

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 2013-14 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 as on March 31, 2014 comprised of seven directors of whom three are Promoter directors (out of which two are non-executive directors and one is an executive director), one is an Executive director and three are Independent directors. None of the Directors are related to each other.

During the financial year 2013-14, 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 30th May, 2013, 7th August, 2013, 12th November, 2013 and 8th February, 2014.

The names, designation, categories of the Directors and their shareholding in the Company as on March 31, 2014 are as given below:

Name of the Director	Designation	Category	Equity shareholding in the Company
Pradip P Shah	Chairman	Independent Director	Nil
S B Ghia	Director	Promoter Non-executive Director	5,000
M D Dalal	Executive Vice Chairman	Promoter Executive Director	13,01,260
Viren Raheja	Director	Promoter Non-executive Director	82,50,000
P Srikar Reddy	Managing Director & CEO	Executive Director	13,65,004
S N Talwar	Director	Independent Director	50,000
B K Syngal	Director	Independent Director	Nil

Details of Directors' attendance during the year, directorships/committee memberships held by them as on March 31, 2014 are as given below :

Director's Name	No. of Board Meetings held	No. of Board Meetings attended	Whether attended the last AGM on 6 th August, '13	No. of memberships in Boards of other Public Companies	No. of Committee memberships in all Public Companies@
Pradip P Shah	4	4	Yes	11	8
S.B.Ghia	4	3	Yes	5	6
M.D.Dalal	4	4	Yes	1	2
Viren Raheja	4	4	No	3	3
P Srikar Reddy	4	4	Yes	1	2
S N Talwar	4	4	Yes	11	7
B K Syngal	4	4	Yes	2	3

@ 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.

As required under Clause 49(IV)(G), particulars of Directors seeking appointment / re-appointment are given in the Explanatory Statement to the Special Businesses proposed in the Notice annexed to the Notice of the Annual General Meeting to be held on 11th August, 2014.

III. AUDIT COMMITTEE

Terms of Reference

The Audit Committee has inter alia the following mandate:

- To oversee the Company's financial reporting process and disclosure of its financial information to ensure the financial statements are correct, sufficient and credible.
- To recommend appointment/re-appointment and removal of the Statutory auditors, fixation of audit fees and also approve payment for other services rendered.
- To review with the Management matters required to be included in the Directors' Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
- 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.
- Discussion with statutory/internal auditors on nature and scope of audit, any significant findings / investigations and follow up there on.
- To review, with the Management, the audited quarterly and annual financial statements before submission to the Board for approval.
- To review the Company's financial and risk management policies.
- 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.

9. To review the functioning of the Vigil Mechanism / Whistle Blower policy.

Composition

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

Secretary

Priya Manoj Jaswani - Company Secretary

By Invitation

Venkatraman N	- Chief Financial Officer
Sathyanarayana R	- AVP – Finance & Accounts
V Srikumar	- Partner, Deloitte, Haskins & Sells (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	3
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 Non-Executive Director)
S B Ghia	- Promoter Non-Executive Director
B K Syngal	- Independent Non-Executive Director
Viren Raheja	- Promoter Non-Executive Director

Secretary

Priya Manoj Jaswani - Company Secretary

Meetings and attendance during the year

Members	Meetings held	Meetings attended
S N Talwar	2	2
S B Ghia	2	1
B K Syngal	2	2
Viren Raheja	2	2

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 during the financial year ended 31st March, 2014

Name	Salary & Perquisites (in ₹)	Commission & Sitting fees (in ₹)	Shares issued under ESOP	Details of service contracts; notice period & severance fees
Pradip P Shah	Nil	1,638,883	Nil	Nil
S B Ghia	Nil	1,678,883	Nil	Nil
M D Dalal	1,250,000	Nil	Nil	Effective 01.04.2012 re-appointed as Executive Vice Chairman for a period of 5 years vide Agreement dated 24.05.2012 Three (3) months notice period and no severance fees
Viren Raheja	Nil	1,598,883	Nil	Nil
P Srikar Reddy	25,603,129	3,888,345	Nil	Effective 14.02.2012 appointed Managing Director & CEO for a period of 5 years vide Agreement dated 24.05.2012; Seven (7) months notice period and severance fees of ₹ 1.20 crores spread over a period of 3 years.
S N Talwar	Nil	1,598,883	Nil	Nil
B K Syngal	Nil	1,678,883	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 6th August,

2013, 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.

- Further, as authorized by the Board in the meeting held on 14th February, 2012, all non-executive directors are also being paid a sitting fee of ₹ 20,000/- for each meeting of the Board or Committee attended by them from FY 2012-13 onwards.

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 (Promoter, Non-executive Director)
M D Dalal	- Member (Promoter, Executive Director)
P Srikar Reddy	- Member (Executive Director)

Secretary

Priya Manoj Jaswani - Company Secretary

Meetings and attendance during the year

Members	Meetings held	Meetings attended
S B Ghia	4	3
M D Dalal	4	4
P Srikar Reddy	4	4

- Name & Designation of Compliance Officer

Priya Manoj Jaswani, Company Secretary

- **Details of complaints received and resolved during the financial year ended 31st March, 2014 has been provided in the "Shareholders' Information for FY 2013-14" section of the Annual Report.**

VI. SHAREHOLDERS' MEETINGS

- Details of last three AGMs held:

Year	Date	Venue	Time
2010-11	15.06.2011	M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg Mumbai - 400 001	4.00 p.m.
2011-12	09.07.2012	M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg Mumbai - 400 001	4.00 p.m.
2012-13	06.08.2013	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 2010-11 - Nil

Year 2011-12 - Nil

Year 2012-13 - Yes, one special resolution for payment of commission to non-whole-time Directors pursuant to Section 309 of the Companies Act, 1956 was passed.

- **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

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 33 under 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 has established and put 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 has been communicated to the employees and is also available on the Company's website. The Company affirms that no employee has been denied access to the Audit Committee during the financial year 2013-14.

Mandatory/Non-mandatory Requirements

During the financial year 2013-14, 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 and Whistle Blower Policy.

VII. 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.

VIII. GENERAL SHAREHOLDER INFORMATION

It is provided in the section styled as "Shareholders' Information for FY 2013-14" published elsewhere in this Annual Report.

- IX. 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.