

20th November, 2025

National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex, Mumbai
Kind Attn: Manager, Listing Department
Stock Code – SONATSOFTW

BSE Limited
P.J. Towers, Dalal Street, Mumbai
Kind Attn: Manager, Listing Department
Stock Code - 532221

Dear Sirs/Madam,

SUB: TRANSCRIPT OF ANALYSTS/INVESTORS CALL

**REF: REGULATION 46(2)(OA) OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS)
REGULATIONS, 2015**

Further to our disclosures dated 7th November, 2025 and 14th November, 2025, please find enclosed Transcript of Analyst/Investor call of the Company held on 14th November, 2025. The same is also made available on the website of the Company at <https://www.sonata-software.com/about-us/investor-relations>.

We request you to kindly 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 Earnings Call for Q2 FY26
November 14, 2025

- **Moderator:**
- Ladies and gentlemen, good day and a warm welcome to Sonata Software Earnings Conference Call for the 2nd Quarter of FY26 ended September 30th, 2025. We have with us on the call today Mr. Samir Dhir - MD & CEO, Mr. Jagannathan C.N. - Chief Financial Officer. We also have our extended leadership team on the call. Please note, there will be an opportunity for all participants to ask questions after the management's opening remarks. Should you need assistance during the conference call, please raise your hand from the Participant tab on the screen. While asking questions, request you to please identify yourself and your company. Please note, this conference is being recorded. Please note that during this call, the management may make certain forward-looking statements that involve risk assumptions and are based on information currently available to the management. Sonata does not undertake any obligation to update any such forward-looking statements that may be made in course of this call. We advise participants to exercise discretion while making any investment decisions.
- We will begin with opening remarks from the CEO, followed by a business overview and financial highlights. After that, we will open the floor for questions. With that, I now hand over the call to Mr. Samir for his opening remarks. Over to you, sir.
- **Mr. Samir Dhir - MD & CEO, Sonata Software:**
- Thank you, Moderator. Good day, everyone and thank you for joining us today. We truly value your time and appreciate your continued trust and support for Sonata. In today's session, we'll walk you through Sonata's overall strategy, the progress we have made over the past few quarters, our forward-looking roadmap, and a detailed view of our financial performance for Q2 FY26, which concluded on September 30, 2025. We're excited to share the momentum we are building as we continue to execute on a long-term vision and growth aspirations. I'll begin with an overview of our strategic priorities and key objectives, followed by the highlights for the Q2 FY26 performance.
- So firstly, the strategy and the goals: At Sonata, our ambition is clear. We want to be a differentiated AI modernization engineering firm powered by a proprietary platformation framework. We are executing at scale across three core strategic dimensions. First, across the four focus verticals, which is Healthcare and Life Sciences, Banking Financial Services and Insurance (BFSI), Retail, Manufacturing and Distribution (RMD), and Technology, Media and Telecom (TMT). The second dimension is on five priority geographies that we have decided to focus on, which is North America, UK, Europe, India, and Australia.
- We want to focus on modernization engineering leadership with sustained investments in our IP, proprietary lightning tools, and robust offerings. We're enabling continuous modernization for our clients, building digital AI and data platforms that deliver transformative value for our clients. We see significant opportunity at the of AI and modernization engineering, driving momentum across strategic bets we have made, which is enabling us to consistently secure large deals and large accounts, expanding significantly our footprint in BFSI and Healthcare verticals, deepening capabilities in data, AI, and modernization engineering, backed by scaling our talent across Sales, Delivery, HR, and Finance, and other operational functions to support our growth ambitions.

- With that, let me provide you a progress update on the quarter. Our success is anchored on three strategic pillars. Number one, scaling Sonata for the next phase of growth. Second, relentless focus on large deal wins. Third, sharp focus across strategic verticals, geographies, and talent. I'm going to get deeper into each of these three dimensions.
- So first, scaling Sonata, specifically on AI, which is a strategic growth pillar for us: We have made steady progress in scaling our AI order book, and are perhaps one of the few companies which publicly share our AI order book consistently. For the most recent quarter, our AI order book grew from 8% in Q1 to 10% in the most recent quarter. These AI-driven wins span across multiple verticals, with TMT verticals showing the highest adoption of AI.
- We have tightly aligned our go-to-market with our AI CSP co-sell program, particularly with Microsoft's new AI consumption model, which went effective July 2025. We are replicating this model with other CSPs as well. During the quarter, we closed two mid-size AI and CSP deals. We expect these deals to drive both client expansion and sustainable new client acquisition engines.
- Earlier this year, we launched our cloud agnostic agentic platform, AgentBridge. The platform is designed to help clients build and deploy next-generation agentic AI solutions. In addition, we are collaborating with IISC in India and Wharton School in the US for enhanced research in agentic AI. We have deployed agentic solutions internally within Sonata through our AgentBridge platform. Our HR and Finance teams now run production-grade agents, reinforcing our aspiration to be a model AI-led technology services firm. We are truly proud of that. We are actively pursuing AI opportunities across 100-plus clients, helping them unlock value through operational efficiencies, time-to-market, and transformative business models through AI innovation.
- Let me provide an update on the key modernization driving engines. First, cloud and data: Cloud and data opportunities now account for 55% of our total pipeline, reflecting strong client demand for modernization. We are seeing accelerating adoption around Microsoft Fabric, where Sonata is an official Microsoft Fabric feature partner, and enabling clients to build data analytics foundations for an AI era. Microsoft Dynamics: We continue to work closely with Microsoft on programmatic growth plays across ERP modernization, SaaS transitions, and low-code, no-code complete deals.
- With that, let me provide an update on large deals. Large deals pursuit remain a cornerstone of our growth strategy, with approximately 40% of our pipeline comprising of large deals. I'm pleased to share, in Q2 FY26, we won yet another large deal. This is with a leading healthcare provider client in the US who awarded Sonata a multi-year contract to modernize their core platforms, leveraging automation and AI to drive enhanced consumer experience, reduce technical debt, and AI enablement with data-driven insights for the end customers. In the deal win, Sonata differentiated through its AI-led transformation approach, integrating modernization engineering practices and platform-driven data modernization to create real outcome-driven value for the clients.
- In addition to the large deal, we also won several mid-sized deals in AI. I'm going to cover the top three. The first AI win is through supersizing with one of our leading financial mortgage leaders. They awarded Sonata a multi-year engagement to migrate its legacy suite of applications to a modernized platform. This strategic engagement modernizes the customer's core platform, enhances security, scalability, and sets the foundation for future SaaS transformation.
- The second AI win is within the Retail vertical. We secured a strategic AI program for the US-based consumer product client to develop their enterprise playground powered by AI. We will provide a comprehensive solution using AI, which will provide robust security and privacy, access control and

monitoring. We also secured two AI CSP mid-sized deals in the quarter, one with a Healthcare client and another with a global TMT client.

- With that, let me provide an update on our verticals, geos, SITL business, and talent. We remain confident that our investment verticals, which is Healthcare and Life Sciences and Banking and Financial Services, are on track to scale to \$250 million of revenue in about three to five years' time. Together, these verticals now contribute to 33% of our total revenue, a sharp rise from 13% just three years ago; a clear reflection of our strategic focus and disciplined execution. Our North America business has now scaled significantly and represents over 70% of our total revenue, up from approximately 54% three years ago. This shift reflects our continued success in the geography.
- On the SITL front, we are making strong progress across three strategic growth pillars. First, to expand the Microsoft channel with a sharper focus on SMC segment, which also included incubating our Sonat on Cloud offering, which we launched about 4-6 quarters back. Second, broadened partnership with other ISVs, such as Oracle, IBM, OpenText, and others, expanding beyond the three hyperscalers that we already have very strong partnership with. Third, win large SI deals that integrate various product set and ISVs infrastructure with leading cloud platforms. These strategic bids are core to building a more diversified, resilient, and future-ready business, and our teams have been judiciously executing this strategy over the last several quarters.
- With that, let me provide an update on Sonata capabilities and talent. Our trailing 12 months attrition stands at 14%. Our gender diversity remains healthy at 31%, underscoring our continued focus on building an inclusive organization. Despite a challenging macroeconomic environment, we remain committed to future-focused talent investments in training and strengthen our ability to deliver on our growth ambitions. Sonata University continues to power our upskilling capability agenda with a strong focus on AI readiness. 94.8%, nearly 95% of our workforce, and 80% of our managers are now AI trained, reinforcing our commitment to building future-ready skills across delivery, engineering, and consulting. We also rolled out white-coding training across the company, with 78% of the employees successfully completing it, reflecting in high engagement in a very short span of time.
- We are delighted to announce that Inder Samath has joined us as Sales Leader for Quant to drive our next phase of growth. Srin, who led Quant earlier, has decided to pursue opportunities outside of Sonata.
- We are proceeding with our annual compensation revision for this year, despite market headwinds. These compensation revisions have been enacted in Q2 and will continue to be enacted in Q3, reaffirming our belief in investing in people and maintaining industry-leading engagement and learning initiatives.
- In terms of industry recognition, during the quarter, we continue to be recognized as a workplace of culture and market momentum. We won CII AI Awards for 2025 for Best AI Solution Showcase and Best Industry AI Application for the AgentBridge Platform. We were recognized also as a major contender in Everest Group's application development services for AI applications by PEAK Matrix Assessments.
- With that, let me dive deeper into Q2 FY26 performance. Tailwinds which are driving our growth. Number one, during the quarter, we continue to benefit from three strong tailwinds. Number one, strong momentum from large TMT and Healthcare deals that we announced earlier in the year. They continue to provide us with the ramp-ups and expanding scopes. Number two, the continuous strength in our Healthcare and Life Sciences and BFSI verticals continues to be a pillar of strength.

And robust performance in data and AI lead winds reflecting growing client confidence in our capabilities.

- In addition, our operational efficiency is driven by three levers - higher utilization, planned large deal offshoring, and AI adoption and agentic AI implementation across all functions within Sonata. That delivered a net EBITDA accretion of 0.7% quarter-on-quarter, even after absorbing 0.9% of impact from salary increments. That's a total of approximately 160 bps of EBITDA accretion in the quarter on a gross basis, and 70 bps on a quarter-on-quarter basis net. And we expect full quarter upside to reflect in Q3 from the work we have done in Q2 to drive sustainable actions we have implemented in Q2. As we continue to drive improvements from the above three levers, our expectation is that PAT will further accrete in second half of the year compared to first half of the year.
- With that, let me talk about headwinds and offsets. And while we are navigating this business, there are some near-term challenges as well. Our largest BFSI client underwent organizational changes and budget constraints and led to significant ramp down in the course of the quarter. Within SITL, we had headwinds. However, based on our three-pillar strategy enacted several quarters back, our teams were able to largely offset the impact of the broader sectoral impact that we see in the business.
- As previously indicated, we continue to see decision delays in our largest TMT customer and global R&D. The impact from the BFSI client was largely offset by the large deal wins in Healthcare and TMT and the mid-size AI wins. Outside of these TMT and BFSI accounts, we recorded healthy growth across all our client base. We are truly proud of that, reflecting the resilience and diversification of our portfolio.
- International business: Revenue grew 1% quarter-on-quarter constant currency. Our order booking stood at 1.28 book-to-bill ratio. We secured one large deal in the quarter. The number of clients with more than 10 million annual run rate is now at eight. We added six enterprise-grade clients during the course of the quarter. Our AI order book, as I previously mentioned, contributed 10% of our total order book.
- EBITDA significantly improved to 17.3%, much in line with the roadmap which we have shared with you earlier, and we will continue to see the secretion going into the next quarter as well. The utilization rate improved to 87.3%, maintaining delivery efficiency. And in the SITL business, our gross contribution was at 0.3% quarter-on-quarter.
- In summary, Sonata delivered a resilient performance in Q2 FY26. We secured one large deal, expanded our AI-led order bookings, and now have eight clients with an annualized run rate of exceeding \$10 million. Our long-term ambition to be a differentiated modernization engineering firm powered by platformation, continues to drive a strategic momentum for us.
- I want to thank all Sonatians globally for their continued dedication and commitment. Their efforts form the foundation of our progress and future success. And we remain confident in delivering a long-term value to our clients, partners, and shareholders.
- With that, I'll turn it over to you, Jagan. Jagan, you might be on mute.
- **Mr. Jagannathan C.N. - CFO, Sonata Software:**
- Thank you, Samir. Good day to all of you. Let me walk you through our financial performance for the quarter ending 30th September 2025.

- First, starting with the International Services. In Q2 FY26, USD reported revenues to that 82 million, growth of 0.2% quarter-on-quarter. In constant currency terms, it represents growth of 1% quarter-on-quarter. Rupee revenues stood at 730.30 crores, growth of 4.3% quarter-on-quarter and 3.2% year-on-year. EBITDA before other income and forex for Q2 FY26 improved to 17.3% up 70 bps sequentially from 16.6% in Q1. This expansion was primarily driven by operational improvement across delivery. SG&A contributed to 160 bps, reflecting better delivery efficiency, cost optimization, and also benefits from cross-currency forex impact. EBITDA improvement was mainly driven by utilization improvement to 87.3% up from 86.6% in Q1 FY26. Planned large-deal offshoring in our FP programs. As a result, our offshoring mix improved to 57% from 53% in Q1 FY26.
- Q2 utilization and headcount were also driven by sustainable productivity improvement and operational efficiency in delivery enabled by AI adoption, differentiated AI solutions, and agentic implementation across projects. We expect utilization to further improve in future quarters due to productivity gains from AI across all functions. These improvements were offset by wage increments impacting margins by 90bps as we continue to invest in talent.
- In summary, on a net basis EBITDA improved by 70 bps. We expect full quarter upside to reflect in Q3 from the sustainable actions implemented in Q2.
- EBITDA after other income and forex for Q2 FY26 improved to 19.9% up 150 basis points sequentially from 18.4% in Q1 FY26. Q2 FY26 reported PAT stood at INR 78 crores against INR 70.7 crores in Q1 FY26. Growth of 10.3% quarter-on-quarter and 25.5% year-on-year. Reported ROCE and RONW for the quarter stood at 17.8% and 22.6% respectively. International services DSO in Q2 is reported at 68 days against 62 days in Q1 FY26.
- Now, let me provide you with update on domestic business. Domestic business revenue for Q2 FY26 to debt 1391.3 crores with degrowth of 38.8% quarter-on-quarter and degrowth of 4.8% year-on-year. Gross contribution for Q2 FY26 stood at 68.7 crores with growth of 0.3% quarter-on-quarter and degrowth of 2.1% year-on-year. PAT for Q2 FY26 stood at 42.2 crores against 38.6 crores in Q1 FY26 with growth of 9.3% quarter-on-quarter and degrowth of 4.8% year-on-year. DSO of Q2 FY26 is 42 days as compared to 63 days in Q1 FY26. Reported ROCE and RONW for the quarter stood at 43.8% and 42.5% respectively.
- Update on consolidated business. For the quarterly update, consolidated revenue for Q2 FY26 stood at 2,119.3 crores with degrowth of 28.5% quarter-on-quarter and degrowth of 2.3% year-on-year. PAT for consolidated business in Q2 FY26 is at Rs. 120.2 crores against 109.3 crores in Q1 FY26. Growth of 10% quarter-on-quarter and 12.9% year-on-year. Consolidated EPS in Q2 FY26 is Rs. 4.33 per share, Q1 was 3.94 per share; increased by 9.9% quarter-on-quarter. Reported ROCE and RONW for the quarter stood at 22.1% and 27.1% respectively.
- The company has declared its second interim dividend for the year at Rs. 1.25 per share, in line with commitment made during the previous call, to implement quarterly interim dividend payment. Starting this year, the company intends to follow quarterly interim dividend payout policy. Cash and cash equivalent stood at 323 crores at the end of Q2 FY26, compared to 600 crores in Q1 FY26.
- Moving on, update on other operating metrics. Business operating performance: Total headcount stood at 6,649 in Q2 FY26 against 6,859 in Q1 FY26, with appreciation of 14%. On-site offshore revenue mix was at 43% to 57% in Q2 compared to 47% to 53% in Q1. Utilization reported at 87.3% in Q2 versus 86.6% in Q1. We added 6 new customers in Q2 FY26. Top 10 clients contributed revenue share of 53%, in Q1 it was 56%. Number of clients greater than 5 million run rate stood at 13 in Q2

FY26, same as Q1 FY26. Number of clients of more than 3 million up to 5 million revenue increased to 8 from 6 in Q1. Q2 FY26 order books stood at \$105 million with a book-to-bill ratio of 1.28.

- In summary, we are confident about our large-scale momentum, AI adoption, agentic AI implementation and continued focus on sustainable EBITDA improvement levers.
- With this, I hand over back to the Operator. Thank you.

– **Question & Answer Session:**

– **Moderator:**

- Thank you, sir. We will now begin with the Question & Answer session. If you would like to ask a question, please raise your hand. We will send you an on-meet request when it's your turn. Please accept the request and then go ahead and ask your question. If you are connected via the webcast and would like to ask a question, please click on the Q&A tab and type your question in the text box. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Anyone who wishes to ask a question may please raise hand in Zoom.

- The first question is from Mr. Vipul Kumar Shah from Sumangali Investments.

– **Mr. Vipul Kumar Shah - Sumangali Investments:**

- Am I audible, sir? Hello.

– **Mr. Samir Dhir - MD & CEO, Sonata Software:**

- Yes, Vipul, we can hear you.

– **Mr. Vipul Kumar Shah - Sumangali Investments:**

- So, I want to know why our on-site-offshore mix is so skewed in favour of on-site. All other large companies have offshore ratio of around 75%. So, why is ours is around 50%? Hello?

– **Mr. Jagannathan C.N. - CFO, Sonata Software:**

- Yeah, yeah, we are able to hear you. Okay.

– **Mr. Samir Dhir - MD & CEO, Sonata Software:**

- Go ahead, Jagan.

– **Mr. Jagannathan C.N. - CFO, Sonata Software:**

- Yeah. So, our offshore ratio has actually improved this quarter from 53% to 57%. And I am not sure how the large companies have more than 78%. I don't think the fact is right. So, we are one of the companies, few companies who have more offshore percentage of revenue.

– **Mr. Vipul Kumar Shah - Sumangali Investments:**

- I think Infosys has around... between 72% to 75% offshore and on-site there is around 25%. I am their shareholder since very long time. So, I can say about Infosys. I don't know what are the reasons for your low offshoring. Just I wanted to know that.

- **Ms. Shilpa Kolhatkar - Dy. CFO & Head of Finance, Sonata Software:**
- Hi, Vipul, Shilpa here. Let me take that question. So, I think what you are looking at is the headcount mix. What we are talking about here in Sonata tech is revenue mix.
- **Mr. Vipul Kumar Shah - Sumangali Investments:**
- No. This is revenue mix. Oh, okay, okay. Got it. Got it.
- **Ms. Shilpa Kolhatkar - Dy. CFO & Head of Finance, Sonata Software:**
- Thank you.
- **Mr. Vipul Kumar Shah - Sumangali Investments:**
- Yeah. Thank you, sir.
- **Moderator:**
- The next question is from Mr. Abhishek Shinadkar from InCred Capital.
- **Mr. Abhishek Shinadkar - InCred Capital:**
- Hi. Thanks for the opportunity and hope you can hear me.
- **Mr. Jagannathan C.N. - CFO, Sonata Software:**
- Yeah.
- **Mr. Abhishek Shinadkar - InCred Capital:**
- Okay. So, the first question is on the services business. So you know, if I look at the growth across verticals, it has been lopsided and driven by a particular vertical for the first half of '26. So Samir, the question is, is this on...I understand the challenges, but in terms of the interventions required to make it a broad-based growth, if you can highlight some... and when we could see more broad-based growth across verticals? That's question no. 1
- The question no. 2 is for on the products business. So, you know, it's very heartening to see the increase in the gross contribution despite the drop in the revenue. So if you can just highlight, is that seasonality, which is playing out of the last quarter or is this more business driven improvement? That's question no. 2.
- The question no. 3 is on the purchases, especially between the standalone and the console business. So in the standalone business the purchases have gone up dramatically. So if you can highlight what has led to this, that would be helpful. Thank you for taking my questions.
- **Mr. Samir Dhir - MD & CEO, Sonata Software:**
- Thank you, Abhishek. I'll take the first two and I'll request Jagan to take the third one. So on the vertical side, Abhishek, just to give the first strategic overview, we started as you know, Banking and Financial Services and Healthcare verticals about three years back. I think we made good progress in a broad-based sense across the three verticals. Like I earlier noted, that our revenue from BFSI and HLS has gone up from 13% of revenue to about 32% of revenue or so now. So it's a pretty good growth for us in the three years from a mixed perspective.

- And why that is important is, because as you probably know, Banking and Healthcare together constitute about 60% of total outsourcing, which is an area that Sonata didn't have earlier. And we are very pleased with the progress that we are making and continue to make. Of course, we have a headwind in one specific client in BFSI right now, which will probably continue for this quarter and last quarter. But if you back that out, I think in general, we have seen fairly solid momentum across Healthcare and Banking over the last three years.
- As far as the Retail manufacturing and TMT is concerned, I think Retail manufacturing in general has had a slowdown. We noted that in our earlier calls as well with you guys. I think this quarter is a little bit of an aberration. We got one-time revenue in this quarter. But in general, Retail manufacturing has been a little muted across the industry given what is happening in the tariff side. But we see in the next 2-3 quarters, hopefully by Q1 next year, it will stabilize and return back to growth.
- TMT, as far as that is concerned, I think it's a tale of two cities. If you look at the big tech, I think there has been softness given one of our large clients is in the TMT side. But outside of the big tech, the small tech or the medium tech, I think we've seen very, very strong growth. And that's probably noticeable in our numbers as well, that despite the large client slowdown, we have been able to hold up on TMT overall growth numbers because the growth in the non-big tech has been very, very good for us. In fact, the large deal that we announced earlier this year was also in the TMT sector. So if you look at it from a vertical mixed perspective, our large deal win, earlier we announced TMT win, we announced Healthcare, just now we announced another Healthcare win. So we're very pleased with the progress. But the headwinds that we continue to have is one large TMT client and one large BFSI client, if you back those two out, I think we're pretty pleased with the progress for the rest of the business. So that's on the first point.
- On the second point, I think on the SITL business, and I'm going to invite Sujit to add to it as well. Look, I think Sujit and team have done a phenomenal job to enact a three-pillar strategy, which I talked about earlier. I think growing our footprint in the Microsoft channel, in the SMC business, broadening our partnership with other ISVs and SI deals, I think we enacted that strategy about 4-6 quarters back. We are reaping benefit of it right now. And hence, the headwind that we got into this quarter, based on the other decision that we had to withstand, we still came out balancing that out. So we feel very, very confident that the business has been well diversified now and we are well on our path to diversify the business. The strategy we have put in place is the right strategy. But I'll just request Sujit to see if he has any additional points on that. Sujit?
- **Mr. Sujit Mohanty - MD & CEO, Sonata Information Technology Ltd:**
- Thanks, Samir. If you have observed for many, many quarters, so in our business, there is not always have a very direct correlation between the profit and the revenue, because of the character of this business. So there can be some... sometimes the revenue numbers can drop because of various reasons. But we, as a Group, always concentrate on maintaining and growing our, what we call the GC, that is the gross contribution. So as Samir mentioned, there are various strategies which are in place to make sure that we continue to hold on and grow our GC. And fortunately, as of now, we have been able to maintain our GC stand. And hopefully in future, even if we have some troubled times, we will be able to manage it. Thank you.
- **Mr. Samir Dhir - MD & CEO, Sonata Software:**
- Jagan and Shilpa, I will take the last one, last point of Abhishek, and the third point as well.
- **Mr. Jagannathan C.N. - CFO, Sonata Software:**

- So the third point is on cost of goods sold, Abhishek. So there is no aberration on this, why it has... this is related to the India business and it is in line with the revenue growth. Some of these quarters, as Sujit was also mentioning, the revenue growth has... we are not always concentrated on GC and the revenue growth can change depending on a particular trade transaction or a particular transaction or a particular mix of revenue, whatever we have. The cost is also in alignment with that. There is no changes in this. More details, we will, if you want, we will give you offline on that.
- **Mr. Samir Dhir - MD & CEO, Sonata Software:**
- Thanks, Jagan. Operator, you can pick up the next question, please.
- **Moderator:**
- Yeah. The next question is from Ashish Das from Mirai Asset Capital.
- **Mr. Ashish Das – Mirai Asset Capital:**
- Hi, good morning. Hope I am audible.
- **Mr. Samir Dhir - MD & CEO, Sonata Software:**
- Yes, Ashish, go ahead.
- **Mr. Ashish Das – Mirai Asset Capital:**
- Thanks for the opportunity. So my question is again, on the domestic business, basically your SITL business. So on the last quarter's earning's call you mentioned that there could be some discussion with Microsoft team on, regarding this domestic product business. Now you mentioned that the business has diversified. What I understand, most of our business was skewed towards Microsoft. And so the question is, I just want to understand that, have they started taking over some of your partner accounts? How do you see that business is going to impact, particularly from Microsoft?
- **Mr. Samir Dhir - MD & CEO, Sonata Software:**
- Sujit, do you want to take this, please?
- **Mr. Sujit Mohanty - MD & CEO, Sonata Information Technology Ltd:**
- Sure, Samir. Thanks. So first, I mean, if I've understood the question, if there is an apprehension that Microsoft is going to take out all business, that's not the case. As of now, although they have not given anything in writing, our guess is that worldwide, they're trying to have some direct contract with a limited number of very, very large account of theirs, or large customers of theirs. So in that list, there may be few which will fall in India, and it can fall into our customer basket as well, right? So that is the real situation. It's not that Microsoft has decided to completely go from an indirect to direct model. So this is the first time they are doing it in Asia-Pacific region, including India. So this is the first year they're trying to do some direct billing. So we have to wait and see how things are going to span out and to what extent they're going to go. We are not in a position to make a comment on that, because obviously, we don't know what exactly their future plan is. But knowing the environment, knowing Microsoft since last 30 years, we believe that, right now, it's a very limited intervention and limited plan which they have. That's our assessment.
- Now, coming to diversification, obviously, once we come to know of this change in the business policy, to protect our business, obviously, we have to do various other things to make sure that our

revenue and profit growth, how to maintain that and how to keep that on track. So we have done various things, including within Microsoft, looking at various different options, outside Microsoft what are the other businesses' possibilities, growing towards associated services around the platforms. So there are many, many things which we are trying to do now. And hopefully, in the next 4-6 quarters, we'll be able to zero down on some of the plans which are actually going to work and we'll continue to focus on them. And that is what is our strategy is, to hold on to our business and continue to grow. I hope I have answered.

– **Mr. Ashish Das – Mirai Asset Capital:**

– Yeah, yeah, got your point. But earlier we used to say that our gross contribution is expected to grow at 15% CAGR in the medium to long term. So that assumption continues or should we... or do you see that because of the changes, certain headwinds would be there on this domestic business?

– **Mr. Sujit Mohanty - MD & CEO, Sonata Information Technology Ltd:**

– So when there is such a large change in the policy, definitely there will be certain headwinds. And considering the fact that we operate on a... most of our customers are within the large enterprise segment, there can be few hits and misses here and there, based on the Microsoft policy. So there will be some headwinds. But as I said, and as Samir also explained, that knowing this environment, we have our diversification strategy. So we are trying our best to make sure that in the next few quarters, we come back to the growth, what we had discussed earlier.

– **Mr. Ashish Das – Mirai Asset Capital:**

– Got it. Thank you. And Samir, my next question is on... now in your presentation, you have mentioned your net new deal TCV number. So between FY22 to date, you mentioned that there is a net new deal TCVs of \$467 million. But if I see the incremental revenue from FY22, it's just \$132 million, and I see that there is some non-linearity. So could you please help me understand that why there is a gap between revenue growth and the deal TCVs?

– **Mr. Samir Dhir - MD & CEO, Sonata Software:**

– Yeah. Actually, so the deal TCVs that we announced, these are for multi-year deals. Some of these could be even three years, five years, 10 years as well. So the order book that you might be referring to, I don't know which number you definitely have in mind, but maybe Jagan can build on that, these are generally for the total contract value in the term of the contract, which could be three, five or 10 years, or maybe sometime even longer. What you're referring to the growth is the revenue realized in the year, which of course would be lesser than the overall deal book that we have booked.

– **Mr. Ashish Das – Mirai Asset Capital:**

– So you are saying that no revenue leakage has happened, and so the growth will come back in the coming years.

– **Mr. Samir Dhir - MD & CEO, Sonata Software:**

– Yeah. So those deals that we have won, the order has been booked. So as time moves forward, we'll continue to realize revenue from the orders that we have booked already. So there is no concern on that front.

– **Mr. Ashish Das – Mirai Asset Capital:**

- Perfect. And my last question on your US hike. So now you mentioned that on US hike, we saw 90 bps impact in Q2. So what kind of the remaining impact we can expect in Q3?
- **Mr. Samir Dhir - MD & CEO, Sonata Software:**
- It's pretty much in the same range in the coming quarter as well. And like we indicated, given the efficiencies that we have enacted in Q2, we think we'll be able to absorb that and still are EBITDA accretive in the coming quarter.
- **Mr. Ashish Das – Mirai Asset Capital:**
- Thank you so much for taking my questions.
- **Moderator:**
- Thank you, sir. The next question is from Mr. Amit Chandra from HDFC Securities.
- **Mr. Amit Chandra - HDFC Securities:**
- Hello, I'm audible.
- **Mr. Samir Dhir - MD & CEO, Sonata Software:**
- Yes, go ahead Amit, we can hear you.
- **Mr. Amit Chandra - HDFC Securities:**
- Yeah, yeah. So thanks for the opportunity. So just the continuation on the TCV question. So over the last 6-7 quarters, we have been in the range of 100 to 105 million. And seeing the large deal pipeline that we report, we have around 20 to 30 deals in the large deal pipeline. So this TCV number has been constant. Obviously, the revenue has also been constant for us. So just to understand, for the revenue acceleration to happen, do we have to win more deals? Obviously, we have to win more, but this 100 million kind of a TCV number is sufficient for the revenue acceleration to happen if we see some stability in the existing book?
- And also, in terms of the large deal pipeline, earlier, we used to have like 2-3 large deals, which has also slowed down. Any views, any incremental challenges we are seeing in terms of closing deals?
- **Mr. Samir Dhir - MD & CEO, Sonata Software:**
- Sure, great question, Amit. I think, let me explain. So what we talk about as 1.28 book-to-bill is for the new business that we are winning. And I think what that gets tempered is the runoffs that have happened in some of the large accounts that we have seen headwinds in, specifically the large tech client and the large banking client. So it's an extraordinary situation. We have seen the last 2-3 quarters, maybe four quarters now, that two large accounts of Sonata have had issues. So they end up offsetting more than one book-to-bill ratio of ours. In our mind, our desired state of book-to-bill ratio is between 1.2 to 1.3, and that's where we've been operating at. We just had one too many mishaps in terms of large accounts, which is really causing this growth slowdown to happen because of that. And we've been very open with you guys about that.
- I think as we move forward, we are pivoting the change mix from a quality of revenue to more AI, which we talked about earlier. But we do believe, as a company, that 1.2 to 1.3 range of order book is pretty sustainable. And if we do see continued impact of some, God forbid, some large account as

well, then of course we'll look to improve that number. But for a foreseeable future, we think that's the range that we want to operate at.

– **Mr. Amit Chandra - HDFC Securities:**

- Okay. And also, you mentioned about the impact on BFSI. Obviously, you have been very clear about it. But just to understand the extent of the impact, because if I see in terms of numbers from the peak of 3rd Quarter last year, we have almost halved in terms of the BFSI revenue. So do you attribute it all to the issues in top client, whether the top client revenues have been totally out of the system or is it still there? That's because 3rd Quarter we generally see is seasonally strong for BFSI. So if you can throw some light in terms of how the furloughs are looking, also in terms of furloughs for the 3rd Quarter.

– **Mr. Samir Dhir - MD & CEO, Sonata Software:**

- So we don't have a material furlough impact in our business, Amit. We don't see that much. So let's just understand the BFSI business in two parts, Amit. Let's think of minus the large account and everything else. Of course, the large account has had a significant headwind and we've seen significant ramp down of that, especially during the quarter, the most recent quarter. And maybe the final impact will come in the current quarter as well. But beyond that, the other accounts have really grown quite well for us. So that has been a little bit of an offsetting factor for us. And we think the other account that we have won in the course of the last 2-3 years, they all... many of them have potential to scale up to be the top accounts of Sonata from a banking perspective. So, yes, we are fighting a headwind against a large client, but the positive momentum we see is on the rest of the large account of the banking business. They all have potential, or if not, most of them have potential to grow. And that's where our focus is. So we, while it's a one-off bad news, but we feel pretty good about the health of the business where it is at. Once the whole impact of this one large client is absorbed, I think it will be fully absorbed at the end of Q3, then I think we'll be looking to build a business from there further on going into Q4.

– **Mr. Amit Chandra - HDFC Securities:**

- Okay, so thank you. And sir, last question on the margins. Obviously, we have seen healthy expansion in margins in this quarter, despite the quarter being flat. And there was a wage hike also in this quarter. So if you can give the walkthrough of the margins, what actually led to the margin expansion? And what is the normalized margin that we should look at for the IITS business, International IT Services? And also, in terms of the efficiency, I don't think that we're mentioning where we are in the journey in terms of the efficiency that we want to achieve.

– **Mr. Samir Dhir - MD & CEO, Sonata Software:**

- So we have stated before also, and I think this question came last couple of calls as well. Amit, look, we've always talked about our aspiration to be a high-teens EBITDA company and aspiration to be a low-teens, low-20s EBITDA company. So we're well on our path to be a high-teens EBITDA company at this point in time, and that's what we're executing to, as you've probably seen in the results right now.
- Now, that really has happened on count of three levels, which I commented on earlier as well, but I'm happy to recap. One, our utilization has gone up, which I think has helped us. Second, because of the large deals that we had won over the last several quarters, we tried to move work offshore, and that has helped us. And it was planned offshoring. As we won the deal, we have always announced

to you that we will move work gradually to offshore. And this quarter, it was a bunch of planned deals that the work had to move offshore. And third is really a systematic implementation of AI, both in our delivery and our functions. And we've been very careful and strategic about implementing AI within Sonata in our core function, as well as implementing AI across a delivery ecosystem. So a combination of these three factors has led us to the improvement that we think. And we think that's a very sustainable model that we have put in place. And hence, we were confident about the accretion in going into Q3.

– **Mr. Amit Chandra - HDFC Securities:**

– Okay, Samir. Thank you and all the best.

– **Moderator:**

– Thank you, sir. The next question is from Mr. Jalaj from Soni Investment.

– **Mr. Jalaj – Soni Investment:**

– Thanks for the opportunity. Hope I'm audible.

– **Mr. Samir Dhir - MD & CEO, Sonata Software:**

– Yes, you are.

– **Mr. Jalaj – Soni Investment:**

– Samir sir, this question was pertaining to the largest TMT vertical. So I understand that we usually go for renewals during the last quarter. So what sorts of discussions have you had with them so far for these next years? Have you seen any increase in the budget outflow or the deal wins with them, or we are at a decline or a flat situation with this?

– **Mr. Samir Dhir - MD & CEO, Sonata Software:**

– Yeah, that's a great question. I think the renewals happen in June, July, August timeframe. And we are quite happy with the fact that the renewals that we expected to happen, have happened. We have not seen a shrinkage in that. I think the challenge has been to win the new business, which is where the softness has been there in the relationship. I think we were hoping that as they start the new fiscal year in July timeframe, the budgets will get disseminated to the next level of operating managers. That has not happened because they've gone through a re-org yet again. So the whole budget dissemination process has been delayed. But we expect by January timeframe, the budgets will get disseminated. And hence, hopefully, going into Q4 or worst case, Q1, we'll start to see some uptake. But as far as renewals are concerned, we are in a very good place. We feel we have secured the renewal that we wanted to secure.

– **Mr. Jalaj – Soni Investment:**

– Got it, got it. That's heartening to know. And so, one more question. So on a related basis, I want to understand the BFSI softness, the top-line softness. How should we think about it? Should it continue for the whole of the year? I know you partially alluded to that two more quarters, we should see it. But could you give some more flavour? Because I understand that quant would have a 4Q seasonality impact also. So how should we see both the things together? And when should we see an uptick in this BFSI as a vertical from here? How do you see it?

- **Mr. Samir Dhir - MD & CEO, Sonata Software:**
- Let me answer the first part. I think the largest client impact was materially absorbed in the current quarter Q2, or the quarter we just announced the results for, and the tailwind effect or small effect will probably trickle into Q3. And then that will be the end of, hopefully, the end of the impact from this last quarter, last client impact as we see it right now. And like I said earlier, beyond that, we really want to see the business going back up again based on other logos and wins that we're having in the BFSI vertical. So from coming out of Q3, we'll start to see... build the momentum up from Q4 onwards in the banking industry in general.
- **Mr. Jalaj – Soni Investment:**
- Got it. And on the India business, should we consider this the new base of whatever reset had to happen in terms of Microsoft going direct to the clients? Or, you feel there is more business which could come under contraction or is at risk?
- **Mr. Samir Dhir - MD & CEO, Sonata Software:**
- Sujit, do you want to take that piece?
- **Mr. Sujit Mohanty - MD & CEO, Sonata Information Technology Ltd:**
- Sure, Samir. So as of now, there is nothing in writing from Microsoft that what they're going to do and how they're going to do, as I mentioned previously. Based on our understanding and how it has happened in other countries, the way it happened is that there will be some accounts, some customers which they may decide to go direct. And all this doesn't happen overnight because there are existing contracts. So even if they decide to get into a direct contract, they wait for the renewal period to come. That means suppose you have a three-year contract and the contract is going to get over in December '26, so after December '26 for a new contract, they will come in. I mean, this is what is our current understanding and this is how it is happening as of today. Whatever few which has happened, this is how it has happened.
- So based on that, our understanding is that, in India, there will be 10 to 15 accounts all over, for Microsoft. I'm not just saying for ourselves, for Microsoft India, there will be 10-15 accounts which they may decide to go direct. Out of that, few may fall in our basket. And that's what we have to take care of and we have to manage.
- **Mr. Jalaj – Soni Investment:**
- Got it. So just an extension to that. So let me put it just in another way. What sort of or what contracts in the next six months are coming under renewal in the reselling business or India business? I guess that would give us a little clarity.
- **Mr. Sujit Mohanty - MD & CEO, Sonata Information Technology Ltd:**
- Sure. So to answer your question, in the next six months, we don't expect any of our customers to get into a direct. I mean, Microsoft wanting to take it direct. That's our understanding.
- **Mr. Jalaj – Soni Investment:**
- Got it. So this should be the new base then. I'm considering that.
- **Mr. Sujit Mohanty - MD & CEO, Sonata Information Technology Ltd:**

- Yeah, but I just answered you on six months. Yeah. So I mean, that's how it is as of today.
- **Mr. Jalaj – Soni Investment:**
- Okay. Best of luck. Thanks a lot.
- **Moderator:**
- Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments. Thank you and over to you, sir.
- **Mr. Samir Dhir - MD & CEO, Sonata Software:**
- Thank you. I think good set of questions during the call. We always appreciate your time. I just want to make one clarification. I think there was a question on order book, specifically. The 1.28 is really for the overall business. And because it's for the whole business, that's how we report out to you. And the two large accounts, the headwinds have really off-set that number. But our aspiration still is for the overall business to be between 1.2 to 1.3, which is where we've been in the past. I just want to clarify, it's not for net new only, it's for the overall business.
- But we appreciate the time from each one of you. Thank you for your interest in Sonata. And I also want to take this opportunity to thank all the Sonatians globally for their hard work and commitment to the company. Thank you all, and we'll speak to you in a quarter's time.
- **Moderator:**
- Thank you, members of the management. Ladies and gentlemen, on behalf of Sonata Software, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.