be certain amount of sort of depletion of the cash. But also there is CapEx for that company.

Hiten - Parag Parikh Financial Advisory Services - Mumbai

Okay. It is going to be an ongoing thing, is it?

Ramaswamy - President & Managing Director- Sonata Software Limited

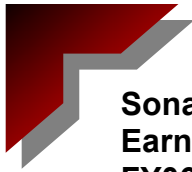
Yeah, yeah.

Hiten - Parag Parikh Financial Advisory Services - Mumbai

So what are the plans for the CapEx sir, going forward for Sonata also and for TUI InfoTec, as a whole?

Ramaswamy - President & Managing Director- Sonata Software Limited

Sonata we are looking at something like 65-70 crores of CapEx this year, going to be one of the heaviest in our history. Basically we are going to be looking at commissioning the phase one of our campus which is going to be our own building and fit out for lets say first 800 people or so. So that will be a main thing and of course there are routine upgradations etc, that goes on with the rest of the 3-4 facilities that we have. TUI has business as usual kind of expenditure on



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CapEx on hardware, software licenses so on and so forth. That would be in the order of €5-€6 million.

Hiten - Parag Parikh Financial Advisory Services - Mumbai

So that means the cash is enough for around 2 or 3 years of CapEx?

Ramaswamy - President & Managing Director- Sonata Software Limited

Yes. For their CapEx.

Hiten - Parag Parikh Financial Advisory Services - Mumbai

That is right. Thanks a lot and best of luck sir.

Ramaswamy - President & Managing Director- Sonata Software Limited

Thank you.

Shikha – Moderator

Thank you sir. At this moment there are no further questions from participants. I now hand over the floor back to Mr. Ramaswamy for the final remarks.

Ramaswamy - President & Managing Director- Sonata Software Limited

Thank you Shikha. Ladies and gentlemen, thanks once again for participating in this call and thank you.

Shikha - Moderator

Thank you sir. Ladies and gentlemen, this concludes the conference call. You may now disconnect your lines. Thank you for connecting to audio conference service from Airtel and have a pleasant evening.