

Sonata Software Limited

REPORT ON CORPORATE GOVERNANCE

Your Company is in compliance with the requirements of the guidelines on Corporate Governance stipulated under Clause 49 of the Listing Agreement and hereby presents the following Corporate Governance Report for the year 2010-11 based on the said requirements.

I. A BRIEF STATEMENT ON COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Sonata Software Limited is committed to good Corporate Governance. The fundamental objective of Sonata's Corporate Governance is "enhancement of the long-term shareholder value while at the same time protecting the interests of other stakeholders without compromising on compliance of any laws and regulations."

II. BOARD OF DIRECTORS

The Board of Directors of Sonata comprises of eight Directors of whom three are promoter directors, two are executive directors and three independent directors. None of the Directors are related to each other.

During the financial year 2010-11, four meetings of the Board were held with a time gap of not more than four months between any two meetings. These meetings were held on 19th April, 2010, 20th July, 2010, 10th November, 2010 and 14th February, 2011.

The names, designation, categories of the Directors and their shareholding in the Company are as given below :

Name	Designation	Category	Equity shareholding in the Company
Pradip P Shah	Chairman	Independent Director	Nil
S B Ghia	Director	Promoter Non-executive Director	14,600
M D Dalal	Executive Vice Chairman	Promoter Executive Director	12,94,600
Viren Raheja	Director	Promoter Non-executive Director	57,50,000
B Ramaswamy	President & Managing Director	Executive Director	27,85,000
P Srikar Reddy	Executive Vice President & COO	Executive Director	14,82,300
S N Talwar	Director	Independent Director	40,000
B K Syngal	Director	Independent Director	Nil

Details of Directors' attendance, directorships/committee memberships held by them are as given below :

Director	No. of Board Meetings held	No. of Board Meetings attended	Whether attended the last AGM on 15th June'10	No. of memberships in Boards of other Public Companies	No. of Committee memberships in all Public Companies@
Pradip P Shah	4	4	Yes	14	8
S B Ghia	4	4	Yes	5	6
M D Dalal	4	4	Yes	1	2
Viren Raheja	4	4	No	4	4
B Ramaswamy	4	3	Yes	1	1
P Srikar Reddy	4	4	No	1	1
S N Talwar	4	4	No	13	10
B K Syngal	4	4	Yes	3	4

@ The disclosure includes membership/chairmanship of Audit Committee and Shareholders'/Investors' Grievance Committee in Indian public companies (listed and unlisted). None of the above Directors is Chairman in more than five Committees.

III. AUDIT COMMITTEE**Terms of Reference**

The Audit Committee has interalia the following mandate :

1. To oversee the Company's financial reporting process and disclosure of its financial information to ensure the financial statements are correct, sufficient and credible.
2. To recommend appointment/re-appointment and removal of the Statutory auditors, fixation of audit fees and also approve payment for other services rendered.
3. To review with the Management, performance of statutory and internal auditors, the adequacy of internal control systems, changes in accounting policies/procedures, major accounting entries based on the exercise of judgment by Management, significant adjustments in the financial statements arising out of audit findings, statutory compliance, qualifications in draft audit report, default in payments to shareholders/creditors, if any.
4. Discussion with statutory/internal auditors on nature and scope of audit, any significant findings / investigations and follow up there on.
5. To review, with the Management, the audited quarterly and annual financial statements before submission to the Board for approval.
6. To review the Company's financial and risk management policies.
7. To review statement of significant related party transactions, management letters / letters of internal control weaknesses and appointment, removal and terms of remuneration of the Internal Auditor.

Composition

- B K Syngal - Chairman (Independent Director)
 S B Ghia - Member (Non-executive Director)
 Pradip P Shah - Member (Independent Director)

Secretary

- Praveen Kumar D - Company Secretary

By Invitation

- Venkatraman N - Head – Strategic Finance & Risk Management
 Sathyanarayana R - AVP – Finance & Accounts
 Y.N.Thakkar - Partner, N.M.Raiji & Co., (Statutory Auditors)
 V.Raghavendran - Partner, V.Raghavendran & Co., (Internal Auditors)

Meetings and attendance during the year

Members	Meetings held	Meetings attended
B K Syngal	4	4
S B Ghia	4	4
Pradip P Shah	4	4

IV. REMUNERATION COMMITTEE

The Remuneration Committee was reconstituted on 17th July, 2009.

Terms of Reference

The Remuneration Committee reviews the policy on remuneration packages for Executive Directors, their Service Contracts, Stock Option details etc. However, remuneration of non-executive Directors is reviewed and decided by the Board of Directors.

Composition

- S N Talwar - Chairman (Independent Director)
 S B Ghia - Non-Executive Director
 B K Syngal - Non-Executive Director

Secretary

- Praveen Kumar D - Company Secretary

Meetings and attendance during the year

One meeting was held on 14th February, 2011 and all members of the Committee were present.

Remuneration Policy

The Committee recommends the remuneration payable to Executive Directors based on their contribution to the growth and development of the Company.

Details of remuneration paid/payable to all the Directors for FY 2010-11

(Amount in Rs.)

Name	Salary & Perquisites	Commission	Shares issued under ESOP	Details of service contracts notice period & severance fees
Pradip P Shah	Nil	13,69,465	Nil	Nil
S B Ghia	Nil	13,69,465	Nil	Nil
M D Dalal	Nil	22,59,617	Nil	Agreement dated 29.10.2007 valid upto 31.10.2012 ; Three(3) months notice period and no severance fees
Viren Raheja	Nil	13,69,465	Nil	Nil
B Ramaswamy	97,33,641	68,47,324	Nil	Agreement dated 19.04.2010 valid upto 31.03.2015; Twelve(12) months notice period and severance fees equivalent to the salary and perquisites for the unexpired period of the Agreement
P Srikar Reddy	71,10,039	34,23,662	Nil	Agreement dated 16.10.2009 valid upto 19.10.2014; Twelve(12) months notice period and severance fees equivalent to the salary and perquisites for the unexpired period of the Agreement
S N Talwar	Nil	13,69,465	Nil	Nil
B K Syngal	Nil	13,69,465	Nil	Nil

The Criteria for making payments to non-executive directors viz., Mr.S B Ghia, Mr.Viren Raheja, Mr.Pradip P Shah, Mr.S N Talwar and Mr.B K Syngal is the special resolution passed by the shareholders at their meeting held on 10th June, 2008, which authorizes the Board to pay commission to non-executive directors in such amounts or proportions which cumulatively shall not exceed 1% of the net profits of the Company in any financial year.

V. INVESTORS' GRIEVANCE COMMITTEE:

Terms of Reference

The Investors' Grievance Committee facilitates prompt and effective redressal of shareholders' complaints and the reporting of the same to the Board periodically.

Composition

S B Ghia	- Chairman (Non-Executive Director)
M D Dalal	- Member
B Ramaswamy	- Member

Secretary

Praveen Kumar D - Company Secretary

Meetings and attendance during the year

Members	Meetings held	Meetings attended
S B Ghia	4	4
M D Dalal	4	4
B Ramaswamy	4	3

Name & Designation of Compliance Officer

Praveen Kumar D, Company Secretary.

Details of complaints received and resolved during the financial year ended 31st March, 2011 has been provided in the "Shareholders' Information" section of the Annual Report.

VI. SHAREHOLDERS' MEETINGS

Details of last three AGMs held :

Year	Date	Venue	Time
2007-08	10.06.08	M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg Mumbai - 400 001	4.00 p.m.
2008-09	05.06.09	M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg Mumbai - 400 001	4.00 p.m.
2009-10	15.06.10	M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg Mumbai - 400 001	4.00 p.m.

Special resolutions passed in the previous three AGMs

Year 2007-08 -Yes, one special resolution for payment of commission to non-wholetime Directors pursuant to Section 309 of the Companies Act was passed.

Year 2008-09 - Nil

Year 2009-10 - Nil

Whether any special resolution passed last year through postal ballot - details of voting pattern, person who conducted the postal ballot exercise?

No

Whether any special resolution proposed to be conducted through postal ballot and if so procedure for postal ballot?

No

VII. OTHER DISCLOSURES**Disclosure on materially significant related party transactions that may have potential conflict with the interests of the Company at large.**

Details are provided in Note 14 under Schedule 13 to the Notes forming part of the Accounts in accordance with the provisions of Accounting Standard 18.

Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

None

Whistle Blower Policy

The Company is in the process of establishing and putting in place a Whistle Blower Policy which has been approved by the Audit Committee at its meeting held on February 14, 2011. The policy covers the aspect of employees or other stakeholders in the Company to report questionable financial or accounting matter, fraudulent financial information, violation of company rules, policies and any other legal requirements. The said Policy is in the process of being communicated and rolled out within the Company. The Company affirms that no employee has been denied access to the Audit Committee during the financial year 2010-11.

Mandatory/Non-mandatory Requirements

During the financial year 2010-11, the Company

- (a) has duly complied with all mandatory requirements of Clause 49 of the Listing Agreement.
- (b) has not adopted any of the non-mandatory requirements of Clause 49 of the Listing Agreement except requirements pertaining to constitution of Remuneration Committee.

VIII. MEANS OF COMMUNICATION**Quarterly results / Other information**

- The quarterly results are generally published in Business Standard (all India edition) and in Navshakti (Mumbai edition).
- The quarterly financial statements, press releases, shareholding pattern and all other information disseminated to analysts/institutional investors are posted on Company's website (<http://www.sonata-software.com>) under Investor Relations Section.

IX. GENERAL SHAREHOLDER INFORMATION

It is provided in the section styled as "Shareholder Information" published elsewhere in this Annual Report.

- X. As per Clause 49 of the Listing Agreement with Stock Exchanges, Company is required to obtain a Certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance. The Auditors' Certificate in respect of compliance thereof is enclosed in this Annual Report.

SECRETARIAL COMPLIANCE REPORT FOR THE YEAR ENDED 31st March, 2011

The Board of Directors,
Sonata Software Limited,
Bangalore.

We have examined the registers, records and papers of **SONATA SOFTWARE LIMITED** as required to be maintained under the Companies Act, 1956, (hereinafter referred to as "The Act"), the rules made thereunder and also the provisions contained in the Memorandum of Association and Articles of Association of the Company for the year ended March 31st, 2011.

On the basis of my examination as well as information and explanations furnished by the Company and the records made available to me, we report that:

1. Equity Shares of the Company are listed on Bombay Stock Exchange Ltd and the National Stock Exchange of India Ltd.
2. All the requisite registers and other records required under the Act and the Rules made thereunder have been maintained in accordance with the requirements of the Act.
3. All the requisite forms, returns and documents have been filed with the Registrar of Companies and other authorities as required under the Act and the Rules made there under .
4. All the requirements of the Act relating to the meetings of the Directors, Shareholders and Committees of the Board as well as relating to maintenance of the minutes of the proceedings thereat have been complied with.
5. The Board of directors of the company is duly constituted.
6. The directors have disclosed their interest in other firms/companies to the Board of directors pursuant to the provisions of Section 299 of the Companies Act, 1956.
7. There was no issue of shares or any other securities during the year under report.
8. Share certificates have been delivered to the transferee within the time prescribed under the Companies Act, 1956. Applications for transfer and transmission of shares have been registered within the prescribed time and necessary entries have been made in the register prescribed for this purpose.
9. The provisions of the Companies Act, 1956, relating to declaration and payment of interim and final dividend have been complied with.
10. There were no borrowings during the year under report.
11. The Company has complied with the provisions of the Companies Act, 1956 with respect satisfaction of charges. There were no instances of creation or modification of charges.
12. Necessary approvals of Directors, Shareholders, Central Government and other authorities, wherever applicable and required under the Companies Act, 1956, have been obtained.
13. The Company has not altered the provisions of the Memorandum of Association or the Articles of Association during the year under report.

For **V Sreedharan & Associates**

Sd/-
Date : 13th April, 2011
Place: Bangalore

V Sreedharan
Partner
FCS – 2347; CP No.833