

Sonata Software Limited

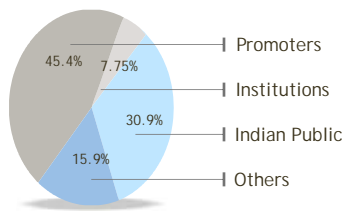
Event Update | CMP Rs. 53.0

Stock Codes

Bloomberg	: SSOFF.IN
Reuters	: SOFT.BO
BSE Code	: 532221
NSE Code	: SONATSOFTW
BSE Group	: T

Share Holdings (%)

As on 30th September, 2007.



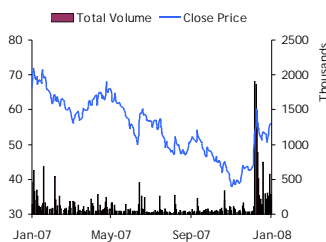
Stock Data

Sensex	: 20704.0
Nifty	: 6297.0
52 W High Rs.	: 75.05
52 W Low Rs.	: 37.50
Mkt Cap Rs. Mn.	: 5888.0
Face Value Rs.	: 10.0

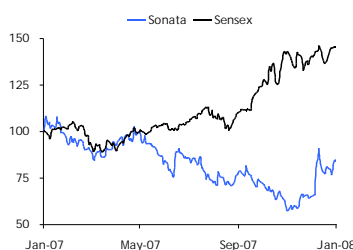
Absolute Returns

%	1M	3M	6M
Sonata	29.40	17.44	0.27
Sensex	3.56	13.75	36.43

Price/Volume



Price Comparison



Analyst : Jigar Valia
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Event : Sonata subsidiary TUI InfoTec bags order from Lycos (new client outside of TUI group)

Press Release Extract : "Following the completion of its restructuring as a joint venture with Indian software firm Sonata Software Ltd, Hanover-based IT service provider TUI InfoTec has gained a new client. From February 2008 LYCOS Europe, one of the continent's leading providers of Internet portals and online advertising, will be using TUI InfoTec as its outsourcing partner for its office IT operations. Migration of the existing set-up to an MPLS network is due to begin this month.

With around 700 employees across the continent, LYCOS Europe operates a network of websites in seven languages. These include search and communications services, online communities, content offerings, Internet access, shopping, website building and domain registration. As well as the entire office IT support function, TUI InfoTec is also taking over server management and support of the base applications. On top of this comes software distribution and desktop support at every site. The start date for taking over management of the office IT is February 01, 2008. As part of another contract TUI InfoTec has already been looking after LYCOS Europe local area and international WAN networks since December 01, 2007.

TUI InfoTec successfully beat off several competitors in the selection process. TUI InfoTec's Chief Executive, Heinz Kreuzer added: "In the highly competitive world of Information Companies, only those that provide fast and reliable information to their users can survive. The opportunity to work with Lycos is significant as it reflects the significant depth of our experience in handling complex and transaction-intensive projects, and our ability to provide highly reliable services. It will help us serve Lycos with world-class solutions and support for their business critical applications."

Opinion : This is an important event for TUI Infotech as this marks the first external deal under the leadership of Mr. Jens Habler, Head of Sales. Mr. Habler (with 20 years of IT experience, last employed with Lufthansa) was taken on board in April 2007 with the intent of changing the revenue mix to favour business from external customers.

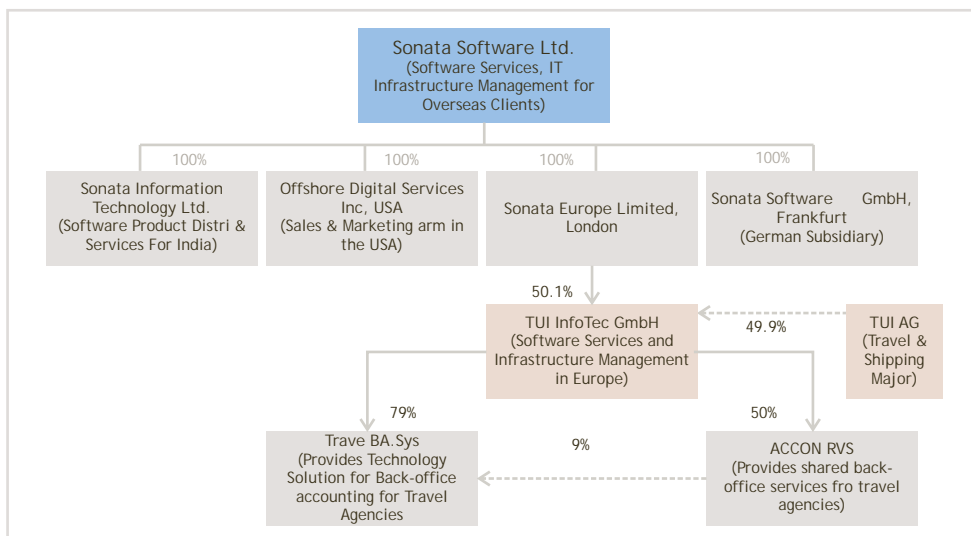
The deal is a three year committed deal, mainly involving Infrastructure Management Services. This new stream of revenue for TUI Infotech, which started in December 2007, will see some traction in the coming months on account of the said deal.

No further details are yet available regarding the deal and our analysis stands restricted to this extent. One may observe that TUI Infotech with less than 500 people strength (including external contractors & consultants) generates revenues of ~72 Mn. Euros from Infrastructure Management. If we take into consideration the 700 employees strength at Lycos and some possible outsourcing opportunity over the coming few years, we feel there is a possibility of incremental profitability of ~Rs. 25 Mn. Until now we were assuming zero growth for the JV from non-TUI AG group.

INR	FY07	FY08E	FY09E
EURO	58.0	56.0	56.0
USD	45.2	39.5	39.5
GBP	86.0	78.0	78.0

However, we have now factored in a 5% business growth for TUI Infotech for our FY09 estimates. We maintain a positive view on the company with a price objective of Rs. 66 per share (10x FY09E EPS; 25% Upside). BUY

Sonata Group Structure



Segmental Summary

Sonata Software Limited - Standalone (SSL)

YE March (Rs. Mn.)	FY06	FY07	FY08E	FY09E
Revenues	1,486.7	1,858.3	2,146.4	2,683.0
EBITDA	359.2	443.5	381.9	639.6
EBITDA Margins	24.16%	23.87%	17.79%	23.84%
PAT	261.6	351.3	225.8	390.6
PAT Margins	17.60%	18.90%	10.52%	14.56%
ROCE	18.47%	19.74%	13.51%	20.80%
RONW	16.69%	19.68%	12.03%	18.30%

Sonata Information Technology Limited (SITL)

YE March (Rs. Mn.)	FY06	FY07	FY08E	FY09E
Revenues	3,360.8	4,097.1	5,121.4	6,401.7
EBITDA	42.5	56.8	62.7	76.0
EBITDA Margins	1.26%	1.39%	1.23%	1.19%
PAT	18.8	28.1	30.5	37.2
PAT Margins	0.56%	0.69%	0.60%	0.58%
ROCE	26.29%	33.24%	31.01%	31.75%
RONW	13.08%	17.95%	16.29%	16.59%

TUI Infotech Limited

YE March (Rs. Mn.)	FY06	FY07	FY08E	FY09E
Revenues		2,938.8	6,931.5	7,278.1
EBITDA		432.2	961.3	1,011.1
EBITDA Margins		14.28%	13.47%	13.49%
PAT before Minority Interest		201.3	513.6	518.7
Profit from Associates		9.6	16.1	16.1
Minority Interest		3.4	8.6	8.7
PAT after Minority Interest		207.4	521.1	526.1
PAT Margins		6.65%	7.20%	6.92%
ROCE		73.56%	89.52%	56.24%
RONW		58.19%	59.41%	37.21%

