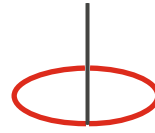
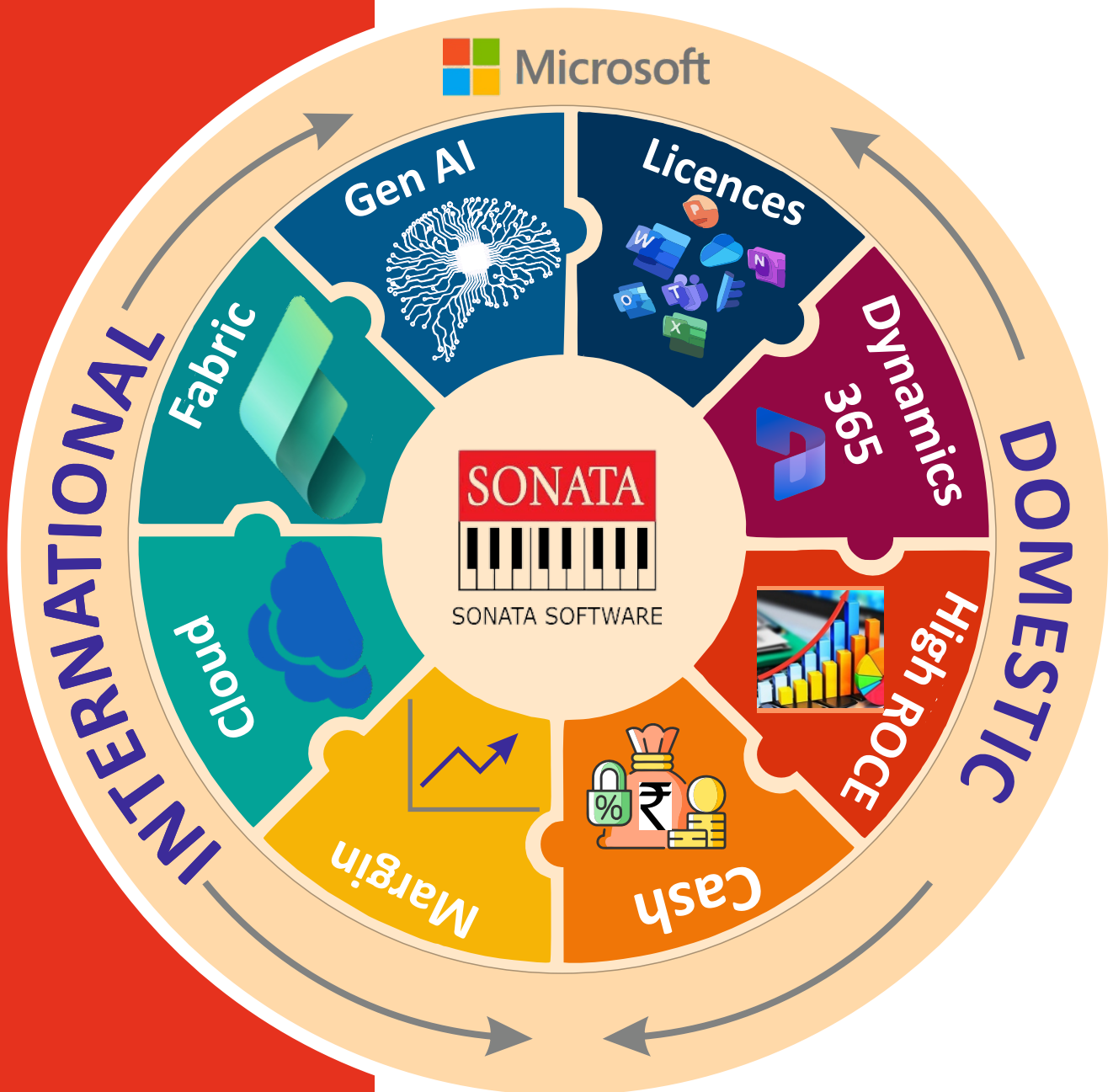


Initiating Coverage

11th July, 2024



DALAL & BROACHA
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Investment Argument:

We initiate coverage on Sonata Software with a BUY rating valuing the company on 28x FY27, arriving at a target price of 919 (+49%).

➤ Platform-Related Services and Microsoft Partnership generating 50%+ Revenues

Sonata's focus on platform-related services, particularly those based on Microsoft Dynamics, demonstrates a strategic alignment with industry needs. With a robust relationship spanning two decades, Sonata's status as one of Microsoft's top implementation partners globally underscores its expertise and reliability. This partnership not only generates substantial revenue through license sales but also provides a strong foundation for Sonata's growth.

➤ Leveraging newer and upcoming technologies:

Microsoft is poised to drive significant growth. Collaborating closely with Microsoft, Sonata has been at the forefront of initiatives such as Microsoft Fabric, being among the seven global launch partners. These cutting-edge technologies have proven instrumental in securing key deals for Sonata. Currently Microsoft Fabric is still in its nascent stage with a pipeline of \$ 42 million, Sonata anticipates its maturation over the next 2 to 3 years, with substantial potential for success.

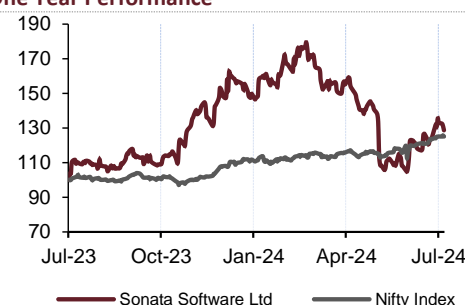
In addition to Microsoft Fabric, **Sonata has a substantial pipeline of approximately \$65 million in Artificial Intelligence (AI) projects. Sonata expects 20% of their revenues to come from AI services in the next 3 years.** Recent successes include winning a deal with a software product company in California, with Microsoft Fabric playing a pivotal role in the value proposition.

Rating	TP (Rs)	Up/Dn (%)
BUY	919	49

Market data

Current price	Rs	615
Market Cap (Rs.Bn)	(Rs Bn)	172
Market Cap (US\$ Mn)	(US\$ Mn)	2,066
Face Value	Rs	1
52 Weeks High/Low	Rs	870 / 469.05
Average Daily Volume	('000)	347
BSE Code		532221
Bloomberg		SSOF.IN
Source: Bloomberg		

One Year Performance



Source: Bloomberg

% Shareholding	Mar-24	Dec-23
Promoters	28.17	28.17
Public	70.81	70.81
Total	100	100

Source: BSE

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net sales	55,534	74,491	86,131	95,276	110,630	130,267
EBIDTA	4,638	6,038	7,274	8,355	9,724	12,174
Margins	8.4	8.1	8.4	8.8	8.8	9.3
PAT (adj)	3,764	4,516	3,085	5,769	6,973	9,107
Growth (%)	54.3	20.0	-31.7	87.0	20.9	30.6
EPS	72.46	65.11	17.41	20.57	24.86	32.48
P/E (x)	8	9	35	30	25	19
P/B (x)	3	3	12	11	9	8
EV/EBITDA (x)	26	28	23	20	17	13
RoE (%)	34	35	34	35	36	40
ROCE (%)	46	34	35	38	41	47
RoIC (%)	175	54	56	47	53	66

Source: Dalal and Broacha

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➤ **High ROCE (40%+) Cash Generating Domestic business (INR 200 cr CFO in FY24)**

Domestic Operations, approximately 75% of revenue comes from Microsoft license sales, highlighting its significant presence as a leading software distributor. With a substantial 20% market share in domestic software licenses, Sonata solidifies its position as a key industry player. One notable challenge for competitors entering this market is achieving operational efficiency in the face of low margins, an area in which Sonata has successfully navigated and established expertise.

➤ **High Margin (20%+ EBITDA) International Business**

Microsoft serves a dual function: as a direct customer, contributing 20% of revenue, and as a strategic partner for implementation services, comprising roughly 30% of business. Together, Microsoft's engagement represents a substantial 50% of Sonata's international operations, highlighting the profound influence of this partnership on Sonata's global footprint. Sonata's inclusion in the Microsoft inner circle is a testament to their close collaboration and expertise. As a member of Microsoft's Inner Circle, Sonata benefits from enhanced product development, access to the latest technology trends, and preferential opportunities in strategic customer partnerships. This partnership leverages Sonata's expertise in CRM and Dynamics ERP solutions to improve implementation efficiency and effectiveness. Notably, Sonata was one of only seven companies on the Microsoft Fabric development team and the only one from India. This strategic alliance provides Sonata a competitive edge in delivering comprehensive solutions to clients worldwide.

➤ **Large Deals 40% of total pipeline**

Sonata's approach to securing large deals, integrating acquisitions, and expanding its client base underscores its commitment to growth and innovation. The company's efforts in leveraging AI and new technologies like Microsoft Fabric position it well to continue delivering exceptional value to its clients and achieving significant revenue growth in the coming years.

➤ **Acquisition of Quant Systems for \$ 160 mn :**

The acquisition of Quant Systems represents a strategic move to enhance Sonata's offerings and revenue streams. Despite facing challenges in Q1 due to softer demand from Quant's banking customers, the integration process with Sonata appears promising. The anticipation of significant growth from Q2FY25 onwards, especially in the BFSI vertical, suggests positive momentum for Sonata's expansion.

➤ **Leadership Change and Growth Strategy**

The appointment of Samir Dhir as CEO signals a strategic shift at Sonata towards pursuing larger deals, aligning with the company's growth trajectory and strong execution capabilities. Before joining Sonata, Samir was the CEO of Global Markets and Industries at Virtusa Corporation, where he managed a P&L of over \$1.6 billion. He also led SAP business and managed services practice at Wipro and held key leadership roles at Avaya and Lucent Technologies in the U.K. His extensive experience and leadership are expected to drive Sonata's ability to outpace industry growth rates and secure significant deals.

Acquisition of Quant Systems

The acquisition of Quant has brought valuable capabilities in AWS to Sonata, diversifying its service offerings beyond Microsoft. Currently, AWS contributes 20% of Sonata's international revenue, showcasing the immediate impact of this strategic move. With Quant's expertise in AWS, Sonata has expanded its portfolio to encompass a broader range of services, tapping into the rapidly growing cloud computing market.

This diversification not only reduces Sonata's reliance on Microsoft but also positions the company to capitalize on the increasing demand for cloud services across various industries. By leveraging Quant's capabilities in AWS, Sonata strengthens its competitiveness and enhances its ability to meet the evolving needs of clients in an increasingly digital landscape. Overall, the Quant acquisition represents a significant milestone in Sonata's journey towards diversification and growth in the international market.

Sonata's strategic acquisitions have positioned the company as a product-agnostic player in the market. This flexibility allows Sonata to cater to a diverse range of customer needs, especially as organizations increasingly seek to diversify their technology stacks and leverage multiple cloud platforms.

Large enterprises often have the resources and expertise to make independent decisions about their technology infrastructure. However, medium-sized companies may lack the same level of internal capabilities and rely on partners like Sonata for guidance and support in navigating the complex landscape of technology choices.

By offering a wide array of solutions and expertise across various platforms, Sonata empowers medium-sized companies to make informed decisions aligned with their unique requirements and growth strategies. This approach not only enhances Sonata's value proposition but also strengthens its position as a trusted advisor and partner in the ever-evolving technology ecosystem.

Exhibit 1: Acquisitions

Date Of Acquisition	Acquired	Amount	Valuation	Sales
2/22/2023	Quant Systems	Upfront = \$65mn Based on Earnout = \$95mn Payable With in 2 Years	EV/Sales = 4.3x	CY22 US \$37mn 300 Engineers
Acquisition Overview				
Founded on September 10, 2008, and headquartered in Texas, USA, Quant Systems specializes in Enterprise Data Analytics and Cloud Modernization services for leading Fortune 500 clients. The acquisition will accelerate Sonata's capabilities in Enterprise Data Analytics, Cloud Modernization, Cyber Security, Salesforce, Data Privacy, Adobe, Snowflake, and Digital & Mobile App solutions, including differentiated IPs for Salesforce (workbox.io) and Chatbot (Lisa) technologies. This acquisition also provides Sonata with domain expertise in Banking and Financial Services, Healthcare & Life Sciences, and Consumer/Retail sectors, serving Fortune 500 clients.				
12/13/2018	Sopris System LLC	US\$ 7 Mn	EV/Sales = 1x	CY2018 US\$ 7 Mn
Acquisition Overview				
The acquisition will enhance Sonata's presence in the United States and its capabilities in the Microsoft 365 Stack. Sopris Systems is a global expert in Microsoft Dynamics for ERP & CRM software in engineering, construction, field services, and professional firms.				
3/4/2020	GAPbuster (GBW)	USD 4.8 Mn	EV/Sales = 0.5x	CY2020 GBP 8 Mn
Acquisition Overview				
GAPbuster specializes in Customer Experience Management with its AI & ML-driven platform, GBW, providing actionable recommendations for brand loyalty and satisfaction. The acquisition aligns with Sonata's Platformation™ strategy, focusing on retail, distribution, CPG, and travel. GAPbuster, operating since 1994, enhances global customer experiences and operates in the UK, US, Australia, and Asia, aiding enterprises in delivering superior customer experiences.				
12/6/2018	Scalable Data Systems	AUD \$ 5.5 Mn	EV/Sales = 1.1x	CY 2018 AUD\$5 Mn
Acquisition Overview				
Renowned for providing Dynamics 365 F&O solutions, Scalable Data Systems has a 30-year track record in ERP systems and is recognized as a Microsoft Gold Partner and ISV Partner in Australia. This acquisition increases Sonata's footprint as a Microsoft Dynamics 365 leader, positioning the combined entity as a preferred Digital Transformation partner for customers in Retail, Distribution, Manufacturing, Commodities, and Travel.				
7/28/2021	Encore IT Services Solutions	US\$1.2 Mn	EV/Sales = 0.26x	CY 2021 US\$4.68 Mn
Acquisition Overview				
Founded in 2009 and located in Chennai, Encore specializes in cloud engineering, application development, data management, and domain expertise in healthcare, pharmacy, and logistics. The acquisition enables Sonata to tap into this talent pool and signifies a strategic move for growth and innovation. Encore is a global IT service provider with experience in cloud, application management, testing, data analytics, product engineering services, and information security.				

Source: Company, Dalal & Broacha Research

Large Deals in the pipeline

Sonata Software has made significant strides in securing large deals, diversifying its client base, and integrating new acquisitions. The company's strategic focus on these areas has yielded impressive results, particularly in the past financial year (FY24).

Key Highlights:

➤ Large Deal Pipeline Growth:

- Sonata's large deal pipeline increased by 34% quarter-over-quarter in Q4FY24.
- The pipeline witnessed a 3.2x jump during FY24, with the company closing 14 large deals throughout the year.

➤ Recent Large Deal Success:

- In the most recent quarter, Sonata secured a major deal with one of the large banking firms in the U.S.
- This project involves building a Customer 360 platform across all lines of business (LOBs) for the client, consolidating and aggregating customer data to create a unified platform.
- The banking client is among the top 10 asset management banks in the United States.

➤ Healthy Pipeline:

- Sonata's large deal and data/cloud pipelines are robust, with large deals comprising about 40% of the total pipeline.
- Sonata's 2 big bets in the year, Gen AI and Microsoft Fabric comprises about 10% of the pipeline and is on the path to scale.
- Significant large deals are being pursued in various verticals, including telecom (Europe), healthcare/life sciences (London), retail manufacturing (Australia), and BFSI (Fortune 200 company in the U.S.).

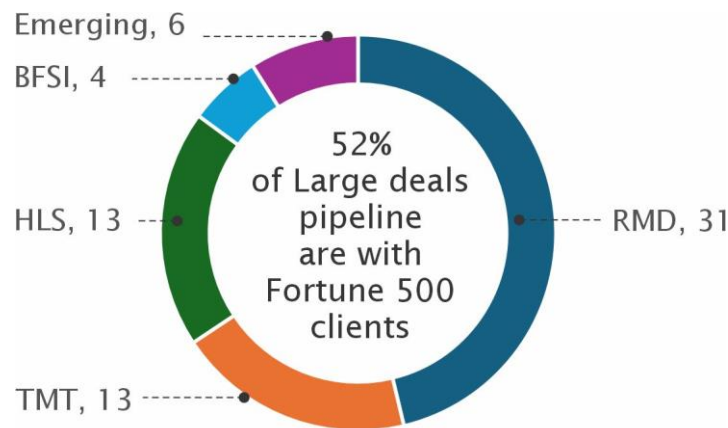
➤ New Logo Wins:

- The company added several marquee logos in the recent quarter, including a Fortune 25 healthcare client, a Fortune 150 client, and a Fortune 500 bank.

➤ Focus on AI and Fabric:

- Sonata's AI pipeline stands at over \$65 million across 90+ clients and prospects.
- The company expects AI services to contribute 20% of its revenue within three years.
- Recent wins include a multi-year GenAI program to improve clinical trials' productivity and quality, leveraging GenAI for modern engineering and governance frameworks.
- Sonata is actively building solutions using Microsoft Fabric, with a dedicated team of over 300 data engineers.
- The company was featured as a launch partner for Microsoft Fabric and has built a pipeline of about \$42 million across 75+ clients since the platform's launch three quarters ago.

Exhibit 2: Large Deals under Pursuit



67 Large Deals under pursuit

Source: Company, Dalal & Broacha Research

Exhibit 3: Large deals Case Study

Top 10 US Commercial Bank, offering wide range of financial services



Client Overview

Areas in Scope

- Building effective Single View of Customer - Customer 360 across all businesses
- ≈ Enhance Customer Experience
 - ≈ Integrated Relationship Management
 - ≈ Predictive Analytics
 - ≈ Data Governance

Large Deal Win: Building Customer 360

Customer is a US based tech organization; they generate the evidence and insights to help pharmaceutical, biotech, medical device and diagnostics companies, and academic researchers accelerate value, minimize risk, and optimize outcomes.



Client Overview

Areas in Scope

- Design and build GenAI architecture and governance
- ≈ Partnering with AWS-build cloud native GenAI architecture
 - ≈ Improve Engineering productivity
 - ≈ Improve patient diversity, onboarding, regulatory reporting
 - ≈ Accelerate Clinical trials

Key Deal Win: GenAI implementation

Source : Company, Dalal & Broacha Research

Leveraging newer and upcoming technologies

Sonata's proactive approach to innovation is evident in the development of Harmoni.AI, one of the first AI platforms introduced by a mid-sized company. Built on frameworks like ChatGPT, Harmoni.AI exemplifies Sonata's commitment to staying at the forefront of technological advancements and providing cutting-edge solutions to its clients.

Sonata's commitment to advancing AI extends beyond its products; the company has trained 2000 individuals in AI skills, with ongoing efforts to expand this initiative. Furthermore, Sonata has deployed 200 people working inside Microsoft in their AI team, reinforcing its dedication to driving innovation and excellence in this field.

The potential for AI in large deals is immense. By implementing AI as a platform, Sonata aims to significantly enhance efficiency, particularly in large deals characterized by cost optimization objectives. Historically, such deals relied on traditional methods like onsite-offshore mix for cost reduction. However, AI presents a transformative opportunity to revolutionize the cost structure for both Sonata and its clients. Through AI-driven solutions, Sonata not only enhances operational efficiency but also delivers substantial cost savings, thereby driving value and competitiveness in the market.

Microsoft Fabric Overview

Challenges in Data Management

Organizations today face significant challenges in delivering accurate data to business operations efficiently, cost-effectively, and within deadlines. The limitations of current data infrastructure and foundations create several hurdles for IT departments, including ensuring data availability, discoverability, relevance, and traceability. This, in turn, affects the ability to foster a data-driven culture necessary for enhanced business agility, customer insights, and improved employee experiences.

Some of the key issues include:

- **Delays in Data Requests:** Business requests for data, insights, and analytics often face significant delays.
- **Manual Data Reconciliation:** Considerable manual effort is required to reconcile data across various applications and data estates.
- **Disconnected Data Estates:** Fragmented data systems impede the delivery of valuable insights necessary for business agility and seamless customer experiences.
- **High Costs and Time for Data Integration:** Scaling and meeting data expectations within existing infrastructures require substantial time and cost for data integration, engineering, and quality assurance.
- **Complexity in Managing Data Platforms:** Managing data platforms across hyper-scalers and on-premises environments at scale and with optimal efficiency is challenging.

Microsoft Fabric Solution

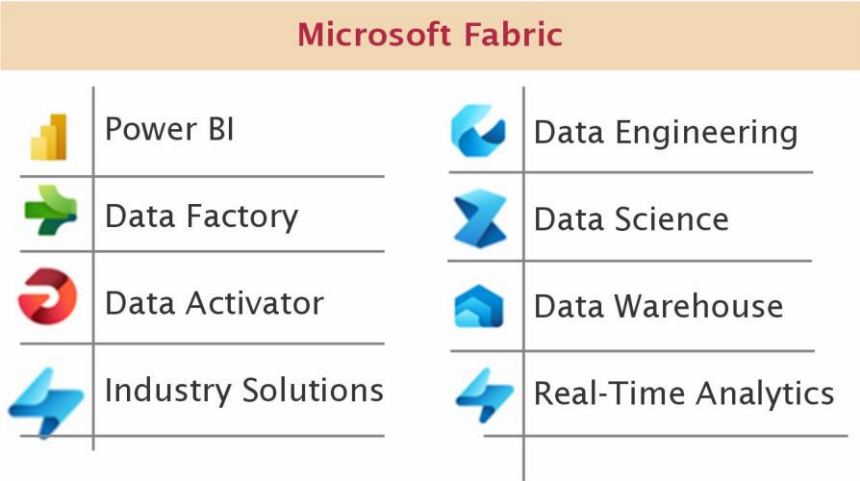
Microsoft Fabric addresses these challenges with an end-to-end analytics and data platform tailored for enterprises requiring a unified solution. Microsoft Fabric encompasses:

- Data Movement, Processing, and Ingestion
- Transformation and Real-Time Event Routing
- Report Building

It offers a comprehensive suite of services, including:

- Data Engineering
- Data Factory
- Data Science
- Real-Time Analytics
- Data Warehouse
- Databases

Exhibit 4: Components of Microsoft Fabric



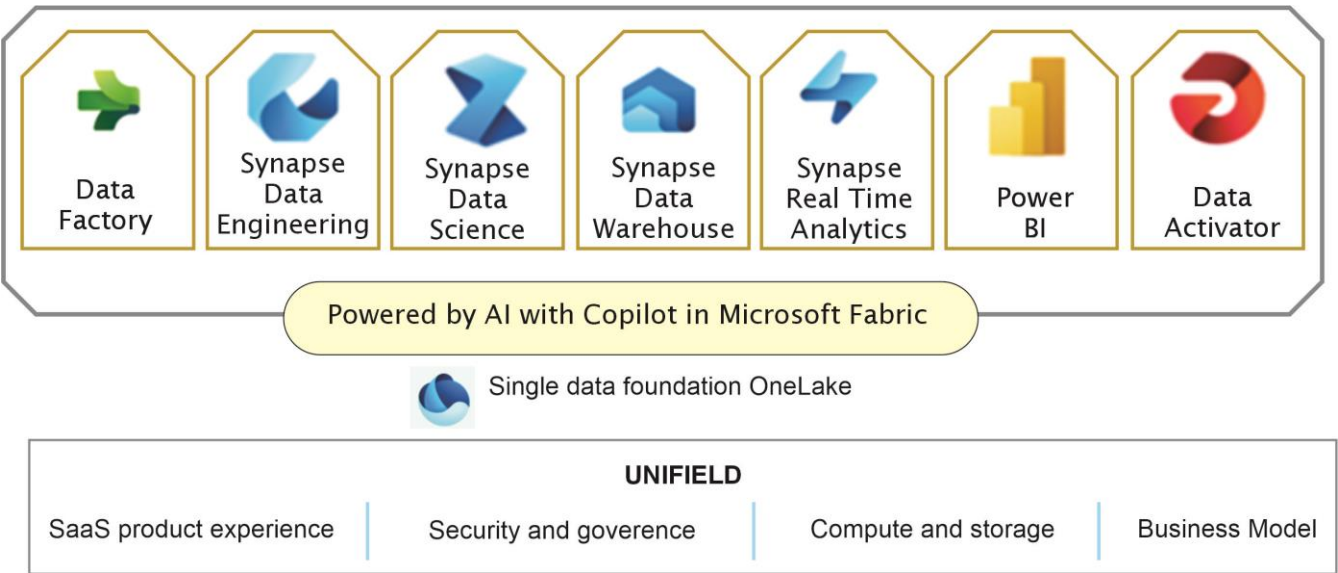
Source: Company, Dalal & Broacha Research

Key Features of Microsoft Fabric

- **Integrated Platform:** Microsoft Fabric eliminates the need to assemble different services from multiple vendors by offering a seamlessly integrated, user-friendly platform that simplifies analytics requirements.
- **Software as a Service (SaaS) Model:** Operating on a SaaS model, Fabric brings simplicity and integration to data solutions.
- **Centralized Data Storage with OneLake:** Fabric integrates separate components into a cohesive stack, centralizing data storage with OneLake instead of relying on disparate databases or data warehouses.
- **Embedded AI Capabilities:** AI capabilities are seamlessly embedded within Fabric, eliminating the need for manual integration.

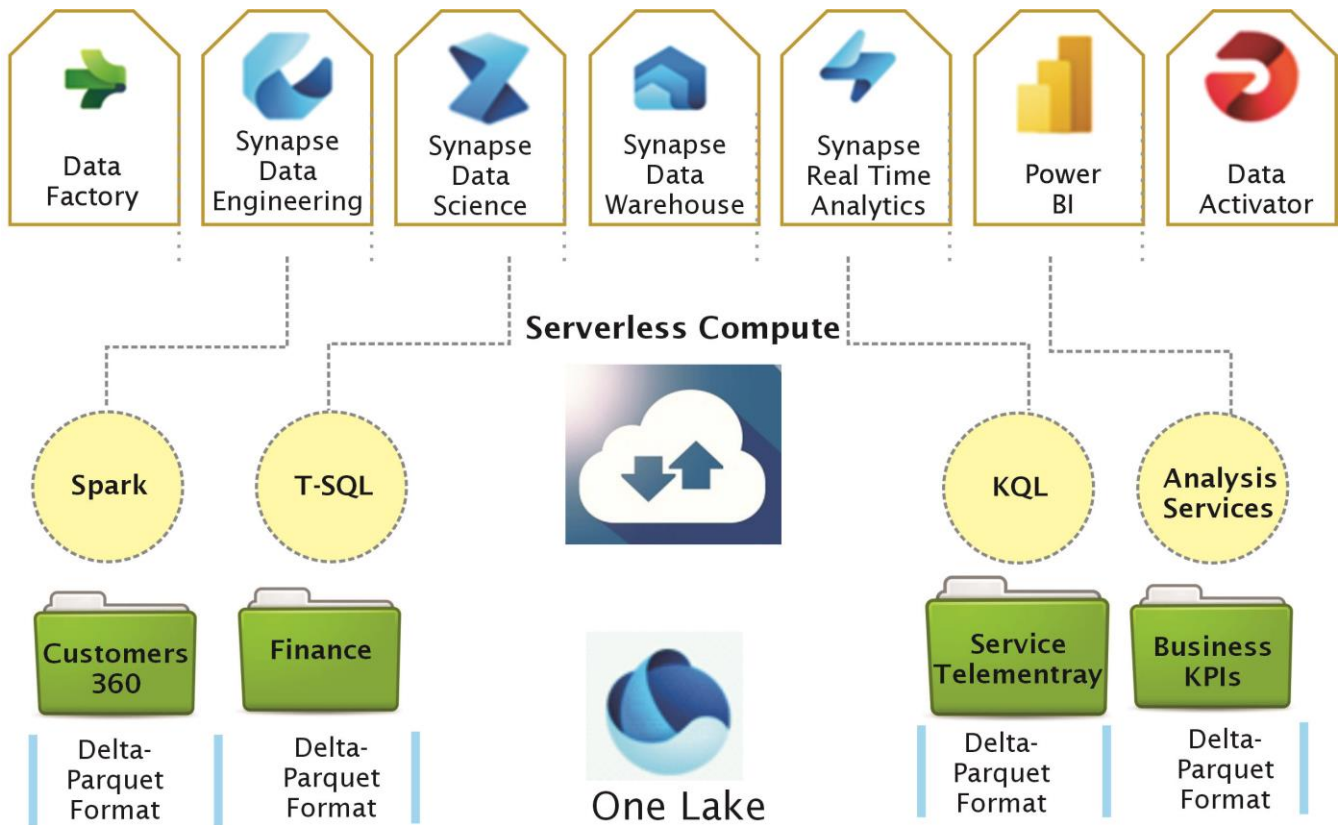
- **Actionable Insights:** With Fabric, raw data can be easily transformed into actionable insights for business users, facilitating more informed decision-making.

Exhibit 5: Unification with SaaS foundation



Source: Company, Dalal & Broacha Research

Exhibit 6: OneLake is the foundation on which all the Fabric workloads are built.



Source: Company, Dalal & Broacha Research

Microsoft Fabric and Sonata: Enhancing Data Foundations and Analytics

Addressing Critical Data Challenges

Microsoft Fabric and Sonata collaboratively address the pressing challenges associated with data foundations and analytics, which are critical for modern businesses. By alleviating these challenges, both entities enhance business agility and foster insight-driven behaviors in various business processes.

Sonata's Role in Leveraging Microsoft Fabric

Sonata leverages Microsoft Fabric to deliver advanced analytics solutions to its clients, addressing the key challenges of data management and analytics:

- **Enhanced Data Ecosystems:** By utilizing Microsoft Fabric, Sonata helps clients overcome limitations in their data ecosystems, ensuring data availability, discoverability, relevance, and traceability.
- **Insight-Driven Behaviors:** Sonata's integration of Microsoft Fabric into its services enhances business processes by driving insight-driven behaviors and improving agility.
- **Improved Customer Experience:** The combination of Microsoft Fabric and Sonata's expertise results in significantly improved customer experiences through better data management and analytics capabilities.

Sonata and Generative AI

Overview

Sonata Software is dedicated to helping organizations achieve growth through modernization and delivering exceptional customer experiences. By adopting the latest AI innovations and technologies, Sonata aims to empower businesses to build a sustainable competitive advantage within their industries.

Staying Ahead with Emerging Technology

As industries continue to be disrupted by technology, staying ahead of the curve is increasingly crucial. Sonata's Emerging Technology Center of Excellence (COE) provides clients with the expertise and tools needed to navigate this exciting new frontier.

Generative AI: The Cutting Edge

Generative AI represents one of the most recent and transformative developments in artificial intelligence. These advanced AI models generate original, human-like content based on extensive training datasets and neural network technology.

Sonata's Responsible by Design Approach

Sonata's 'Responsible by Design' approach ensures that its AI solutions uphold uncompromising standards of ethics, trust, privacy, security, and compliance. This approach enhances the potential of humans, enterprises, and communities to leverage next-generation opportunities and create value through unparalleled innovations, connected ecosystems, and pervasive efficiencies.

Introducing Harmoni.AI

Sonata’s Harmoni.AI is a holistic "Responsible by Design" platform for generative AI. This platform is supported by a Data Governance and Acceleration engine and offers the option of using industry-leading Large Language Models (LLMs) alongside a consulting framework designed to enable effective adoption and faster time to market.

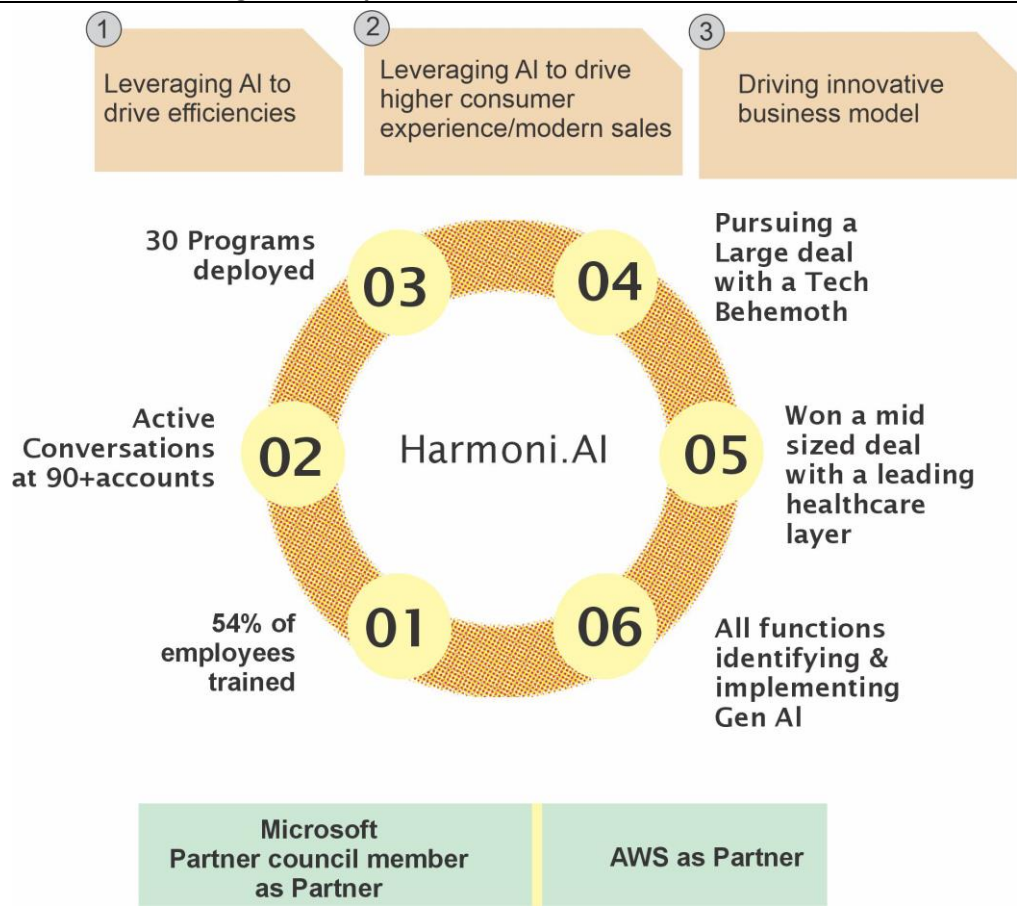
Capabilities and Applications

Sonata has developed six service delivery platforms, industry-specific use cases, and acceleration BOTs. The company is conducting pilots with multiple customers, including Fortune 500 clients, across various sectors such as:

- Healthcare and Life Sciences
- Consumer Products and Retail
- Telecom, Media, and Technology
- Banking and Financial Services

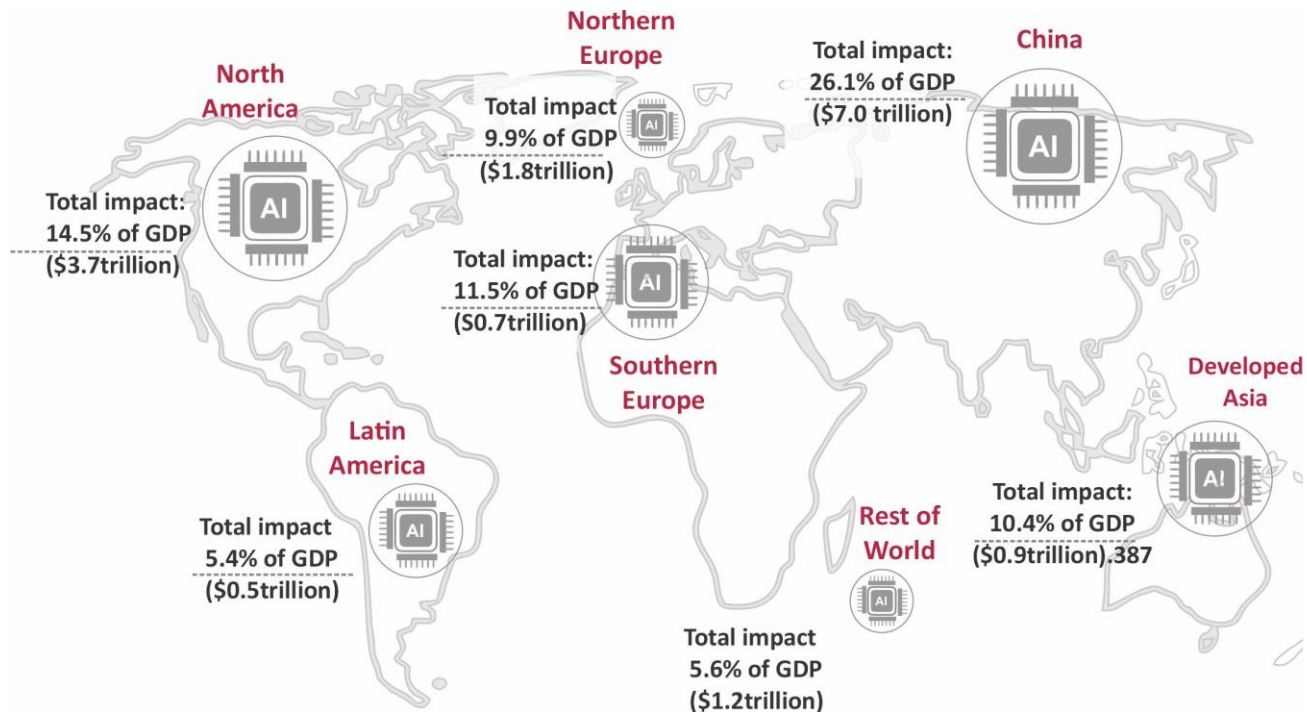
By integrating generative AI through the Harmoni.AI platform, Sonata Software positions itself at the forefront of helping businesses modernize and remain competitive. Sonata’s commitment to responsible AI ensures that clients can harness the power of AI while maintaining the highest standards of ethics and compliance, driving forward innovation and operational efficiency in their respective industries.

Exhibit 7: Sonatas first AI offering for Enterprise scale, Harmoni.AI



Source: Company, Dalal & Broacha Research

Exhibit 8: Artificial Intelligence Market region wise



Source: PWC-Sizing the Price, Dalal & Broacha Research

Microsoft Inner Circle Overview

Sonata + Microsoft Dynamics: A Partnership That Gives You More

Unlock the true potential of Microsoft Dynamics 365 through Sonata's proprietary Platformation approach, unique modernization capabilities, and strategic ecosystem alignment.

Inner Circle Partner with a Strong Track Record

As a long-standing Inner Circle partner, Sonata brings a robust track record and full-stack capability on a global scale. Sonata's deep understanding of the Microsoft Business Applications Full Stack, combined with their proprietary assets and tools, ensures that clients maximize the benefits of Dynamics 365.

Comprehensive Dynamics Expertise

Sonata is recognized for its co-sell IPs, alignment with Microsoft industry maps, and digital assets. With one of the largest Dynamics teams globally and a unique alliance with Microsoft, Sonata excels in delivering engineering and managed services to some of the world's largest clients.

Tailored Solutions for Every Situation

Whether transitioning from legacy ERP systems, modernizing from an older version of Dynamics, or implementing Dynamics 365 for the first time, Sonata guarantees superior results. Their expertise ensures that clients receive more value, more efficiency, and more innovation from their Dynamics 365 investments.

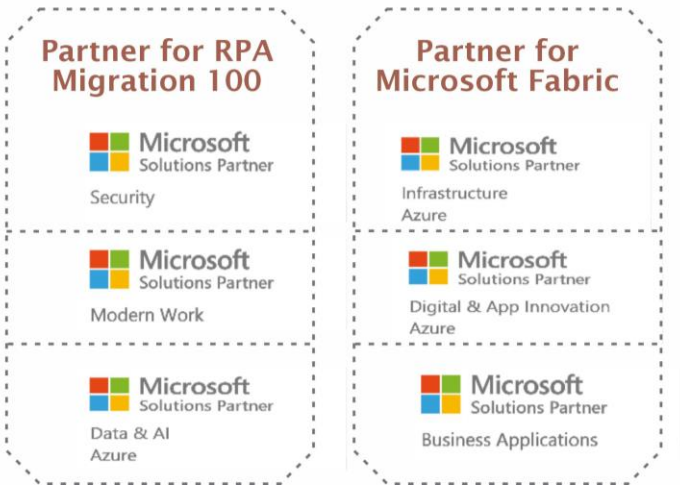
Key Benefits of Sonata's Dynamics Partnership:

- **Platformation Approach:** Leverage Sonata’s unique framework to unlock the full potential of Dynamics 365.
- **Global Full-Stack Capability:** Benefit from Sonata’s extensive global experience and comprehensive service offerings.
- **Co-Sell IPs and Digital Assets:** Access cutting-edge solutions aligned with Microsoft’s industry maps.
- **Large Dynamics Team:** Work with one of the largest and most experienced Dynamics teams in the world.
- **Strategic Microsoft Alliance:** Enjoy the advantages of Sonata’s close partnership with Microsoft.

In summary, Sonata’s partnership with Microsoft Dynamics 365 is designed to provide clients with unparalleled capabilities and results, ensuring that they achieve more—much more.














Exhibit 9: Microsoft Sonata Partnership

AI/Gen-AI Industry Partnership	400+ Clients Across The Globe USA, Europe, Asia, India, Australia, Middle East	\$650+ Million Per Annum Revenue To Microsoft
2500+ Team On Microsoft Technologies	Microsoft Cloud Solution Partner - Asure Expert MSP Competencies. 10 Advanced Specialisation in Dynamics 365, Data	Joint Execution Microsoft Fasttrack, Global Delivery, Microsoft Consulting Services
Catalyst Led Sales Process Industry Point Of View, Business Value Assessment, Envisioning Workshops, Design Thinking	Industry Clouds Go To Market Healthcare, Retail, Sustainability, Manufacturing	Industry Digital Transformation Retail, CPG, Manufacturing, Telecom, Healthcare, Hi-tech, BFSI



Source: PWC-Sizing the Price, Dalal & Broacha Research

Exhibit 10: Partners and investment focus

Cloud Apps Modernization	Data & Analytics	Microsoft Business Apps	Experience Transformation	Hyper Automation	Managed Services
					
					
					

Source: Company, Dalal & Broacha Research

Exhibit 11: KEY VERTICALS, PARTNERS, IPS

Industries

- TMT
Technology, Media
and Telecom
- RMD
Retail, Manufacturing,
Travel and Distribution
- BFSI
Banking, Finance
Service and Insurance
- HLS
Healthcare and
Life Science



Innovation: IP:

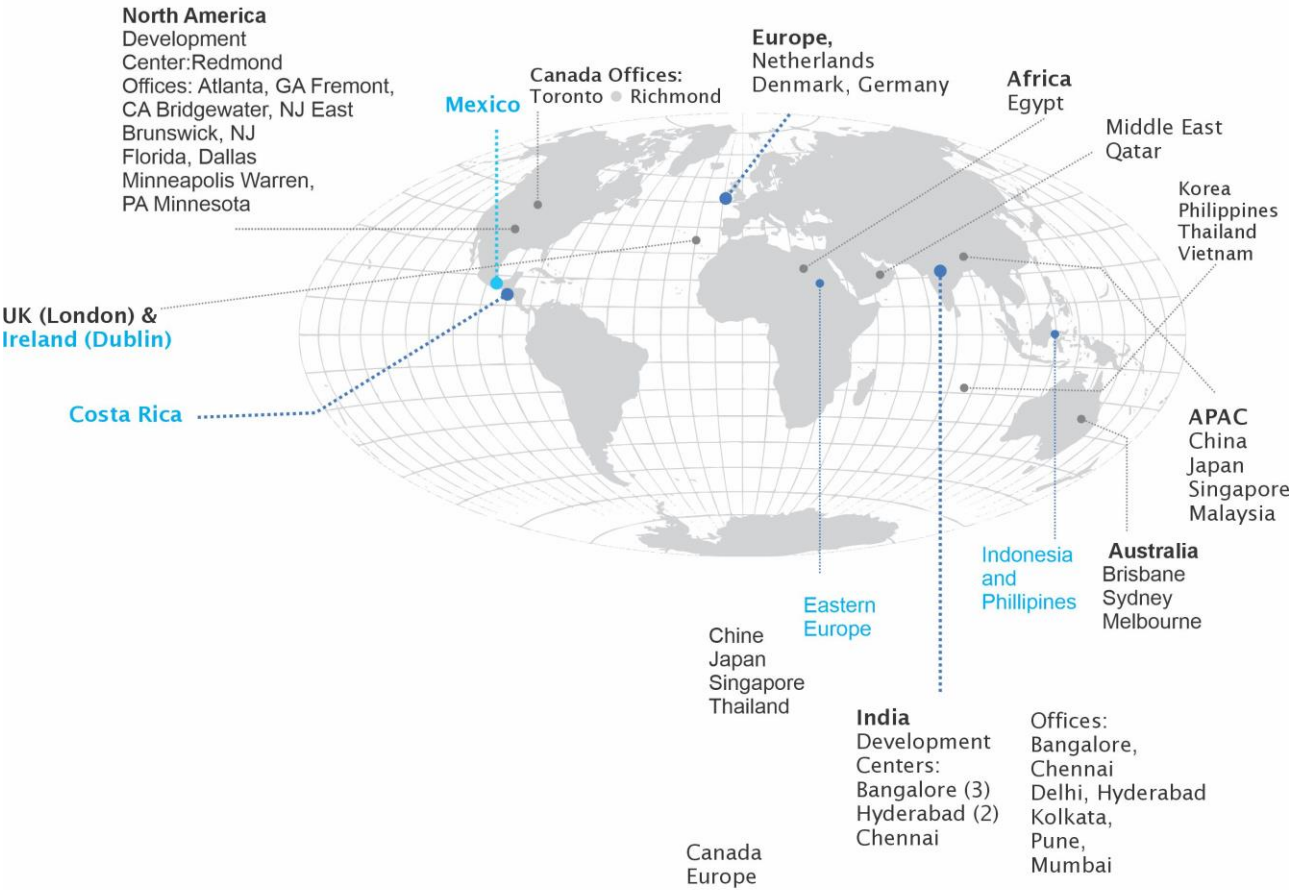
- LISA Chatbot
(Conversational AI)
- Workbox.io
(Archival)
- Lightning Build

Source: Company, Dalal & Broacha Research

Exhibit 12: Global and Local Talent

Serving our Global clients with
right Talent mix
(Global & Local Talent)

27 —Development Centers & Sales Offices
04 —Partners
06 — Global Delivery centers recent/InProgress



Source: Company, Dalal & Broacha Research

Peer Comparison

Exhibit 13: Revenue per Headcount (\$)

Sonata Software	FY20	FY21	FY22	FY23	FY24
Technical (\$)	47,560	43,714	45,536	42,804	58,390
Y-o-Y		-8.1%	4.2%	-6.0%	36.4%
Overall (\$)	42,816	39,078	42,389	39,785	53,790
Y-o-Y		-8.7%	8.5%	-6.1%	35.2%
Persistent Systems	FY20	FY21	FY22	FY23	FY24
Technical (\$)	51,003	44,552	44,296	48,648	53,368
Y-o-Y		-12.6%	-0.6%	9.8%	9.7%
Overall (\$)	47,179	41,380	41,161	45,260	49,730
Y-o-Y		-12.3%	-0.5%	10.0%	9.9%
Zensar Tech	FY20	FY21	FY22	FY23	FY24
Technical (\$)	68,364	60,556	52,354	62,691	62,576
Y-o-Y		-11.4%	-13.5%	19.7%	-0.2%
Overall (\$)	61,897	54,222	48,091	57,201	57,231
Y-o-Y		-12.4%	-11.3%	18.9%	0.1%
Mastek	FY20	FY21	FY22	FY23	FY24
Technical (\$)	49,970	69,166	66,315	63,978	74,681
Y-o-Y		38.4%	-4.1%	-3.5%	16.7%
Overall (\$)	44,142	61,158	58,867	56,581	66,510
Y-o-Y		38.5%	-3.7%	-3.9%	17.5%
Birlasoft	FY20	FY21	FY22	FY23	FY24
Technical (\$)	50,611	47,989	50,322	53,871	55,733
Y-o-Y		-5.2%	4.9%	7.1%	3.5%
Overall (\$)	45,189	41,701	45,493	48,790	50,592
Y-o-Y		-7.7%	9.1%	7.2%	3.7%
TCS	FY20	FY21	FY22	FY23	FY24
Overall (\$)	49,128	45,378	43,410	45,425	48,342
Y-o-Y		-7.6%	-4.3%	4.6%	6.4%



Source: Company, Bloomberg, Dalal & Broacha Research

Exhibit 14: Revenue per Headcount (Rs)

Sonata Software	FY20	FY21	FY22	FY23	FY24
Technical (Rs)	3,356,370	3,228,252	3,350,830	3,412,047	4,835,078
Y-o-Y		-3.8%	3.8%	1.8%	41.7%
Overall (Rs)	3,021,610	2,885,909	3,119,232	3,171,429	4,454,122
Y-o-Y		-4.5%	8.1%	1.7%	40.4%
Persistent Systems	FY20	FY21	FY22	FY23	FY24
Technical (Rs)	3,625,631	3,295,992	3,304,256	3,921,386	4,499,023
Y-o-Y		-9.1%	0.3%	18.7%	14.7%
Overall (Rs)	3,353,845	3,061,322	3,070,459	3,648,299	4,192,297
Y-o-Y		-8.7%	0.3%	18.8%	14.9%
Zensar Tech	FY20	FY21	FY22	FY23	FY24
Technical (Rs)	4,849,449	4,635,082	3,902,253	5,030,297	5,178,922
Y-o-Y		-4.4%	-15.8%	28.9%	3.0%
Overall (Rs)	4,390,676	4,150,258	3,584,509	4,589,795	4,736,544
Y-o-Y		-5.5%	-13.6%	28.0%	3.2%
Mastek	FY20	FY21	FY22	FY23	FY24
Technical (Rs)	3,563,286	5,135,282	4,943,051	5,155,652	6,192,560
Y-o-Y		44.1%	-3.7%	4.3%	20.1%
Overall (Rs)	3,147,709	4,540,770	4,387,864	4,559,570	5,515,057
Y-o-Y		44.3%	-3.4%	3.9%	21.0%
Birlasoft	FY20	FY21	FY22	FY23	FY24
Technical (Rs)	3,589,660	3,557,835	3,743,678	4,341,936	4,616,549
Y-o-Y		-0.9%	5.2%	16.0%	6.3%
Overall (Rs)	3,205,103	3,091,644	3,384,464	3,932,420	4,190,631
Y-o-Y		-3.5%	9.5%	16.2%	6.6%
TCS	FY20	FY21	FY22	FY23	FY24
Overall (Rs)	3,499,701	3,359,815	3,238,021	3,667,206	4,004,565
Y-o-Y		-4.0%	-3.6%	13.3%	9.2%



Source: Company, Bloomberg, Dalal & Broacha Research

Exhibit 15: EBITDA per Headcount (Rs)

Sonata Software	FY20	FY21	FY22	FY23	FY24
Technical (Rs)	891,058	852,741	953,118	856,432	1,131,902
Y-o-Y		-4.3%	11.8%	-10.1%	32.2%
Overall (Rs)	802,185	762,311	887,242	796,036	1,042,719
Y-o-Y		-5.0%	16.4%	-10.3%	31.0%
Persistent Systems	FY20	FY21	FY22	FY23	FY24
Technical (Rs)	500,518	537,553	554,401	713,372	775,872
Y-o-Y		7.4%	3.1%	28.7%	8.8%
Overall (Rs)	462,998	499,280	515,173	663,692	722,977
Y-o-Y		7.8%	3.2%	28.8%	8.9%
Zensar Tech	FY20	FY21	FY22	FY23	FY24
Technical (Rs)	588,044	839,421	603,770	572,940	920,919
Y-o-Y		42.7%	-28.1%	-5.1%	60.7%
Overall (Rs)	532,413	751,619	554,608	522,768	842,255
Y-o-Y		41.2%	-26.2%	-5.7%	61.1%
Mastek	FY20	FY21	FY22	FY23	FY24
Technical (Rs)	510,043	1,086,997	1,046,876	916,834	1,031,158
Y-o-Y		113.1%	-3.7%	-12.4%	12.5%
Overall (Rs)	450,558	961,155	929,295	810,832	918,343
Y-o-Y		113.3%	-3.3%	-12.7%	13.3%
Birlasoft	FY20	FY21	FY22	FY23	FY24
Technical (Rs)	427,465	529,518	580,169	471,339	731,392
Y-o-Y					
Overall (Rs)	381,671	460,134	524,500	426,884	663,914
Y-o-Y		20.6%	14.0%	-18.6%	55.5%
TCS	FY20	FY21	FY22	FY23	FY24
Overall (Rs)	938,983	952,545	895,938	963,899	1,052,904
Y-o-Y		1.4%	-5.9%	7.6%	9.2%



Source: Company, Bloomberg, Dalal & Broacha Research

Sonata, despite generating an average revenue per headcount, is able to deliver industry-leading EBITDA per headcount. This performance metric is much higher than its peers and on par with a large organization like TCS.

Exhibit 16: Annual Comparison

Company Name		Birlasoft *	Mastek *	Zensar *	Persistent (DnB)	Persistent*	Sonata (DnB)	Sonata *
CMP (₹)		719	2,880	754	4,759	4,759	640	640
Mcap (₹ Mn)		198,399	88,832	170,836	733,124	733,124	177,536	177,536
Revenue (₹ Mn)	FY24	52,781	30,548	49,018	98,216	98,216	86,131	86,131
	FY25E	57,871	34,386	52,255	114,043	113,339	95,276	97,346
	FY26E	65,732	39,816	58,827	131,868	131,916	112,272	113,065
	FY27E	72,542	43,974	66,280	151,347	152,759	130,226	128,361
EBITDA (₹ Mn)	FY24	8,362	5,087	8,717	17,243	17,243	7,274	7,274
	FY25E	9,354	6,087	8,657	20,548	20,016	8,355	8,555
	FY26E	10,941	7,299	9,888	25,414	24,487	10,118	10,400
	FY27E	12,092	7,955	11,093	29,759	29,106	12,164	13,134
EBITDA Margin (%)	FY24	15.8%	16.7%	17.8%	17.6%	17.6%	8.4%	8.4%
	FY25E	16.2%	17.7%	16.6%	18.0%	17.7%	8.8%	8.8%
	FY26E	16.6%	18.3%	16.8%	19.3%	18.6%	9.0%	9.2%
	FY27E	16.7%	18.1%	16.7%	19.7%	19.1%	9.3%	10.2%
PAT (₹ Mn)	FY24	6,238	3,110	6,650	10,935	10,935	4,831	4,831
	FY25E	6,915	3,546	6,636	13,967	13,297	5,728	5,543
	FY26E	8,146	4,522	7,576	17,515	16,631	7,270	7,152
	FY27E	9,323	5,039	8,658	20,569	19,952	9,104	9,245
Adj EPS	FY24	22.3	97.3	29.1	71.1	71.1	17.4	17.4
	FY25E	24.9	115.7	29.1	90.8	86.7	20.6	19.7
	FY26E	29.4	146.9	33.3	113.8	110.9	26.2	25.4
	FY27E	32.4	162.6	38.0	133.7	130.8	32.8	33.3
PE (x)	FY24	32.3	29.6	25.9	67.0	67.0	36.8	36.8
	FY25E	28.9	24.9	25.9	52.4	54.9	31.0	32.5
	FY26E	24.5	19.6	22.7	41.8	42.9	24.4	25.2
	FY27E	22.2	17.7	19.8	35.6	36.4	19.5	19.2
ROE (%)	FY24	23%	16%	20%	25%	25%	34%	34%
	FY25E	21%	16%	18%	26%	25%	35%	35%
	FY26E	22%	18%	18%	28%	26%	38%	36%
	FY27E	21%	17%	19%	28%	26%	40%	40%
Revenue CAGR	(FY24-27E)	11%	13%	11%	16%	16%	15%	14%
EBITDA CAGR	(FY24-27E)	13%	16%	8%	20%	19%	19%	22%
PAT CAGR	(FY24-27E)	14%	17%	9%	23%	22%	24%	24%
EPS CAGR	(FY24-27E)	13%	19%	9%	23%	23%	24%	24%

Source: Company, Bloomberg, Dalal & Broacha Research

Microsoft	BirlaSoft	Zensar	Mastek	Persistent	Sonata
Azure Expert MSP	✗	✗	✗	✗	✓
Consulting	✓	✗	✓	✓	✓
Custom solution	✓	✗	✓	✗	✓
Deployment or Migration	✓	✓	✓	✓	✓
Intellectual property (ISV)	✓	✗	✗	✓	✓
Licensing	✓	✗	✗	✗	✓
Managed Services (MSP)	✓	✓	✓	✓	✓
Project management	✓	✗	✗	✗	✓
System integration	✓	✗	✓	✓	✓

AWS	BirlaSoft	Zensar	Mastek	Persistent	Sonata
Data and Analytics	✗	✗	✗	✓	✓
DevOps	✗	✗	✗	✓	✗
Internet of Things	✗	✗	✗	✓	✗
Migration	✓	✗	✗	✓	✗
SaaS	✗	✗	✗	✓	✗
SAP	✗	✗	✗	✗	✓

Google Cloud	BirlaSoft	Zensar	Mastek	Persistent	Sonata
Data and Analytics	✗	✗	✗	✓	✗
Infrastructure	✗	✗	✗	✓	✓
Application Development	✗	✗	✗	✓	✗
Cloud Migration	✗	✗	✗	✓	✗
Work Transformation	✗	✗	✗	✗	✓

Exhibit 17: Quarterly Comparison

Q4FY24	Birlasoft	Zensar	Mastek	Persistent	Sonata
sales (Rs Mn)	13,625	12,297	7,797	25,905	21,916
QoQ%	1.5%	2.1%	-0.6%	3.7%	-12.1%
YoY%	11.1%	1.4%	9.9%	14.9%	14.5%
\$ Rev	164	148	94	311	
QoQ%	1.6%	2.4%	-0.3%	3.4%	
YoY%	10.0%	0.5%	8.6%	13.2%	
CC Growth					
QoQ%	1.6%	2.0%	-1.4%	3.4%	
YoY%	9.6%	0.4%	6.0%		
EBITDA	2,217	2,030	1,251	3,744	1,441
QoQ%	3.4%	-2.2%	-6.3%	3.1%	-30.6%
YoY%	32.8%	15.5%	-0.3%	8.0%	-4.9%
margins (%)	16.3%	16.5%	16.0%	14.5%	6.6%
QoQ change in bps	31	-73	-98	-8	-175
YoY change in bps	265	201	-165	-92	-135
PAT	1,801	1,733	944	3,153	1,104
QoQ%	11.8%	7.2%	21.4%	10.2%	-14.1%
YoY%	60.5%	45.4%	30.1%	25.4%	-3.0%
margins (%)	13.2%	14.1%	12.1%	12.2%	4.9%
QoQ change in bps	122	66	220	72	-20
YoY change in bps	407	426	187	102	-96
EPS	6.39	7.7	29.7	20.5	4.0
QoQ%	11.5%	7.2%	21.4%	10.2%	-14.1%
YoY%	59.0%	45.4%	30.1%	25.4%	-3.0%

Q4FY24	Birlasoft	Zensar	Mastek	Persistent	Sonata
<i>Deal-Wins (\$ Mn) in</i>	TCV New deals				
TCV	107	698	260	448	AI services, with a \$65 mn pipeline
QoQ%	13.8%		4.6%	-14.1%	Microsoft Fabric pipeline of \$42 mn
YoY%	-7%	22.0%	19.1%	6.2%	
ACV (Persistent)	Signed deals of TCV \$240 M			317	
QoQ%				-19.2%	
YoY%				2.1%	
Guidance					
Revenue		Approach industry growth rates in FY25.	Surpass 15.8% yoy growth of FY24 in \$ terms in FY25		\$0.5 billion for its international business by the end of FY26.
Margins		15% to 16% for FY 25	17% despite challenges in Q4.	Go up by 200-300 bps in 2-3 yrs	Expected margin improvement in the second half of FY '25

Source: Company, Dalal & Broacha Research

Sonata encountered one-time challenges in Q4FY24 due to the delayed closure of a large healthcare deal, caused by the client's organizational changes. This significantly impacted revenues and margins as Sonata had made substantial investments for this deal. However, they plan to redeploy these investments over the next couple of quarters. With a healthy pipeline and improving macroeconomic conditions, we believe Sonata will return to its growth trajectory, and a robust pipeline of large deals will help them redeploy their investments from the delayed deal effectively.

Outlook & Valuation

Sonata Software is well-positioned to capitalize on opportunities in the growing digital transformation landscape domestically and the high-margin, cutting-edge technology space internationally. The domestic business is a high ROCE (40%+) cash-generating powerhouse, producing INR 200 crores in CFO. Meanwhile, the international business boasts high EBITDA margins of over 20%, driven by newer technologies like Generative AI and Microsoft Fabric.

In the domestic market, Microsoft is a key client, contributing 75% of business. Internationally, Microsoft represents 20% of Sonata's direct customer base and 30% as a partner. Being part of Microsoft's inner circle, Sonata is strategically placed to leverage the growth of this global tech giant.

Management aims to reach \$500 million in revenue by the end of FY26 in international markets, targeting a 10-15% CAGR in the domestic market to achieve \$1 billion in revenue.

All acquisitions have been fully integrated, with the recent acquisition of Quant providing a significant boost. Quant's inclusion has facilitated entry into AWS, now accounting for 20% of Sonata's international business, thereby reducing dependency on Microsoft. In CY23, Quant achieved a remarkable 62% growth in topline and 127% growth in EBITDA, highlighting its strong performance.

Sonata Software is focusing on large deals, which now make up 40% of their total pipeline, with 67 large deals currently under pursuit. The two major areas of focus for Sonata are Generative AI and Microsoft Fabric. They have a pipeline of \$65 million for Generative AI, with management expecting 20% of their revenues to come from this area within the next three years. Additionally, Microsoft Fabric contributes \$42 million to the pipeline.

For our Base case scenario we expect Sales/EBITDA/PAT to grow at 14.8%/18.7%/23.5% from FY24-FY27, we initiate coverage on Sonata Software with a BUY rating valuing the company on 28x FY27, arriving at a target price of 919 (+49%).

Scenario Analysis

Exhibit 18: Revenue Growth

Consolidated				International			
Revenue Growth				Revenue Growth			
(%)	FY25	FY26	FY27	(%)	FY25	FY26	FY27
Bear Case	7.10	9.47	11.67	Bear Case	5.42	10.79	15.39
Base Case	10.62	16.11	17.75	Base Case	10.46	24.14	28.31
Bull Case	13.22	18.94	21.76	Bull Case	13.26	27.65	36.50

Domestic			
Revenue Growth			
(%)	FY25	FY26	FY27
Bear Case	7.55	8.88	10.00
Base Case	10.37	12.50	12.50
Bull Case	12.88	15.00	14.37

Exhibit 19: EBITDA & PAT Growth

EBITDA				PAT Growth			
Growth (%)				(%)			
	FY25	FY26	FY27		FY25	FY26	FY27
Bear Case	9.67	10.04	16.68	Bear Case	12.14	16.96	18.65
Base Case	14.86	16.38	25.20	Base Case	18.72	21.64	30.57
Bull Case	20.13	32.63	27.71	Bull Case	24.93	39.34	33.09

Exhibit 20: Scenario Analysis

FY27 P/E	Assigned P/E	Target	Weightage	
Bear Case	20	542	20%	108
Base Case	28	919	60%	552
Bull Case	30	1210	20%	242
			TP	902

Source: Company, Dalal & Broacha Research

About The Company

Platformation and The Platform Business Model of Sonata

Overview of Platform Business Model

A platform business model facilitates value creation by enabling exchanges between interdependent groups. Platforms, as defined by Gartner, range from high-level platforms supporting business models to low-level platforms providing technology capabilities.

Platformation: Sonata's Approach to Digital Transformation

Traditional businesses face challenges in digital transformation, while "born digital" companies excel using platforms. Platformation is Sonata's unique approach to help traditional businesses achieve digital transformation through platforms. Combining engineering, industry experience, and platform assets, Sonata builds connected, intelligent, and scalable platforms.

Platformation enhances interactions between enterprises, consumers, and ecosystem players, enabling swift responses to customer demands. This design-thinking-led approach accelerates enterprise transformation by leveraging specialized assets and accelerators.

Characteristics of a Platform-Based Business

Platform-based businesses serve clients (internal or external) and supply other platforms, operating as independent entities that integrate business, technology, governance, processes, and people management. They are managed by a platform owner responsible for providing the solution and operating it like a service. Platform teams are cross-functional, including business, IT, analytics, risk management, and more, working in an agile manner to deliver solutions, enable continuous business-led innovation, and develop and run necessary IT.

Platformation orchestrates the digital ecosystem and executes digital business processes by integrating various platform characteristics. These platforms are much more than just stacks of technology layers; they encompass a holistic approach to building robust digital environments. Key capabilities and functionalities include:

- **Unified Technology Environment:** The technology environment, application build approach, and IT operations model function cohesively as one system.
- **Integrated Stacks:** Platforms are integrated to common standards on the cloud in a highly secure environment with auto-scaling capabilities.
- **Microservices Architecture:** Applications are designed as micro-services with multi-device and channel-reach capabilities, enhanced by Big Data, AI, IoT, and telemetry-enabled functionalities for intelligent, contextual transactions.
- **Full Automation:** Operations are fully automated with continuous development, integration, and deployment capabilities, allowing for fast, flexible feature releases.
- **Self-Learning Operations Analytics:** In-built operations analytics help the platform self-learn, measure, control, and optimize system performance.

Assessing Platform Maturity with Platformation

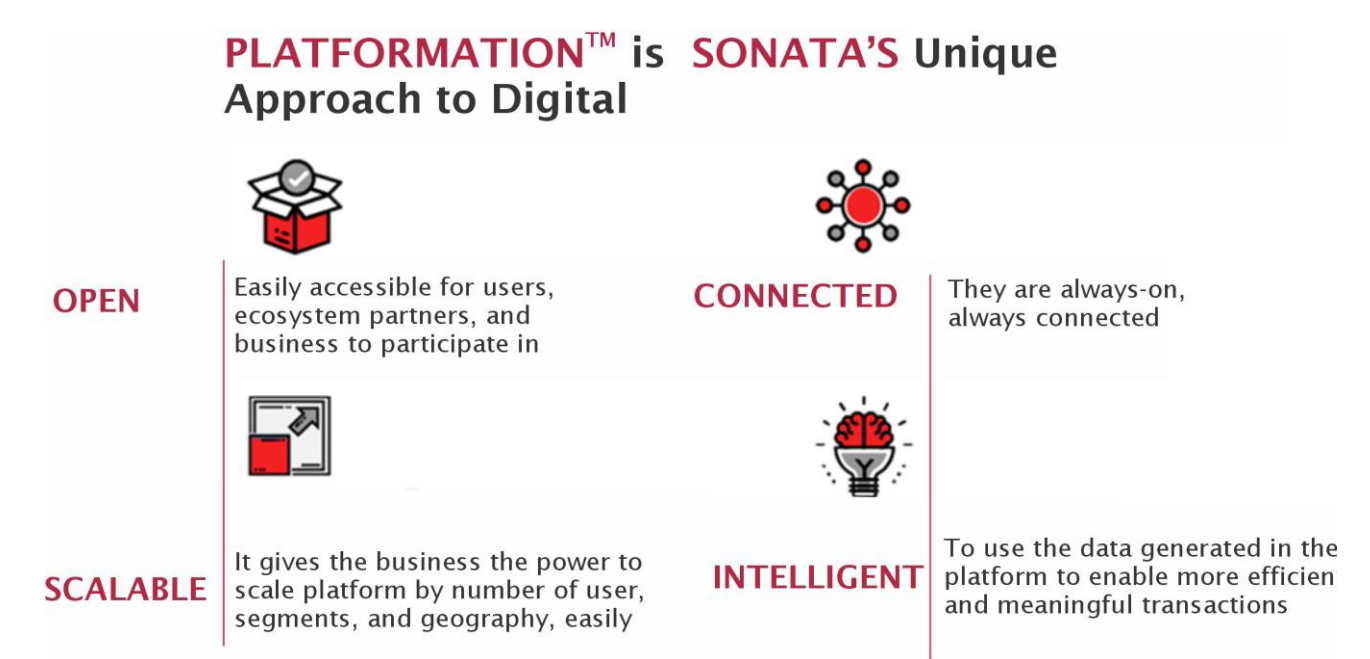
Traditional companies are increasingly building platforms to enhance their competitive edge. These companies, often referred to as "pipelines," create a good or service and channel it to customers. However, as demonstrated by many tech giants, firms can operate as both pipelines and platforms.

Sonata’s Platformation framework is designed to help companies assess and achieve platform maturity. It focuses on transforming traditional business models into platform-based models, ensuring flexibility, scalability, and enhanced customer value. This strategic approach ensures that companies can leverage both their existing strengths and new technological capabilities to remain competitive in the digital age.

Sonata identifies three paths to delivering Platformation:

- **Sonata Ready:** This approach involves deploying industry-specific digital business platforms through end-to-end cloud platforms tailored to specific industries.
- **Sonata Accelerate:** This involves deploying industry-standard horizontal platforms with added functionality. Popular horizontal platforms on leading ISV stacks can be deployed if time, cost, and risk moderation is required, especially for specific business process areas.
- **Sonata Custom:** This approach focuses on engineering custom digital platforms that are scalable. It suits businesses with unique feature requirements and those willing to invest in creating a differentiated platform.

Exhibit 21: Platformation



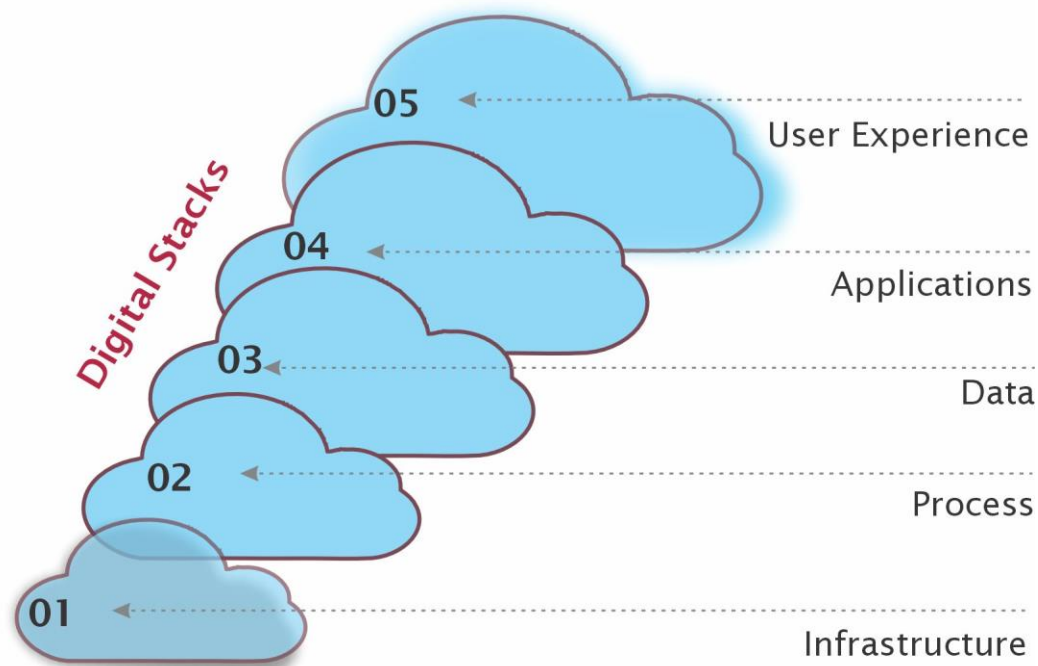
Cloud Modernization Overview

Organizations today can achieve higher growth rates in the digital-led fourth industrial revolution by building a robust digital infrastructure. Adopting cloud technology is crucial for enterprises to create scalable, cost-effective, and on-demand experiences with improved speed to market.

Sonata: Leading Cloud Modernization

Sonata is at the forefront of cloud modernization, using its proprietary framework to accelerate clients' cloud agendas. As a Modernization Engineering Company, Sonata ensures clients make informed cloud decisions and identify the best approaches for their applications, delivering a superior cloud journey experience.

Exhibit 22: Cloud Modernization Suite of Services.



Source: Company, Dalal & Broacha Research

Benefits of Sonata's Cloud Modernization Suite

Sonata's Cloud Modernization Suite of Services helps businesses achieve:

- **Business Agility:** Enhanced ability to respond quickly to market changes and business needs.
- **Scalability:** Infrastructure that grows with the business, supporting increased demand without compromising performance.
- **Improved Efficiencies:** Optimized operations and reduced costs through intelligent resource management.
- **Intelligent and Intuitive User Experiences:** Enhanced user interactions through innovative and user-friendly solutions.

Sonata Scalable: Embracing Cloud Platformation

Sonata Scalable enables businesses to embrace Cloud Platformation as a comprehensive framework for their broader digital agenda. Unlike traditional approaches that view cloud as merely an infrastructure component, Sonata Scalable's Cloud Platformation ensures that every element of the digital stack operates cohesively and responds dynamically to demand.

Key Features of Sonata Scalable's Cloud Platformation:

- **Integrated Digital Stack:** Ensures seamless operation across all levels of the digital infrastructure.
- **On-Demand Responsiveness:** Capable of dynamically adjusting to business needs in real-time.
- **Superior Cloud Journey:** Provides a holistic and optimized cloud experience from start to finish.

Sonata's approach to cloud modernization not only enhances the immediate digital infrastructure but also sets the stage for sustained innovation and growth in the digital era.

Data Privacy

Overview

In today's digital age, managing and securing sensitive customer data is increasingly challenging as it often resides in silos. Customers are cautious about sharing personal information, making trust essential for companies. Building a trusted brand leads to increased customer loyalty, better experiences, and higher revenue. Various data privacy laws, including GDPR, CCPA, HIPAA, GLBA, and PCI DSS, aim to give individuals control over their data and hold organizations accountable for ethical and legal processing.

Importance of Data Privacy

1. Customer Trust and Loyalty:

- Building a reputation as a trustworthy guardian of personal data enhances customer loyalty.
- Trust leads to better customer experiences and can drive higher revenue.

2. Regulatory Compliance:

- Complying with data privacy laws is essential to avoid hefty fines and legal repercussions.
- Regulations such as GDPR, CCPA, HIPAA, GLBA, and PCI DSS provide frameworks for data handling that organizations must follow.

3. Data Management Challenges:

- Sensitive data often resides in silos, complicating management and security efforts.
- Organizations need to adopt robust data governance strategies to ensure data integrity and protection.

Benefits of Data Privacy Compliance

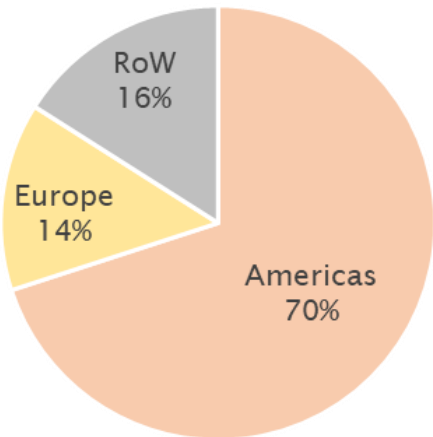
Compliance with data privacy laws builds customer trust, protects organizations from legal actions, and offers a competitive advantage. Prioritizing data privacy not only protects customers but also establishes a foundation for sustainable growth and success.

Sonata’s Data Privacy Solutions:

Sonata provides AI-driven data privacy solutions that scan files, system logs, and repositories to catalog all personal data across the enterprise. Their solutions offer comprehensive data overviews, identifying and securing all personally identifiable information (PII), protected health information (PHI), and sensitive data. Sonata's proprietary framework and extensive repository of pre-built rules facilitate the tagging of sensitive data, accelerating compliance with data privacy laws. They implement robust security measures and automate privacy programs to ensure ongoing compliance and protection.

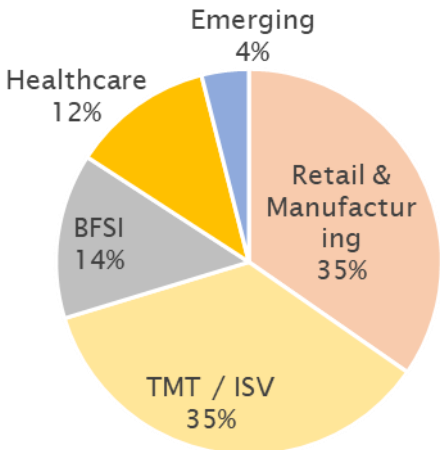
By leveraging Sonata’s AI-driven solutions, organizations can efficiently manage and secure their data, ensuring compliance with data privacy regulations and building customer trust. Sonata’s comprehensive approach enhances security and fosters a data-driven culture, leading to better customer relationships and business growth.

Exhibit 23: Geography wise segmentation



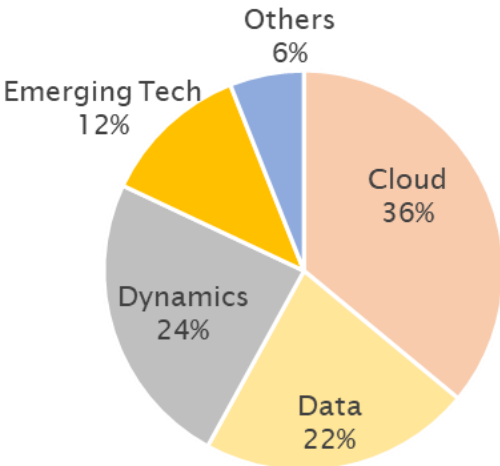
Source: Precedence Research, Dalal & Broacha Research

Exhibit 24: Vertical wise (International)



Source: Precedence Research, Dalal & Broacha Research

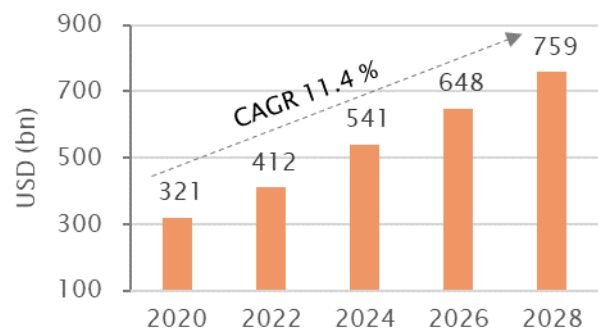
Exhibit 25: Go To Market Strategy (GTM) Segmentation (International)



Source: Company, Dalal & Broacha Research

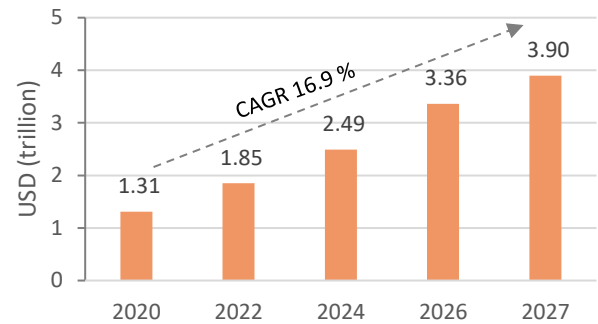
Industry Overview

Exhibit 26: IT Outsourcing - Worldwide



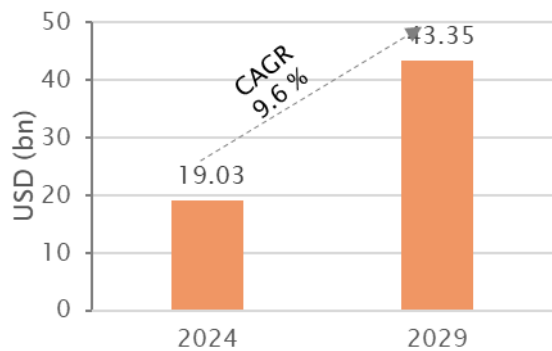
Source: Statista, Dalal & Broacha Research

Exhibit 27: Spending on Digital Transformation



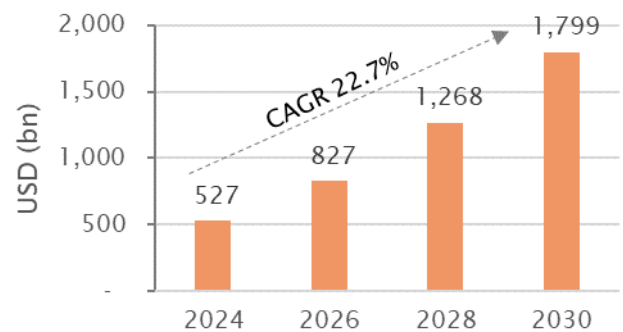
Source: Statista, Dalal & Broacha Research

Exhibit 28: Spending on Customer Experience



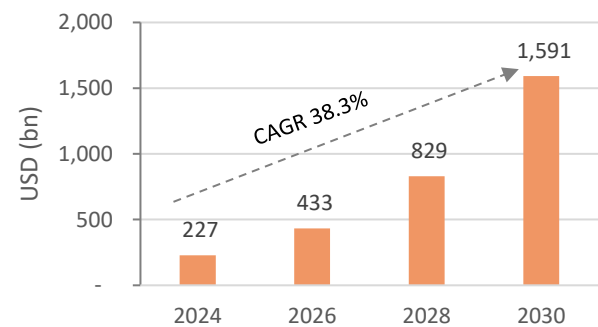
Source: Mordor Intelligence, Dalal & Broacha Research

Exhibit 29: Independent Software Vendors (ISVs) Market



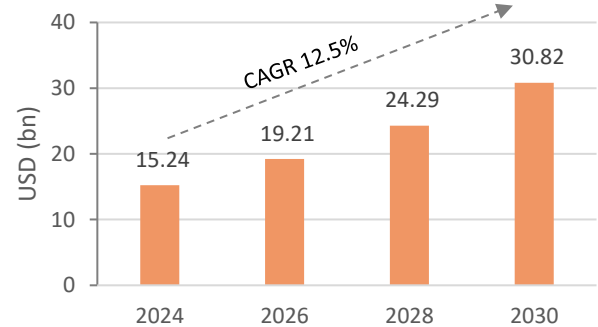
Source: Market research, Dalal & Broacha Research

Exhibit 30: Artificial Intelligence Market size



Source: Precedence Research, Dalal & Broacha Research

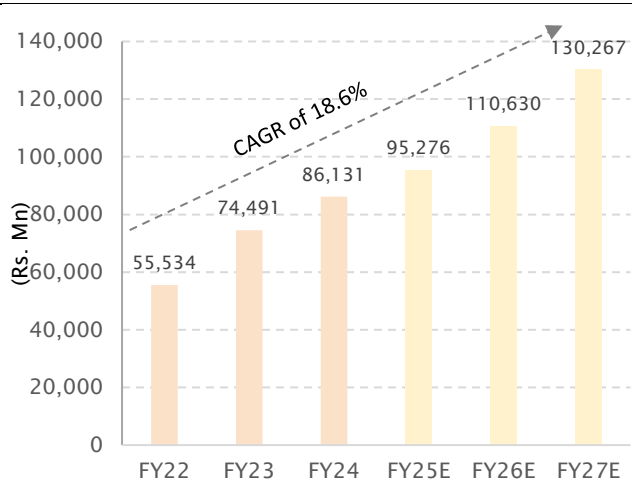
Exhibit 31: Data Integration Market size



Source: Precedence Research, Dalal & Broacha Research

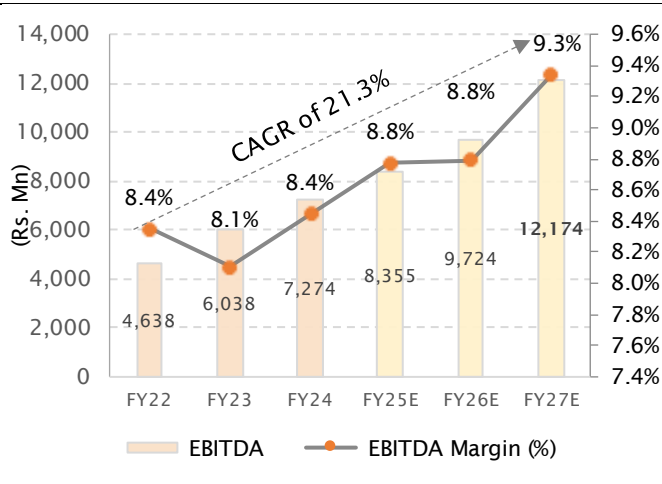
Financial

Exhibit 32: Sales Trajectory



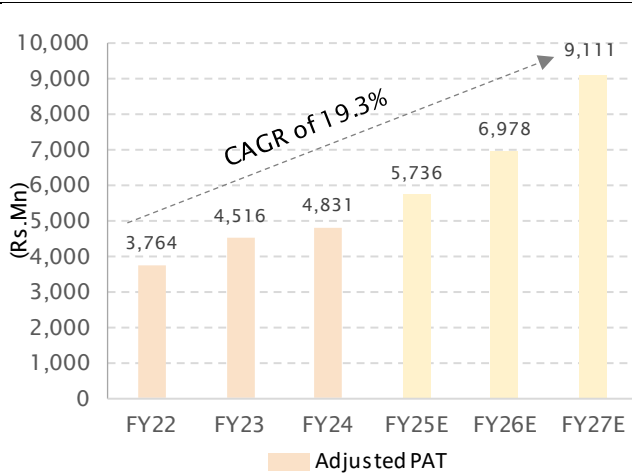
Source: Company, Dalal & Broacha Research

Exhibit 33: EBITDA Trajectory



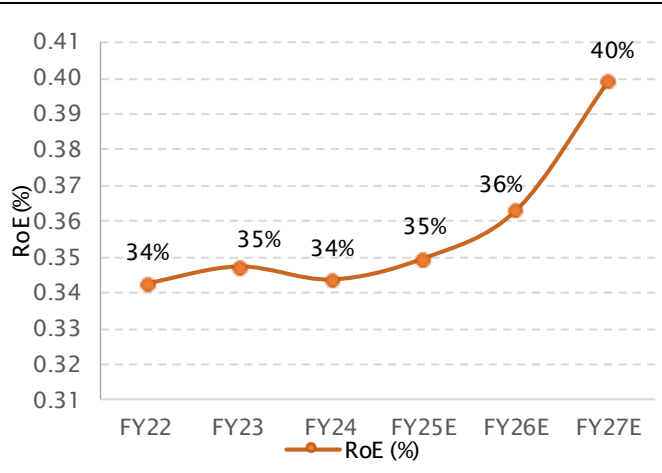
Source: Company, Dalal & Broacha Research

Exhibit 34: Adj PAT Trajectory



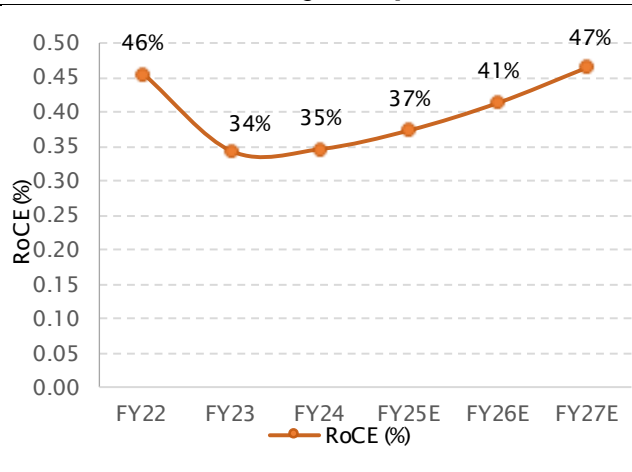
Source: Company, Dalal & Broacha Research

Exhibit 35: ROE % Trajectory



Source: Company, Dalal & Broacha Research

Exhibit 36: ROCE % Trajectory



Source: Company, Dalal & Broacha Research

P&L (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	55,534	74,491	86,131	95,276	110,630	130,267
Operating Expenses	-40,231	-54,557	-58,197	-65,089	-75,228	-88,581
Employee Expense	-7,370	-9,331	-13,346	-14,511	-16,827	-19,799
Other Expenses	-3,295	-4,565	-7,314	-7,322	-8,850	-9,713
Operating Profit	4,638	6,038	7,274	8,355	9,724	12,174
Depreciation	-473	-591	-1,319	-1,052	-937	-1,031
PBIT	4,164	5,447	5,955	7,303	8,787	11,143
Other income	1,020	708	1,255	953	885	1,239
Interest	-181	-185	-850	-665	-497	-398
PBT	5,004	5,969	6,360	7,590	9,174	11,984
PBT (post exceptional)	5,004	5,970	4,614	7,590	9,174	11,984
Provision for tax	-1,239	-1,454	-1,529	-1,822	-2,202	-2,876
Reported PAT	3,764	4,516	3,085	5,769	6,973	9,107
Adj. PAT (excl Exceptionals)	3,764	4,516	4,832	5,769	6,973	9,107

Balance Sheet (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	104	139	278	280	280	280
Reserves	10,888	12,868	13,785	16,102	18,891	22,534
Net worth	10,992	13,007	14,063	16,382	19,171	22,814
Non Current Liabilites	1,660	8,929	6,496	5,860	5,038	4,281
Current Liabilites	12,940	21,633	30,933	28,824	31,730	36,231
TOTAL LIABILITIES	25,593	43,569	51,491	51,067	55,940	63,326
Non Current Assets	6,149	19,418	20,736	20,784	21,261	21,837
Fixed Assets	1,006	5,519	4,766	4,737	5,103	5,527
Goodwill	2,207	10,984	11,135	11,135	11,135	11,135
Right of Use Assets	1,056	828	810	675	553	445
Financial Assets	518	559	512	566	634	721
Deferred Tax Asset	261	-	884	911	938	966
Other Assets	1,101	1,528	2,629	2,760	2,898	3,043
Current Assets	19,443	24,151	30,756	30,283	34,679	41,489
Current investments	1,448	2,058	2,321	2,553	2,808	3,089
Inventories	29	288	980	809	935	1,101
Trade Receivables	9,220	12,362	16,051	18,011	20,914	24,626
Cash & Bank Balances	7,337	4,174	5,360	5,894	6,584	8,702
Other bank balances	359	3,129	3,290	-	-	-
Loans and Advances	-	253	-	-	-	-
Other Financial Assets	532	141	546	573	602	632
Other Current Assets	518	1,746	2,209	2,443	2,837	3,340
TOTAL ASSETS	25,593	43,569	51,491	51,067	55,940	63,326

Cashflow (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
PBT	5,004	5,970	4,614	7,590	9,174	11,984
Depreciation	473	591	1,319	1,052	937	1,031
Net Chg in WC	175	2,089	3,547	-3,692	-100	-11
Taxes	-1,559	-1,754	-2,623	-1,822	-2,202	-2,876
Others	409	-4,212	-4,051	1,295	1,654	1,915
CFO	4,502	2,684	2,805	4,424	9,464	12,043
Capex	-1,032	-13,062	407	-134	-533	-607
Net Investments made	-847	-651	-216	-13	-	-
Others	1,046	5,159	-734	-	-	-
CFI	-833	-8,553	-543	-147	-533	-607
Change in Share capital	-	35	139	-	-	-
Change in Debts	-517	4,556	1,807	-1,335	-1,522	-938
Div. & Div Tax	-2,911	-2,185	-2,192	-3,461	-4,184	-5,464
Others	723	-538	-839	1,053	-2,536	-2,916
CFF	-2,706	1,868	-1,085	-3,743	-8,242	-9,318
Total Cash Generated	963	-4,002	1,177	534	690	2,118
Cash Opening Balance	6,407	7,337	4,174	5,360	5,894	6,584
Cash Closing Balance	7,369	3,335	5,351	5,894	6,584	8,702

Ratios	FY22	FY23	FY24	FY25E	FY26E	FY27E
OPM	8.4	8.1	8.4	8.8	8.8	9.3
NPM	6.7	6.0	5.5	6.0	6.3	6.9
Tax rate	-24.8	-24.4	-33.1	-24.0	-24.0	-24.0
Net Sales	31.3	34.1	15.6	10.6	16.1	17.8
Operating Profit	22.2	30.2	20.5	14.9	16.4	25.2
PBIT	22.6	30.8	9.3	22.6	20.3	26.8
PAT	54.3	20.0	-31.7	87.0	20.9	30.6
Per Share (Rs.)						
Net Earnings (EPS)	72.46	65.11	17.41	20.57	24.86	32.48
Cash Earnings (CPS)	81.57	73.64	15.87	24.32	28.21	36.16
Dividend	21.00	15.75	7.90	12.34	14.92	19.49
Book Value	211.59	187.55	50.68	58.42	68.37	81.36
Valuation Ratios						
P/E(x)	8	9	35.3	29.9	24.7	18.9
P/B(x)	3	3	12	11	9	8
EV/EBIDTA(x)	26	28	23	20	17	13
Div. Yield(%)	3.41	2.56	1.28	2.01	2.43	3.17
FCF Yield(%)	8.84	-14.92	5.74	1.61	4.05	5.15
Return Ratios (%)						
ROE	34%	35%	34%	35%	36%	40%
ROCE	46%	34%	35%	38%	41%	47%
RoIC	175%	54%	56%	47%	53%	66%

Source: Company, Dalal & Broacha Research

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