

Sonata Software Limited

CMP Rs. 17.05
BUY

Result Update
Q3FY09

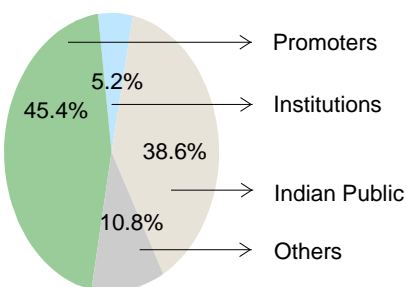
Stock Data

Bloomberg : SSOF.IN
Reuters : SOFT.BO
BSE Code : 532221
NSE Code : SONATSOFTW
BSE Group : B

Stock Codes

Benchmark : BSE Small Cap
52 Week H/L : 50.0/13.0
Float : 54.6 Mn
Mkt Cap : Rs.Mn
Face Value : Rs. 1.0

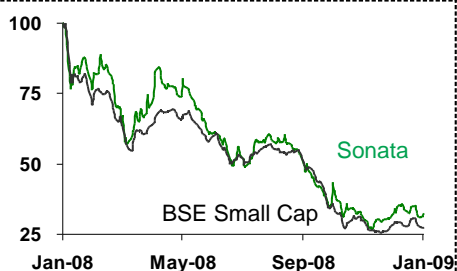
Shareholding Pattern (as on Dec '08)



Stock Returns

	1 Mth	3 Mths	6 Mths
Sonata	4.25	-25.47	-38.06
BSE SM	-1.28	-24.48	-47.51

Price Comparison



Jigar Valia - jigar@ppfas.com

Sonata Software has reported reasonable results for the 3rd quarter of FY09. First, the result highlights.

Standalone	Revenues	EBITDA	PAT	EBITDA (%)	PAT (%)
Q309	586.2	164.3	137.3	28.0%	23.4%
Q209	602.5	169.4	134.8	28.1%	22.4%
Q308	506.1	128.9	97.5	25.5%	19.3%
FY08	1,988.2	491.5	366.9	24.7%	18.5%
FY07	1,858.3	443.5	351.3	23.9%	18.9%

Consolidated	Revenues	EBITDA	PAT	EBITDA (%)	PAT (%)
Q309	3,897.6	426.4	199.0	10.9%	5.1%
Q209	4,220.6	464.9	216.3	11.0%	5.1%
Q308	3,654.7	411.8	156.8	11.3%	4.3%
FY08	14,283.7	1,425.3	585.2	10.0%	4.1%
FY07	8,977.2	986.6	480.3	11.0%	5.3%

Standalone Growth in Q309			
	Sales	EBITDA	PAT
Q-Q	-2.7%	-3.0%	1.8%
Y-Y	15.8%	27.5%	40.8%

Growth in FY08			
	Sales	EBITDA	PAT
Y-Y	7.0%	10.8%	4.4%

Consolidated Growth in Q309			
	Sales	EBITDA	PAT
Q-Q	-7.7%	-8.3%	-8.0%
Y-Y	6.6%	3.5%	26.9%

Growth in FY08			
	Sales	EBITDA	PAT
Y-Y	59.1%	44.5%	21.8%

Overall the company has reported a 8% drop in revenues & profits on a Q-Q basis. The standalone IT business did better & reported a 2% sequential earnings growth. On an annual basis the standalone earnings are up 41% and the consolidated profits are up 27%. We think the results are good given that Q2 was an extremely good quarter for the company.

Overall the software businesses has done fairly well for Sonata. TUI Infotech which constitutes ~44% of topline saw a 5% sequential dip in revenues & profits. The high volume - low margin SITL business has been the worst hit segment. This domestic business saw a 11% decline in revenues, but the profits dropped by a huge 43%. SITL's share in profits of the overall business dropped from 9.5% to 6.5% sequentially.

Sonata is a slow & steady growth company. The management commentary suggest business as usual, which is a good indicator in an otherwise tough environment. The company has distributed a special dividend of Re. 1 during the quarter. With a decent Q3 performance after an excellent Q2, we have marginally improved our earnings estimate for the fiscal. We feel that the company's conservative & steady growth on a lean capital structure gels well with our investment philosophy. The scrip has moved up by 8% today on result announcement. The company continues to trade very cheap just 2.3x its FY09E earnings. We recommend BUY.

Sonata: Q309 Segmental Analysis

Q309 Standalone Reported

(Rs. Mn)	Dec 08	Sept 08	Q-Q Chng	Dec 07	Y-Y Chng
Sales & Service	584.5	600.0	-2.6%	500.6	16.8%
Other Income	1.6	2.5	-35.5%	5.5	-70.4%
Total Revenues	586.2	602.5	-2.7%	506.1	15.8%
Total Expenditure	421.8	433.1	-2.6%	377.3	11.8%
EBITDA	164.3	169.4	-3.0%	128.9	27.5%
Depreciation	20.1	22.0	-8.7%	23.3	-13.8%
PBIT	144.2	147.3	-2.1%	105.5	36.6%
Interest	0.1	1.4		0.0	
PBT	144.1	146.0	-1.3%	105.5	36.5%
Tax	6.8	11.1	-39.1%	8.0	-15.6%
PAT	137.3	134.8	1.8%	97.5	40.8%
EPS (in Rs.)	1.3	1.3	1.8%	0.9	40.8%
OPM %	28.0%	28.1%	(7.7)	25.5%	257.1
EBITDA %	28.0%	28.1%	(7.7)	25.5%	257.1
PBIT %	24.6%	24.5%	14.7	20.9%	374.9
PAT %	23.4%	22.4%	104.6	19.3%	416.3

Q309 Consolidated Reported

Particulars (Rs. Mn)	Dec 08	Sept 08	Q-Q Chng	Dec 07	Y-Y Chng
Sales & Service	3,877.5	4,186.7	-7.4%	3,611.0	7.4%
Other Income	20.1	33.9	-40.8%	43.7	-54.0%
Total Revenues	3,897.6	4,220.6	-7.7%	3,654.7	6.6%
Total Expenditure	3,471.2	3,755.7	-7.6%	3,242.8	7.0%
Operating Profit	426.4	464.9	-8.3%	411.8	3.5%
EBITDA	426.4	464.9	-8.3%	411.8	3.5%
Depreciation	112.7	109.8	2.6%	111.8	0.8%
PBIT	313.7	355.1	-11.7%	300.1	4.5%
Interest	13.2	16.5	-20.0%	7.3	82.3%
PBT	300.5	338.6	-11.3%	292.8	2.6%
Tax	59.9	68.5	-12.5%	61.3	-2.3%
PAT before MI	240.5	270.0	-10.9%	231.5	3.9%
Share in Earnings of Affiliates	-	(0.2)		0.0	
Minority Interest	(41.5)	(53.5)	-22.4%	(74.7)	
PAT	199.0	216.3	-8.0%	156.8	26.9%
EPS (in Rs.)	1.9	2.1		1.5	37.9%
OPM %	10.9%	11.0%	(7.7)	11.3%	(33.0)
EBITDA %	10.9%	11.0%	(7.7)	11.3%	(33.0)
PBIT %	8.0%	8.4%	(36.5)	8.2%	(16.2)
PAT %	5.1%	5.1%	(2.0)	4.3%	81.4

Sonata: Q309 Segmental Analysis

Q309 (Rs Mn)	Revenue	Business Mix	PAT	Profit Mix	PAT Margin
International	2,365.30	61.00%	185.70	93.32%	7.85%
Domestic	1,512.20	39.00%	13.30	6.68%	0.88%
Consolidated	3,877.50	100.00%	199.00	100.00%	5.13%
Sonata Software Limited	584.50	14.18%	137.30	66.39%	23.49%
ODSi	155.40	3.77%	7.60	3.68%	4.89%
Sonata Software GmbH	40.90	0.99%	1.10	0.53%	2.69%
Sonata Europe Limited	0.40	0.01%	5.50	2.66%	
TUI InfoTec GmbH	1,826.90	44.31%	41.80	20.21%	2.29%
International	2,608.10	63.26%	193.30	93.47%	7.41%
SITL	1,514.50	36.74%	13.50	6.53%	0.89%
Domestic	1,514.50	36.74%	13.50	6.53%	0.89%

Revenues (Rs Mn)	Q309	Q209	Q308	(Q-Q)	(Y-Y)
International	2,365.30	2,479.80	2,173.28	-4.62%	8.84%
Domestic	1,512.20	1,706.90	1,437.71	-11.41%	5.18%
Consolidated	3,877.50	4,186.70	3,610.99	-7.39%	7.38%
Sonata Software Limited	584.50	600.00	500.64	-2.58%	16.75%
ODSi	155.40	144.80	106.09	7.32%	46.48%
Sonata Software GmbH	40.90	35.40	15.85	15.54%	158.04%
Sonata Europe Limited	0.40	2.90	6.56	-86.21%	-93.90%
TUI InfoTec GmbH	1,826.90	1,930.20	1,692.27	-5.35%	7.96%
International	2,608.10	2,713.30	2,321.41	-3.88%	12.35%
SITL	1,514.50	1,706.90	1,437.71	-11.27%	5.34%
Domestic	1,514.50	1,706.90	1,437.71	-11.27%	5.34%

PAT (Rs Mn)	Q309	Q209	Q308	(Q-Q)	(Y-Y)
International	185.70	192.50	141.32	-3.53%	31.40%
Domestic	13.30	23.80	15.50	-44.12%	-14.19%
Consolidated	199.00	216.30	156.82	-8.00%	26.90%
Sonata Software Limited	137.30	134.80	97.50	1.85%	40.82%
ODSi	7.60	6.70	5.68	13.43%	33.80%
Sonata Software GmbH	1.10	1.20	0.40	-8.33%	175.00%
Sonata Europe Limited	5.50	37.70	(41.27)	n.a.	-113.33%
TUI InfoTec GmbH	41.80	44.20	71.04	-5.43%	-41.16%
International	193.30	224.60	133.35	-13.94%	44.96%
SITL	13.50	23.80	15.50	-43.28%	-12.90%
Domestic	13.50	23.80	15.50	-43.28%	-12.90%

Sonata : Financials

Earnings Statement					Balance Sheet				
YE March (Rs. Mn.)	FY06	FY07	FY08	FY09E	YE March (Rs. Mn.)	FY06	FY07	FY08	FY09E
Sales & Services	5,070.3	8,977.2	14,283.7	16,569.1	Equity Capital	105.2	105.2	105.2	105.2
Total Expenditure	4,668.2	8,189.2	13,169.0	14,918.4	Reserves	1,416.4	1,762.4	2,183.4	2,707.7
- Purchase of traded goods	2,960.9	3,764.0	5,422.2	6,289.7	Shareholders Funds	1,521.6	1,867.6	2,288.5	2,812.8
- Operating expenses	1,707.3	4,425.2	7,746.8	8,628.6	Minority Interest	-	184.9	269.1	429.1
Operating Profit	402.1	788.0	1,114.7	1,650.7	Borrowed Funds	-	581.2	283.4	-
Other Income	38.7	198.6	310.6	99.4	Deferred Tax Liabilities	0.9	0.6	1.1	1.1
EBITDA	440.8	986.6	1,425.3	1,750.1	Total Liabilities	1,522.5	2,634.2	2,842.2	3,243.0
Depreciation	107.7	297.4	433.5	463.7	Fixed Assets				
EBIT	333.1	689.2	991.8	1,286.4	Gross Block	736.7	6,922.4	7,173.7	7,673.7
Interest	6.6	27.7	49.6	70.0	Accumulated Depn.	418.6	5,074.8	5,410.5	5,874.3
PBT	326.5	661.5	942.2	1,216.4	Net Block	318.2	1,847.7	1,763.2	1,799.5
Tax	51.1	83.5	125.2	273.7	Capital WIP	15.9	49.5	74.1	100.0
PAT before MI	275.4	578.0	817.0	942.7	Investments	75.7	143.1	238.7	100.0
Minority Interest	-	107.3	237.8	160.0	Current Assets				
Profit from Affiliates	-	9.6	6.0	-	Inventory	75.5	56.1	144.7	272.4
PAT before EI	275.4	480.3	585.2	782.7	Sundry Debtors	1,307.4	1,941.9	2,386.9	2,950.7
Extraordinary Items	(161.8)	-	-	-	Loans & Advances	414.2	432.1	424.5	907.9
Reported PAT	113.6	480.3	585.2	782.7	Cash & Bank Balance	571.1	1,212.5	764.4	617.1
					Current Liabilities				
					Sundry Creditors	1,298.8	3,141.7	3,096.2	3,631.6
					Provisions	71.9	77.9	85.4	100.1
					Net Current Assets	997.5	423.0	539.0	1,016.4
					Deferred Tax Assets	115.3	171.0	227.2	227.2
					Total Assets	1,522.5	2,634.2	2,842.2	3,243.0

Ratio Analysis				
YE March	FY06	FY07	FY08	FY09E
OPM (%)	7.9%	8.8%	7.8%	10.0%
EBITDA (%)	8.7%	11.0%	10.0%	10.6%
PBIT (%)	6.6%	7.7%	6.9%	7.8%
PAT (%)	5.4%	5.3%	4.1%	4.7%
EPS (Rs.)	2.6	4.6	5.6	7.4
P/E (x)	6.5	3.7	3.1	2.3
P/BV (x)	1.2	1.0	0.8	0.6
BVPS (Rs.)	14.5	17.8	21.8	26.7
Market Cap (Rs. Mn.)	1,793.0	1,793.0	1,793.0	1,793.0
M Cap/Sales (x)	0.4	0.2	0.1	0.1
EV (Rs. Mn.)	1,793.0	2,374.2	2,076.4	1,793.0
EV/EBITDA (x)	4.1	2.4	1.5	1.0
EV/Sales (x)	0.4	0.3	0.1	0.1
ROCE (%)	21.9%	26.2%	34.9%	39.7%
RONW (%)	18.1%	25.7%	25.6%	27.8%
Inventory T/o Days	5.4	2.3	3.7	6.0
Debtors T/o Days	94.1	79.0	61.0	65.0
Advances T/o Days	29.8	17.6	10.8	20.0
Creditors T/o Days	93.5	127.7	79.1	80.0
Working Cap T/o Days	71.8	17.2	13.8	22.4
Fixed Assets T/o (Gross)	6.9	1.3	2.0	2.2
DPS (Rs.)	1.0	1.1	1.1	1.1
Dividend Payout (%)	38.2%	24.1%	19.8%	14.8%
Dividend Yield (%)	5.9%	6.5%	6.5%	6.5%

Cash Flow				
Particulars (Rs. Mn.)	FY06	FY07	FY08	FY09E
Opening Cash & Bank	166.9	571.1	1212.5	764.4
Profit After Tax	113.6	480.3	585.2	782.7
Investment Income	(38.7)	(198.6)	(310.6)	(99.4)
Depreciation	107.7	297.4	335.8	463.7
Others	192.5	175.6	(55.6)	0.0
Change in Working Cap	239.8	1081.5	(564.1)	(624.7)
CF - Operating Activities	614.9	1836.1	(9.3)	522.3
Change in Fixed Assets	(140.1)	(1860.6)	(275.9)	(525.9)
Change in Investments	61.7	(67.3)	(95.6)	138.7
Investment Income	38.7	198.6	310.6	99.4
CF - Investing Activities	(39.7)	(1729.3)	(60.9)	(287.8)
Increase in Equity	0.0	0.0	(28.9)	0.0
Changes in Borrowings	(51.1)	581.2	(297.8)	(283.4)
Changes in Minority Hldg	0.0	87.1	84.2	160.0
Dividend Paid	(119.9)	(133.8)	(135.3)	(258.4)
CF - Financing Activities	(171.0)	534.6	(377.8)	(381.8)
Net Change in Cash	404.2	641.4	(448.1)	(147.3)
Closing Cash & Bank Bal	571.1	1212.5	764.4	617.1

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Disclosure of Interest Statement

1. Analyst Ownership of the scrip
2. PPFAS ownership of the scrip
3. PMS ownership of the scrip

Sonata

NO
NO
NO

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