





24th January, 2022

National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Mumbai

Kind Attn: Manager, Listing Department

Email Id: neaps@nse.co.in Stock Code - SONATSOFTW

Dear Sir/Madam,

BSE Limited

P.J. Towers, Dalal Street

Mumbai

Kind Attn: Manager, Listing Department Email Id: listing.centre@bseindia.com

Stock Code - 532221

SUB: Transcript of the Analyst / Institutional Investor Meeting

Please find attached herewith copy of the transcript of the Analyst / Institutional Investor Meeting held on January 18, 2022. The audio recording of the same is uploaded on our website at https://www.sonata-software.com/about-us/investor-relations/quarterly/results

Please take the same on record.

Thanking you,

Yours faithfully For **Sonata Software Limited**

Mangal Kulkarni Company Secretary, Compliance Officer and Head-Legal

Encl: as above



"Sonata Software Q3 FY-22 Earnings Conference Call"

January 18, 2022

Management: Mr. P. Srikar Reddy - MD & CEO - Sonata

Software Limited

Mr. P. V. S. N. Raju - Chief Delivery Officer -

Sonata Software Limited

Mr. Jagannathan Chakravarthi - CFO, Sonata

Software Limited

Mr. Ranganath Puranik - Chief Growth Officer,

Sonata Software Limited

Mr. Sujit Mohanty - Head (India Business) &

Director, SITL

Mr. Sathyanarayana R - VP & Head (Finance),

Sonata Software Limited



Moderator:

Ladies and gentlemen, good day and welcome to the Sonata Software Q3FY22 Earnings Conference Call.

As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*"then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. P. Srikar Reddy from Sonata Software Limited. Thank you. And over to you, sir.

P. Srikar Reddy:

Good morning everybody for joining the analysts call post the announcement of our Results yesterday for Q3FY22. I have with me on the call today, Mr. Jagannathan, who is our CFO, Mr. Raju, who is our Chief Delivery Officer, Mr. Sathyanarayana, our VP and Head of Finance, Mr. Sujit Mohanty, Head of our India Business, and Mr. Ranga Puranik, Chief Growth Officer of the Company. The results, and the relevant text have been uploaded onto the website, along with the press release. I am sure you all have had a chance to look at it.

So, overall, I think first of all, I would like to summarize the quarter in-line with what we have been saying about, in the last few quarters that we see the demand situation continue to look good. Obviously, we continue to have the challenges on the supply, though we do see that tapering off. We hope that taper off will continue into the future. We are continuing to invest for the future and creating capacities well in advance. And all those plans should you know fructify and start showing up in the numbers in a couple of quarters from now.

And one of the reasons I think we do have a little softening of the margins in this quarter is due to, I think we did some level of correction in the last quarter, in the compensation and the cost of new people have increased. We also will continue to see a little softening as we do a correction in the compensation in this quarter, and then in April. So, while we continue to see good uptick on the demand situation, especially from the digital side and clearly across most of our segments. The travel has taken a little bit of let's say, I would say slowdown because of all the issues with the Omicron and other stuff. But we do think that starting from spring, that is March, April, I think that should come back. And that's what we are expecting to happen.

As a company as I mentioned, we continue to invest in improving our digital capabilities across the Board. A lot of focus on the Microsoft digital platform capabilities apart from the dynamics, are more focused on the Data, Cloud, Azure and all the other related services. We are also starting to invest in the non-Microsoft Cloud Stack. A big, I would say a performance boost this time has been our India business and I think which has shown a huge, a big, not from really the top-line because the top-line keep varying this are the kind of deals we do. But more from an absolute bottom-line perspective. And as we continue to see that kind of a trend in the India business as we expand into more and more Cloud business in India, and some other related services.



So, overall, I would summarize the quarter as a continuation of the investments and strategy we have made in the past. And the fact that they are starting to yield more results both in terms of our storyboard with our existing clients and new clients. I also did mention we do see a healthy pipeline both in existing clients and in the new pipeline, on the digital side, and we will continue to see that. And we continue to make investments in getting talent across the board, both onsite and offshore.

I did mention last time that we had opened a couple of development centers, one in Canada, one in Ireland. The pace of growth has not been at the pace at which we wanted, and that's because of the issues we were having with the travel and other restrictions. But we do expect those to start kicking in. There are a lot of other initiatives we have taken to take care of, in the short term, the capacity and supply side issues.

So, that's really a summary of the performance for the quarter and what we look forward for the next couple of quarters. I will hand over to Jagan to take you through the more detailed financials. And we would be very happy to answer any questions you may have. Okay, thank you all again.

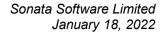
Jagannathan. C:

Good morning, on for this analyst call. This quarter as Srikar was mentioning has been good to us from the revenue trends, the pipeline, the digital services what we offer to the customer has been growing strongly. The revenue performance has been good. As you said the domestic performance is not measured by the revenue what we have got, revenue has been good this quarter. But the absolute growth in the profitability in the domestic business has been very good for us this quarter. And the kind of demand that is coming out both in international and in domestic business has been very strong.

For the quarter the revenue growth and the profitability, EBITDA growth and PAT growth has been consistently growing, the quarterly CQGR of both EBITDA and PAT has been very strong over the period of time. There was some profitability impact for this quarter due to the corrections in salary which we had mentioned in the last quarter also. There will be some short term impact of the same.

International services, the revenue has strongly grown with the new acquisitions and additions, we have about 8.1% quarter-on-quarter dollar growth, very strong growth has been reflected. And the constant currency basis, it has been very strong at around 8.6% growth. The PAT and EBITDA growth has been consistent there quarter-on-quarter, although the percentage has a little bit dropped for this quarter.

Domestic Business as we mentioned, the absolute profitability has been very strong for the domestic business. We have a very strong growth coming in this quarter. And we are very confident of the demand situation in India and we will continue to have a strong growth in this. And the quality of revenue has also been very strong in domestic business also.





Financial Summary, this talks about the profitability and how much we have made on this. We had a strong revenue for this quarter and strong profitability also. The PAT for this quarter is been Rs. 97.6 crores compared to Rs. 91.2 crores last quarter, very strong growth of 7.1% quarter-on-quarter on profitability. And on the consolidated EBITDA also was around 7.9%.

Operational Performance mix has not changed between the geographies, not much of a change. This reflects the same, although the US has been a little more and as Srikar was mentioning the travel has taken a little backseat. But we have a Europe a little bit small change in this quarter. However, US has compensated that kind of growth.

Our growth on Microsoft Dynamics Services, Microsoft Digital Platform Services has been very strong. And the key quality of revenue or digital revenues have been growing very strongly for us. And we continue to have a good kind of growth in ISV as well as in the Retail, this time very happy, very strong. The onsite/offshore mix has remained in the same levels for us for the quarter. And we expect this to be in this range for some time, till the change happens in the overall post-COVID impacts.

Other operating metrics, we have added 11 new customers this time, out of that we have two customers in more than a million dollars kind of customers. And we continue to add new customers very strong about it. Our headcount has gone up very well with about 175 people added this quarter. This is a very strong, we have been having a strong growth of employee addition also, during the last couple of quarters. With this my financial update is there. I hand it over back to the host for the question and answers from the analyst

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Baidik Sarkar from Unify Capital. Please go ahead.

Baidik Sarkar:

Couple of questions, could you flash out the drivers within your managed Cloud service line? What is the split here between implementation versus Cloud native development? And how should we understand the mix between Azure versus non-Azure within the service line?

P. Srikar Reddy:

Okay, I think we have clearly broken it up in the Microsoft Digital Services and the open source

Baidik Sarkar:

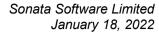
Yes, so I just want to confirm that all of this is non-Azure, I am guessing then.

P. Srikar Reddy:

Yes, when you say Open Source is non-Azure, when you say Microsoft Digital it's Azure.

Baidik Sarkar:

Yes. Okay.





P. Srikar Reddy:

And your first question was, what is lift and shift? What is native development? And what is infrastructure migration? Was that the question?

Baidik Sarkar:

That's right, what's the split and how are you seeing this space progress?

P. Srikar Reddy:

Yes, currently, most of our business is on native development. And we are trying to push it up into more of, not more, I mean, do also the migration and while migrating doing the rearchitecting. So, that's where we are heading towards. Though the big consumption revenues come from actually when you do infrastructure migration, especially data center migration, while the consumption revenues are large for Microsoft, the service revenues as a percentage of that consumption, is a little lower. But that's actually good in our India business, if we can actually do Greenfield stuff, because the margin on the license itself are very high. So, that would be my answer overall, on the Cloud theme.

And the non-Microsoft Cloud, most of our revenues are currently on the Amazon platform, and they all come from our existing clients. We don't still have a very strong Amazon Cloud, go-to market. So, we are starting that in India as I said and try to expand it globally, as we go forward. Google Cloud Services would be a lot lower.

Baidik Sarkar:

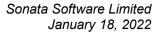
So, on the Microsoft obviously, the lead indicators are obviously there from the ISV itself, you know just given how they continue to deliver on both Dynamics and Azure, keeping that in perspective, how would you advise we imagine, how your ISV practice will look say in a block of the next three, four years? I am not asking for a guidance for this year or next year

P. Srikar Reddy:

As I said, there is two businesses, Microsoft, ISV sell to revenue is what we sell to Microsoft. So, that could be anything, could be Azure, could be Dynamics, etc. What we do with Microsoft in the market, is what I just talked about, where we address customer needs jointly. Still a large number of that is Dynamics lead but because Dynamics 365 is also Cloud. So, there are associated then Cloud Services especially creating data, new data links on the Cloud, especially around the Dynamics data and so on and so forth. So, as I have said many times, the revenues we make in the market along with Microsoft, reflect more or less in the other industries, it can also reflect in the ISV. But it's not necessarily, all that we do for Microsoft. So, please separate those two out.

Baidik Sarkar:

If I can squeeze in one last question on your domestic business, the revenue will be substantial and I am assuming all of this is Cloud driven. So, is it fair to assume that earnings growth here in the years to come will be significantly higher because this is annuity and the license consumption on this base itself is growing in very high double digits. So, it's a very steep jump up in earnings growth in your domestic business, a fair assumption?





P. Srikar Reddy: Yes, earnings growth as I said, I mean, I did say last time a steady 10% to 15%

annual growth is certain, whether we want to make it up 20% annual growth, we will confirm. And it will be driven by more Cloud and our expansion to more Clouds. It's also driven by the policies of remunerating partners; on what kind of workloads, you move to the Cloud. And that keeps changing. And one needs to keep close track of where we want to play to maximize our margins in that business.

Moderator: Thank you. The next question is from the line of Mohit Jain from Anant Rathi.

Please go ahead.

Mohit Jain: Sir, one was related to travel slowdown. So, like you spoke about this being a little

slow in the March quarter, so should we expect like a flattish or are you also expecting some decline because of some work, which was stopped on the way? So,

that was one?

P. Srikar Reddy: No, what we are saying is that it will stay this way in this quarter, and the growth

will expect in the April quarter.

Mohit Jain: So, March would be more or less flattish. And then you will resume

P. Srikar Reddy: Yes, that's what we are expecting. I mean, you know, but who knew of Omicron.

So, I mean, I am not able to -I am assume that there are no such these things where again, there are lockdown, shutdowns, and travel becomes a little difficult kind of stuff. But overall, everybody is quite now, I wouldn't say bullish but practical about

it, and thinks that things should start returning back to normal.

Mohit Jain: And second one on the salary correction. So, what, because i did not see much

impact on the margins for IT services segments. So, was it absorbed and how much

was it there? And when are the next corrections planned?

P. Srikar Reddy: The next one, we are saying we will do this quarter. That we did last January, and

then we did some intermittent corrections throughout the year. We are going to do a big one this January, and then a follow on upward in April kind of stuff. I am

assuming that should have about at 7% to 8%

Mohit Jain: So, there is just two, there is one correction in Q3, then the other one in Q4, and

there is one more in Q1, is it?

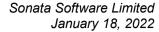
P. Srikar Reddy: That's right. The Q1 will be the largest.

Mohit Jain: The impact, how big is this large meaning is that?

P. Srikar Reddy: I have been looking at about 6% to 7% on an average on maybe about Rs. 7 crore to

Rs. 8 crores.

Mohit Jain: In 4Q.





P. Srikar Reddy: In Q4.

Mohit Jain: Correct, Q4, and then in Q1?

P. Srikar Reddy: Maybe a couple of crores.

Mohit Jain: And then we should be done for the next year.

P. Srikar Reddy: We hope so.

Mohit Jain: And where is your attrition, currently?

P. Srikar Reddy: We are at about 22% - 23%. But we see that flattening out, in the last few weeks.

And actually take a little dip, but we want to wait and watch. As I said we have made our plans to create our own capacities and that capacity should start delivering in a couple of quarters from now, and hopefully we will get back to better margins then.

Mohit Jain: And what was the impact for the quarter in terms of margin, Jagan sir, if you could

help me and then what, how much margin should be bidding on a steady state for IT

services?

P. Srikar Reddy: We have an impact of about Rs. 3.5 to Rs. 4 crores this quarter.

Mohit Jain: Okay.

Jagannathan. C: Mohit, as articulated earlier also a few quarters back, we have always maintained

that in medium term, our EBITDA margins will be in the range of 23% to 25%, in a normal scale. And this impact can have a couple of percentage impact that's coming in this quarter. We are also working on with the customers for revised rates,

but net impact can be a couple of percentage for this quarter.

Mohit Jain: So, how much was like EBITDA margin for IT services in 3Q?

Jagannathan. C: It was around 27, compared to 27.8 in last quarter.

Mohit Jain: Adjusted for forex movement it appeared to me it is flat QoQ, is that correct? Or is

it down?

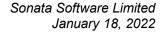
Jagannathan. C: Yes, adjusted for forex movement then it may be a little better, but I am talking

about EBITDA percentage.

Mohit Jain: And then on the consol margin, like when we try to sort of add up the segment

margin, and then move to consol margin, there was little higher impact. So, is this something which is like when you add up the EBITDA of segments, and then look at consol EBITDA usually, there is a gap of 5% to 6%. This time, I think it was a

little higher. So, is it a line item, which sort of impacts that?





Jagannathan. C: Yes, I will take it offline with you on this, because there is some consolidations and

some elimination happened, that's the reason why it happened actually. I will explain

to you.

Mohit Jain: Okay, and last one is on DSOs, any outlook on DSO segment wise, because they

came off for one segment and also moved up for the other, which was a little opposite compared to the historical trends. So, what are you expecting in DSOs?

Jagannathan. C: DSO, we are this quarter, it will be a little more, Mohit, because December quarter

is lot of vacation during December, last two weeks, it's completely, collections will be delayed. This quarter was expected this kind of DSOs. It will improve in the

coming quarters definitely.

Mohit Jain: And on the domestic side?

Jagannathan. C: On the domestic side also, domestic side, it didn't, that much of impact was not felt,

it is just a, because you had a huge kind of a billing happening in this quarter. There was an impact of a day, in domestic quarters, domestic business. It will go back to

the normal level, like 30 to 33 days it will continue.

Mohit Jain: Because on the domestic front, you guys are quite low compared to where you were

a few months back. So, the question was, DSOs will improve?

Jagannathan. C: It will improve over a period of time.

Mohit Jain: Or will they move up again?

Jagannathan. C: No, it is not expecting to move up but will not also improve from very large

extension here.

Moderator: Thank you. The next question is from the line of Satish Kumar from Kotak

Securities. Please go ahead.

Satish Kumar: So, I would like to know, what are the top two, three areas where there is strong

demand for you guys in the Cloud native application development space?

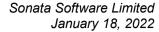
P. Srikar Reddy: Well, you are asking, what are the two, three areas, you mean areas are in industries

or, I didn't understand?

Satish Kumar: In terms of services, for example like Analytic, for example?

P. Srikar Reddy: Yes. So, it's across the board, right, it's across the board, so there are three things,

whether it is architecting, rearchitecting, current solutions for Clouds, building absolutely brand new surround solutions for the Cloud. And the third is creating the Cloud Data and Analytics solution, both from creating the infrastructure for the Cloud, and then doing the Cloud Analytics. And of course, for us, we have the





Microsoft Dynamics 365 on the Cloud, that's a big service line for us. So, we are seeing demand across all these segments.

Satish Kumar: So, are we gaining wallet share in digital set of clients? Yes, I mean are they gaining

shares, because we are having strong set of numbers.

P. Srikar Reddy: Yes, we are I mean obviously we are gain, now when I am saying, gaining share is

one is we are getting new clients and growing with existing clients. And we have

our share in our set of services, and we continue to grow there Yes.

Moderator: Thank you. The next question is from the line of Vipul Shah from Sumangal

Investment. Please go ahead.

Vipul Shah: Can I have your subcontracting cost for this quarter, please?

Jagannathan. C: The subcontracting cost in terms of dollars is around \$4.5 million for us.

Vipul Shah: And can you comment on performance of our recent acquisitions like Scalable Data

Systems, Sopris and Encore means they all have turned around and they have started

contributing profitability?

P. Srikar Reddy: Yes, sure. I think Scalable has definitely been contributing. So, has Encore, I think

those numbers are there. And GBW the one which was maybe a little older, it continues to be steady, although they get because their services are customer experience measurement services, they do get affected when markets shut down, because there is a physical element to that measurement service. So, that is varying,

but overall, we are very happy with the progress of that business too.

Moderator: Thank you. The next question is from the line of Dhvanit Savla, an individual

investor, please go ahead.

Dhvanit Savla: I just had one question. I wanted to know that how much is the frequency of the

renewal of the contract with Microsoft? And are we expecting gains in terms of

revenues and services, we provide to them in the coming FY?

P. Srikar Reddy: You are talking about our renewal of service as a partner to Microsoft or I didn't

understand.

Dhvanit Savla: Yes, exactly.

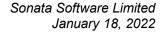
P. Srikar Reddy: We have been a partner with Microsoft now for the last 30 years, started in 1991.

Dhyanit Sayla: So, is that a contractual thing wherein your each and everything get revised yearly

or something or it's a different way mode of operation?

P. Srikar Reddy: So, it's a service we provide Microsoft so, they are depending on by the nature of

contract it varies from annual to three years.





Dhvanit Savla:

And what kind of outlook are we seeing in terms of the revenue we generate as a part of this partner to Microsoft in the coming year?

P. Srikar Reddy:

I think we are quite optimistic in the growth we think across all the things we do with them, whether it is product development, customer support, internal IT and working with some customers. We are seeing good traction in all the four areas.

Moderator:

Thank you. The next question is from the line of Amit Chandra from HDFC Securities. Please go ahead.

Amit Chandra:

My first question is on the IP lead revenue. So, we are very strong on the IT led capabilities the transformations, but the IP led revenue has been coming down or has it been weak for the quarter, so any specific reason for that. And my second question is on the, apart from travel we are witnessing strong growth in the retail vertical apart from ISV and Travel both. So, what's happening in the retail vertical both essential, non-essential so, is it led by the acquisitions or is it organic growth that we are seeing or it is actually coming from new client addition? And also if you can give some more color on the distribution and manufacturing vertical what is going what is happening there?

P. Srikar Reddy:

So, I don't know, I think that numbers are about 8% growth quarter on ITS revenues. Is that what you are referring to?

Amit Chandra:

IP-led I am talking about, IP-led.

P. Srikar Reddy:

Oh IP-led, okay that's because I mean, as a percentage as we acquire more companies and the revenues of those companies are less IP dependent that's why we will see that flattening out or decreasing as our overall revenues go up. I understand, okay, Yes.

Amit Chandra:

Because we have seen now a decline in the IP-led after a very long time. So, is there any specific reason for that? Or is it actually led by some specific client?

P. Srikar Reddy:

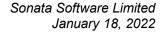
No, it's not. What I am trying to say it is, those revenues are remaining flat as we are growing other revenues, and some of the acquisitions are non-IP-led. So, to that extent, as the percentage that is decreasing. Is that clear?

Amit Chandra:

And also on the vertical flavor, what's happening in retail, essential, non-essential, and also on the manufacturing and distribution. So, we were earlier focusing on having vertical edge capabilities, both on manufacturing distribution, and also on the commodity side. So, what's the, like any update on that will be useful.

P. Srikar Reddy:

So, absolutely, I think we are seeing good traction across all the verticals, we are operating apart from the travel vertical and across all these service lines we are looking at. So, whether it's the essential retail, non-essential retail, manufacturing,





distribution, commodity, agri-business, ISVs, we are seeing, let's say, the demand situation as being very good.

Amit Chandra:

Any specific like geographies that we are specifically looking for distribution manufacturing, or is it across geographies?

P. Srikar Reddy:

It is across geographies, whether it is US or Asia or Europe or Australia. So, a lot of it has also led by the traction we have with Microsoft in each of the geographies. In some geographies we will have greater traction across more verticals, and some traction will have some geographies will have traction in only one or two verticals kind of stuff where we have to expand the traction in other verticals.

Amit Chandra:

The other question is on the offshoring, so offshoring is constant at 69% or 70% for us, so is there any you know further scope for increasing offshoring? So, like what is your view on this? And also, we are at a 90% utilization rate. So, how sustainable is this?

P. Srikar Reddy:

Offshoring, I think we should keep it at the current number as I said as more and markets open up and the requirement for more near shore, I mean, I won't even call it offshore, but requirement for more near shore services will increase kind of stuff. So, right now we will keep it at wherever we are, I don't see too much scope there.

Amit Chandra:

And 90% utilization, how sustainable it is?

P. Srikar Reddy:

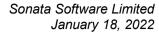
I mean, right now it is because of the demand situation, it is sustainable for the next few quarters but Yes, I mean we will go back to our steady state once, we get out of this current huge demand situation and we build up a capacity then we will be back to whatever our earlier numbers were.

Amit Chandra:

My last question was specifically on the attrition scenario, like what is going on with the IT company. So, how difficult is to hire freshers and exactly not to hire but how to train them and or how exactly is the replacements that we have to do or freshers with a person who is like three to eight years experienced guy, so what is the acceptance of the client there, and what challenges we are facing in terms of deliveries, if any?

P. Srikar Reddy:

The key is really to convincing the client. I think that's the key, rest of it is manageable, because end of the day, the people you hire on campuses, on an average are smarter. And they are being trained very specifically on what we do and how we do, and what we are focused on and so on and so forth, to that extent, they understand what we do a lot better. The key is to get the client's attention and given the kind of demand situation and supply situation, there are people who are willing to be quite open to looking at this, rather than strictly believe that and also trying to convert it from a purely people based to more managed services, and some outcome and we continue to have those conversations.





Moderator: Thank you. Next question is from the line of Mehul Bhatt from Oyster Rock Capital.

Please go ahead.

Mehul Bhatt: This is relating to the India business, we are seeing, I mean obviously, your

optimism is well founded right now, but what we have seen over the last couple of decades is that, India business people get excited and we have seen retraction from the large guys also over the last two decades where suddenly it looks interesting, and then everyone comes in, margins reduce, and then the business becomes commoditized. The optimism now, is it because of the propensity of domestic clients

to pay better? Is it growth? I mean, what is leading to this, and we are also --

P. Srikar Reddy: Okay, so I am going to talk about the services business in India, and I am talking

about our licensed business in India so, and that we have mastered now, we have

been doing it for 30 years.

Mehul Bhatt: Right, sure.

P. Srikar Reddy: So, the margins are anyway razor thing there anyway, to start with.

Mehul Bhatt: So, but on the servicing side

P. Srikar Reddy: It has picked up so there is only further scope of going up. So, it's not the services

business where you are talking about people came in, burnt their figures and the margins go away, or you lose, and all kinds of other things happen. So, this is because our positioning, our relationship built out now, 20, 30 years with all the clients, and we know understand this business very well, what goes into it? How can we service better? Given that all the other factors are remaining the same kind of stuff, so it's not like this, Yes, the services business where, once in a while, people come in thinking, there is a lot of opportunity, but then there is disappointment

because of the margin

Mehul Bhatt: But on the domestic Cloud business, there is also, I mean, lot of action, right?

P. Srikar Reddy: There is a lot of action, but that still money we make from our principles, right for

expand to by these Cloud platforms and not the remaining part is a service you then deliver that we have to be extremely careful about where we deliver services, what services we deliver. And how much of that then leads to further consumption, because then apart from the money you make on the service, you make some money

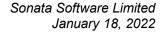
on the additional consumption, on the underlying platform.

Mehul Bhatt: So, the pure-play Cloud service business in India still is nascent and not very

profitable. Is that a fair way to think about it?

P. Srikar Reddy: I mean, you are asking me to make a generic industry statement now, I think so. I

don't know. It is not nascent, it is there, but like any other thing, there has always been a challenge of, I guess, delivering the services. In the current context where the





differentials and the demand for the same service is so high somewhere else and then it comes a completely different game altogether.

Moderator: Thank you. The next question is from the line of Dipesh Mehta from Emkay Global.

Please go ahead.

Dipesh Mehta: I just want to get sense about Microsoft relationships. Can you help us understand,

what would be the revenue coming from Microsoft as a client, where we are billing Microsoft for different work which we are providing to them? And how much would be coming from overall partnership where we are going jointly with Microsoft, and get revenue from third-party client kind of thing, if you can provide some sense on that? And how that mix has evolved for us, let's say over last couple of years?

P. Srikar Reddy: Yes, we cannot give exact numbers of what we do with each client, but definitely,

all the Microsoft related services which are mentioned in our service line revenues, right, Yes some part of it will be for Microsoft, and some part of it will be for other clients. So, that can give us a measurement of how much revenues we make on both

sides of the partnership.

Dipesh Mehta: If I look at it, it is roughly around 50% currently. And couple of quarters there

because we changed reporting, but when we started let's say Q3, it used to be around

44%. Whether this incremental growth coming is Microsoft as a client?

P. Srikar Reddy: More growth coming from our go-to-market with them.

Dipesh Mehta: Okay, so go-to market -- large part of incremental growth opportunities.

P. Srikar Reddy: That's right, because that opportunity is much larger.

Dipesh Mehta: In, as a part of our dataset or presentation, billing report, one number is billability.

What that metric indicates and how we calculate, if you can help me understand?

Jagannathan. C: Billability is the utilization as billable people who are in a kind of a billable project,

it may be kind of internal projects or they are in the training mode also. Billability

is what we bill to the customers, to the people who are deployed on the project.

Dipesh Mehta: So, the gap of roughly 9% to 10% explains training related stuff.

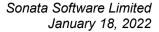
Jagannathan. C: Not only training there other related activities are there for people okay, they may

be working on to other support areas for the projects. There may be some people working on those areas also. They may not be for a specific customers also. It will be for like the development of framework or other ready for the codes there are other

directly related

Dipesh Mehta: And one thing you said about what number you gave for medium term, EBITDA

margin for international IT services business I missed that number?





Jagannathan. C: Medium term, what we said EBITDA percentage should be between 23% to 25%.

Dipesh Mehta: And last question is about fresher. Can you help us understand how we are looking

fresher intake as a part of overall talent management, and any number if you can say

?

PVSN Raju: We are looking at 15% of next year hires from engineering colleges. And we will

have another 5% of people from management grads and higher engineering colleges.

Totally 20% will be taken from the fresh campus side.

Dipesh Mehta: And that is compared to this year number, how would be that number different?

PVSN Raju: This goes up by 40% next year compared to this year.

Moderator: Thank you. The next question is from the line of Ronak Vora from Aum Advisors.

Please go ahead.

Ronak Vora: I had two questions. Firstly, on the domestic business end, our gross margins have

improved dramatically for the quarter but our EBITDA margins are down. So, can

you just elaborate?

Jagannathan. C: The gross margin to the extent because of the direct cost, the impact of the direct

costs will be more in the coming quarters, although we have rolled out specific region. The EBITDA margin is because of the other cost increases. There are cost increases like, you know as Srikar was mentioning specific people identified people, those costs have also been there. And also because of what our acquired entities

costs are getting added for one of these quarters in that trend is happening.

Ronak Vora: And secondly in total top-line of Rs. 1800 crores odd how much would be due to

acquisition and how much would be organic?

P. Srikar Reddy: In the domestic, there is no acquisition.

Ronak Vora: And international?

P. Srikar Reddy: Yes, I mean, I was trying to tell him that you know acquisition is the domestic

numbers for us.

Jagannathan. C: International, the contribution from, you want to know the revenue or the profit?

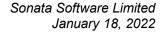
Ronak Vora: Revenue would be much better.

Jagannathan. C: Yes, out of the total revenue of \$53.4 million, about \$4.4 million is from the acquired

entity in this quarter.

Moderator: Thank you. Next question is from the line of Sameer Pardikar from ICICI Direct.

Please go ahead.





Sameer Pardikar: My question pertains to the product business, and the volatility that you explained

is because of the deals that you do. So, can you help us little understand in detail what kind of deals that you do because of this, the volatility happens in this business.

what kind of deals that you do because of this, the volatility happens in this business

P. Srikar Reddy: So, the deals happened based on when some clients renew their contracts, for the

year. And some large contracts fall in place in Q3. And these contracts are fairly large, like \$50 million to \$100 million dollars. So, and then because of the size of the deal, the margins are lower than normal. So, there would be a waviness and

lumpiness to these large deals, which will take the revenue up and down.

Sameer Pardikar: And the second thing, did I hear correctly, that you are looking for 15% to 20%

growth in the domestic business this year?

P. Srikar Reddy: I did, what I said was last time, I did mention that 10% to 15% growth and we should

get that. And I said, we will confirm whether we are comfortable in committing 15%

to 20% that's the EBITDA growth, that's not the top-line growth.

Sameer Pardikar: That's in the domestic business.

P. Srikar Reddy: In the domestic business, correct.

Sameer Pardikar: And the margin, you said 20% to 25% in the domestic business.

P. Srikar Reddy: In the international business.

Sameer Pardikar: International business.

Moderator: Thank you. The next question is from the line of Chetan Dhruva, an individual

investor. Please go ahead.

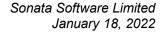
Chetan Dhruva: I had one question, Mr. Srikar, basically, that question is around where is Sonata

coming in, in terms of the domestic license sale supply chain, because when it comes to the Cloud aspect, I mean, I assume that people would go to portal.azure.com and provision whatever they want so on and so forth. I understand in a traditional licensing business, Sonata would have to provision the licenses for clients in India, but in this completely Cloud based ecosystem, how and where does Sonata fit into

the picture, just trying to understand the model here.

Sujit Mohanty: See whether it is a physical license or is it Cloud license finally it has to be

provisioned to the customer. In case of a physical license, the license keys are given. In case of Cloud license, the partner has to help the customer to provision it. And in both cases, finally, a partner is required because of two to three things, one is that obviously there is a commercial transaction which has to go through in a particular country, where you have the contract. And second thing, once the license is supplied, either in a physical way or in a Cloud way, there is a lot of handholding, which is required in terms of actual usages of the license and then how to provision it for





different departments or individuals within the customer's organization. So, in all these three stages, the customer involvement is required.

Chetan Dhruva: So, as a corollary then anybody using and buying Azure in India, would essentially

be having the contract with Sonata is that so?

Sujit Mohanty: Yes. So, specifically if you are asking about Azure, Microsoft doesn't sell anything

directly. So, obviously, you will need a partner to handle that transaction.

Chetan Dhruva: So, basically, any Microsoft revenue in India from a license standpoint or product

standpoint, will definitely flow through Sonata, that's what I understand. Is that my

correct understanding?

P. Srikar Reddy: No, not, this is early Sonata, there are other partners too.

Chetan Dhruva: And another question related to this Cloud services that you offer, again, in the

domestic market. So, is platformation, definitely part of any of the Cloud projects that you do, especially on the Microsoft platform or is it something that is optional?

P. Srikar Reddy: As I said, that majority of our business in the domestic market is right now

provisioning on the license, and little of it is on the services side, right.

Internationally is where we are providing Cloud services.

Moderator: Thank you. Next question is from the line of Harshil Shah, an industrial investor.

Please go ahead.

Harshil Shah: Just one question, want to understand any plans for inorganic investments, domestic

in India?

P. Srikar Reddy: Yes, we continue to look for good opportunities whether they are in India or outside

India. What we can, I mean for the same reason, which can align to our strategy, which will help us give us a more differentiated proposition, make us stronger with

our client. So, we continue to look --

Harshil Shah: So, any specific, I mean, any areas which we are trying to diversify or get into it,

specifically looking or it's just I mean, normally, which aligns with our long-term

vision.

P. Srikar Reddy: If it aligns with our long-term vision, it has aligned to our strategy. So, it could be

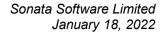
something which will strengthen our Microsoft stories. Sometimes it could be strengthened our vertical story. And sometimes we want to look at things which will speed up our other Clouds, go-to market. So, the reasons could be and including,

you know, getting into a new vertical.

Harshil Shah: And so just I am referring to your presentation there it's mentioned M&A

investments of Rs. 46 crores in FY21. So, it's Rs. 46 crores, right. I mean, I just got

confused.





Jagannathan. C: Yes

Moderator: Thank you. As there are no further questions, I now hand the conference over to the

management for their closing comments.

P. Srikar Reddy: Thank you, everybody for joining the call and continued support. Thanks for all the

great questions and highly interactive discussion. Look forward to staying in touch and look forward to seeing in future calls. Thank you all again, you know stay well,

stay safe.

Moderator: Thank you. Ladies and gentlemen, on behalf of Sonata Software Limited, that

concludes this conference. Thank you all for joining us and you may now disconnect

your lines.
