11th February, 2026

National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex, Mumbai
Kind Attn: Manager, Listing Department
Stock Code – SONATSOFTW

BSE Limited
P.J. Towers, Dalal Street, Mumbai
Kind Attn: Manager, Listing Department
Stock Code - 532221

Dear Sirs/Madam,

SUB: TRANSCRIPT OF ANALYSTS/INVESTORS CALL
REF: REGULATION 46(2)(OA) OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

Further to our disclosures dated 29th January, 2026 and 6th February, 2026, please find enclosed Transcript of Analyst/Investor call of the Company held on 6th February, 2026. The same is also made available on the website of the Company at https://www.sonata-software.com/about-us/investor-relations.

We request you to kindly take the same on record.

Thanking you,

Yours faithfully,

For **Sonata Software Limited**

Mangal Krishnarao Kulkarni

Digitally signed by Mangal Krishnarao Kulkarni
Date: 2026.02.11 18:16:33 +05'30'

Mangal Kulkarni
Company Secretary, Compliance Officer and Head Legal

Encl.: As above

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"Sonata Software Limited
Q3 FY'26 Earnings Conference Call"

February 6, 2026

MANAGEMENT: **MR. SAMIR DHIR – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – SONATA SOFTWARE LIMITED**
MR. JAGANNATHAN CN – CHIEF FINANCIAL OFFICER – SONATA SOFTWARE LIMITED
MR. SUJIT MOHANTY – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – SONATA INFORMATION TECHNOLOGY LIMITED (SITL)

Moderator: Hello, everyone. My name is Inba, and I will be moderating today's session. Welcome to the Sonata Software Limited Analyst and Investor Conference Call for the Third Quarter of Fiscal Year 2026, ended December 31, 2025.

We have with us today on the call Mr. Samir Dhir, MD and CEO, Mr. Jagannathan CN, Chief Financial Officer. We also have our extended leadership team on the call.

Please note that there will be an opportunity for all participants to ask questions after the management's opening remarks. Should you need assistance during the call, please raise your hand from the participant tab on your screen. Please note that this call is being recorded.

During the call, please note the management may make certain forward-looking statements that involve risk assumptions and are based on information currently available to the management. Sonata does not undertake any obligation to update any such forward-looking statements that may be made in course of this call. We advise participants to exercise discretion while making any investment decisions.

We will begin with opening remarks from the CEO, followed by a business overview and financial highlights. After that, we will open the floor for questions. With that, I hand over the call to Mr. Samir Dhir for his opening remarks. Over to you, Sir.

Samir Dhir: Thank you, Inba. Hello, everyone, and thank you for joining us today. We truly value your time and appreciate your continued trust and support in Sonata. In today's session, we will walk you through our overall strategy, the progress we have made over the past few quarters, and our forward-looking roadmap. We will also present a detailed view of our financial performance for quarter Q3 FY2026, which concluded on December 31, 2025. We are excited to share the progress we are making as we continue to execute our long-term vision.

To begin, I will walk you through our strategic priorities and key objectives, followed by highlights from our most recent Q3 performance quarter. So let us talk about our strategy and goals. At Sonata, our ambition is clear. We want to be a differentiated modernization engineering firm powered by our proprietary platformation framework. We are covering at scale across three core strategic dimensions. Number one, our four focus verticals, which is Healthcare and Life Sciences, Banking Financial Services and Insurance, Retail Manufacturing and Distribution, and Technology, Media and Telecom. Number two, our five priority geographies, which are North America, UK, Europe, India and Australia. Number three, Modernization Engineering Leadership with sustained investments in IP, our proprietary lightning tools and our robust offerings. We are enabling continuous modernization for our clients, building digital, AI and data platforms that deliver transformative value for our customers.

We see significant opportunities at the intersection of AI and modernization engineering, driving momentum across the strategic bets we have made, enabling us to consistently secure large deals, gain market share significantly in BFSI and HLS verticals, and deepen our capabilities in data, AI, and modernization engineering. All this backed by scaling talent across sales, delivery, HR, and finance operations, to support our growth ambitions.

With that, let me turn to our strategic pillars. Our success is anchored on four strategic pillars. Number one, scaling Sonata capabilities and continued investments in AI.

Number two, relentless focus on the large deal wins.

Number three, scaling across our strategic verticals, geographies, and talent and number four, our domestic business.

Let me take you through updates on all the four pillars. Scaling Sonata capabilities, specifically update on AI and modernization. We continue to make meaningful and measurable progress in scaling our AI-led business across the company. AI now accounts for 14% of our total order book, up from 10% of our previous quarter order book in the most recent quarter, demonstrating yet again a strong market demand and deeper integration of AI in our client solutions. Our go-to-market strategy is tightly integrated with CSP AI co-sell programs, particularly leveraging Microsoft's new AI consumption model. This quarter, we closed two mid-size AI plus CSP deals, which are expected to both drive existing client expansion and net new logo acquisition. Earlier this year, we launched AgentBridge, our cloud agnostic agentic AI platform designed to help clients build and deploy next-generation agentic AI solutions. We are also partnering with IISC in India and Wharton School in US to further research and innovation in agentic AI.

Internally within Sonata, we have operationalized AI across our functions as well. Across functions, we now run production grade agents on AgentBridge reinforcing our ambition to be a model AI-led technology services firm. We are actively pursuing AI-opportunities across 100 plus clients, helping them unlock value through operational efficiency gains, faster time to market, and transformation of business models. On cloud and data, our opportunities now account for 50% of our total pipeline, reflecting strong client demand for modernization. We are seeing accelerated adoption of Microsoft Fabric, where Sonata is an official Microsoft

Fabric feature partner enabling clients to build data analytics foundations for AI era. Microsoft Dynamics, we continue to work closely with Microsoft on programmatic plays across ERP modernization, SaaS transitions, and low-code, no-code compete deals, strengthening our leadership in the dynamics ecosystem.

With that, let me provide you an update on the large deals. Large deals pursuits remain a cornerstone of our growth strategy with 40% of our pipeline comprising of large strategic opportunities. I am pleased to share with you our large deal wins, from the most recent quarter. The first win is for the global provider of financial technology and payment solutions, a Fortune 500 firm. They awarded Sonata a multi-year contract to modernize their core digital wallet platforms to enable faster and secure payments. This is a multi-year deal, and in this deal, we will deliver accelerated time to market for their digital wallet platform and drive growth in newer customer segments on their digital wallet ecosystem. The second large deal is also in the banking space. A leading mortgage provider awarded Sonata a multiyear contract to modernize their core platforms leveraging automation and AI to drive enhanced consumer experience, reduce technical debt, and AI enablement and data-driven insights for their end consumers. In the large deal wins we just announced, Sonata has differentiated to our AI-led transformation approach, integrated modern engineering practices, and platform-driven data modernization to create real outcome-driven value for our clients.

Let me provide an update on the key AI wins that we had in the quarter.

The first one is for Europe based digital document management systems and workflow firm. They are partnering with Sonata to modernize their legacy system to be transformed to an agentic AI-driven modernization. The strategic engagement modernizes the customer's core platform, enhances the scalability, and sets the foundation for future SaaS transformation for a client.

The second win is a strategic AI program with a US-based global software provider to modernize their legacy WinForms application to a browser interface solution using AI.

With that, let me provide an update on the third pillar, strategic verticals, GEOS, and talent. We remain confident that our investments in verticals like Healthcare and Life Sciences and BFSI are on track to scale. Together, these verticals now contribute 31% of our total revenue, a sharp rise from 13% just three years ago, a clear reflection of our strategic focus and disciplined execution.

Our North America business has also scaled significantly and now represents over 70% of our total revenue, up from approximately 54% three years ago. This shift reflects our continued success in deepening client relationships and expanding share in North America.

For talent and workforce metrics, our LTM attrition stands at 11%. Our gender diversity remains healthy at 31%, underscoring our continued focus on building an inclusive organization. Despite a challenging macroeconomic environment that we are in, we remain committed to the future focused talent investments that strengthen our ability to deliver and growth.

Up scaling through Sonata University, Sonata University continues to power our up skilling and capability building agenda with a strong focus on AI readiness. Over 92% of our workforce and 80% of our managers are now trained in AI, reinforcing our commitment to building AI future ready skills across delivery, engineering, and consulting.

We have also rolled out live coding training across the organization, with 78% of the employees successfully completing it, reflecting high engagement and adoption. As we announced earlier, we completed our annual compensation revision this year during Q2 and Q3. Despite market headwinds and industry pressures, we continued in our investments and our people, reaffirming our belief in investing in our people and maintaining industry-leading engagement and learning initiatives.

With that, let me go to the fourth pillar, which is the domestic business. In that business, we are making strong progress across three strategic pillars that we have talked to you about in prior quarters. Pillar number one, expand our Microsoft channel with a sharper focus on SMC segment including the incubation of our new Sonata on Cloud, SOC, capability offering. Second, we are in partnership with other ISVs such as Oracle, IBM, OpenTX and Quest, expanding beyond the three hyperscaler CSP partnerships that we have enjoyed over the past many, many years. Number three, when large system integration deals that integrate the cloud providers with other platforms like Cisco, IBM, and Dell, and other ISV infrastructure providers. These strategic bets are core to a building a more diversified, resilient, and future-ready domestic business for Sonata.

Let me provide an update on the industry recognition in the quarter. We continue to be recognized for our workplace culture and market momentum. In the most recent quarter, we were recognized as star performer and major contender in Everest Group's Enterprise Quality Engineering Services by PEAK Metrics Assessment. We were also recognized star performer and aspirant in the Everest Group's Data and Analytics Services by PEAK Metrics Assessment.

With that, let me provide an update on the quarter performance. Before I get into numbers, let me provide the tailwinds summary and the headwinds summary. Let us talk about the tailwinds first.

During the quarter, we benefited from three key growth drivers.

Number one, strong momentum from our large TMT and healthcare deal wins that we announced in prior quarters. They ramped up during the quarter with expanding scopes. Number two, our continued strength in healthcare and life sciences and BFSI verticals continue to be a significant driver for Sonata and number three, our robust performance in data and AI-led wins reflecting growing client demand for modernization.

In addition to the growth momentum, our operational efficiencies driven by AI adoption across functions, right-shoring, and higher utilization delivered a net EBITDA accretion of 2.2% quarter-on-quarter, and that is after absorbing 70 bps of impact due to salary increments. Additionally, we optimized the pyramid, we got price increases and all these levers balanced out the higher CSP and AI related costs as well. So on a gross basis, our EBITDA improved by 290 bps and we expect EBITDA to continue in our earlier forecasted range of high teens and low 20s as we move forward in the coming quarters.

Within SITL, we had headwinds for one of our large clients, which we had talked about in prior quarters. However, based on a three-pillar strategy enacted several quarters back, our team will be back to YoY growth by Q2 of FY2027. With that, we would have recovered from the single client issues within about two to three quarters' time.

With that, let me talk about headwinds and the offsets in the business. Three of the top 10 clients in Sonata have headwinds, which have continued in the course of the year. Whilst the rest of the business has continued to do extremely well, the three large clients has impacted our growth trajectory in the most recent quarter, and we believe that will continue in the near term as well. The three clients, number one, our largest BFSI client underwent organization changes and budget constraints, leading to ramp downs in the quarter. Our largest TMT client continued to have experienced budget pressures, resulting in moderate near-term growth. Within that, the largest TMT client, on the engineering side, we are back to growth sequentially, which is positive news.

On the non-engineering side, we continued to have budget pressures and number three, very recently, there has been an unexpected ramp down in one of our large retail clients. We continued to work with the customer on the revised terms and conditions. We will be able to give you a more conclusive answer in the coming months and quarters of the impact from this client. The revenue impact from this client has already been factored in our Q4 numbers. The impact on the three clients of the top 10 clients has largely been offset by our growth in the large TMT and healthcare deals and now the large payment tech deal that we just announced they will offset some of these negative headwinds. Outside of these three large client impacts, we recorded healthy growth across the rest of our client base, reflecting the resilience and diversification of our portfolio.

With that, let me get to the numbers, growth in order booking. Our revenue grew sequentially 40 bps quarter-on-quarter. Our order booking stood at 1.18 times book-to-bill ratio. We secured two large deals in the quarter. The number of clients with more than 10 million annual run rate is now at 8. We added three enterprise clients and deepened our strategic partnership with Microsoft, AWS, Salesforce, and other key partners. Our AI-led order booking contributed to 14% of our order wins. Profitability, our EBITDA improved significantly to 19.5%, up from 17.3% in the previous quarter. Our PAT grew 6.1% sequentially quarter-on-quarter and 21.4% YoY. In the India business, our gross contribution grew 10.8% quarter-on-quarter.

In summary, Sonata delivered a resilient performance in Q3 FY2026, with 40 bps quarter-on-quarter growth, with 21.4 % YoY PAT growth and EBITDA improving to 19.5%, which is what we have talked about in several previous quarters that our long-term aspiration is to achieve high teens and low 20s EBITDA company.

We secured two large deals, expanded our AI-led order bookings, and now have eight clients with an analyzed run rate exceeding $10 billion. Our long-term ambition to be a differentiated modernization engineering firm powered by platformation, AI, and modern technologies continues to drive our strategic momentum. I want to thank all the Sonatians for their continued dedication and commitment. Their efforts form the foundation of our progress and future success, and we remain confident in delivering long-term value for our clients, partners, and shareholders.

With that, I will turn it over to Jagan for his comments.

Jagannathan CN: Thank you, Samir, for the overview. Good morning, good afternoon, and good evening, everyone. Let me walk you through our financial performance for quarter ending December

31, 2025, first starting with international services. In Q3 2026, USD reported revenue stood at $82.3 million, growth of 0.4% quarter-on-quarter. In constant currency terms, it represents growth of 0.3% quarter-on-quarter. Rupee revenues stood at Rs.738.6 Crores, a growth of 1.1% quarter-on-quarter. EBITDA before other income and forex for Q3 2026 improved to 19.5% up 220 basis points quarter-on-quarter from 17.3% in Q2 2026. This improvement is on top of 70 bps improvement in Q2. After observing the impact of increments of 70 bps, the gross EBITDA improvement in Q3 stood at 290 bps. This accretion is primarily driven by operational improvements across delivery SD&D, reflecting better delivery efficiency cost optimizations.

To give you specifics, utilization improvement to 90% up from 87.3 % in Q2 2026. As informed in Q2, our utilization and HC levels were driven by sustainable productivity improvement and operational efficiency in delivery enabled by AI adoption, differentiated AI solutions, agentic implementation across projects. Our offshore revenue mix improved to 63% from 53% in Q2 2026. We also benefited from pyramid optimization and price increases. All the above levers are partially offset by higher CSP AI-related costs. EBITDA after other income and forex for Q3 2026 stood at Rs.146.8 Crores, growth of 0.5% quarter-on-quarter and 23.7% year-on-year. Q3 2026 reported PAT stood at Rs.59.8 Crores, including one-time impact of labour code of Rs.28 Crores pre-tax. Normalized PAT for Q3 stood at Rs.80.4 Crores against Rs.78 Crores in Q2 2026, a growth of 3% quarter-on-quarter and 41.2% year-on-year. Reported ROCE and RONW for the quarter stood at 18.7 % and 23.1% respectively. International services DSO for Q3 2026 is reported at 71 days against 68 days in Q2 2026.

Now let me provide you with an update on domestic business. Domestic business revenue for Q3 2026 stood at Rs.2,345.9 Crores with growth of 68.6% quarter-on-quarter and 11.1% year-on-year. Gross contribution for Q3 2026 stood at Rs.76.1 Crores, with growth of 10.8% quarter-on-quarter and degrowth of 7.1% year-on-year. PAT for Q3 2026 stood at Rs.44.6 Crores, including one-time impact of labour code of Rs.3.3 Crores pre-tax. Normalized PAT for Q3 stood at Rs.47.1 Crores, against Rs.42.2 Crores in Q2 2026, with growth of 11.6% quarter-on-quarter and a degrowth of 2.1% year-on-year. Reported ROC and RONW for the quarter stood at 43.1% and 41.8% respectively.

Update on consolidated business. For the quarter, the consolidated revenue for Q3 2026 stood at Rs.3,080.6 Crores with a growth of 45.4% quarter-on-quarter and growth of 8.4% year-on-year. PAT for consolidated business for Q3 2026 stood at Rs.104.4 Crores including one-time impact of labour costs of Rs.31.3 Crores pre-tax. Normalized PAT for Q3 2026 stood at Rs.127.5 Crores against Rs.120.2 Crores in Q2 2026. Growth of 6.1 % quarter-on-quarter and 21.4 % growth year-on-year. Consolidated EPS for Q2 2026 was Rs.3.76 per share. Q2 it was

Rs.4.33 per share. Reported ROC and RONW for the quarters stood at 23.3 % and 27.7% respectively. The company has declared its interim dividend for the quarter at Rs.1.25 per share in line with the commitment made during the Q1 earnings call to implement quarterly interim dividend payments. Starting this year, the company intends to follow a quarterly interim dividend payout policy. Update on cash flow, cash and cash equivalent gross stood at Rs.564 Crores in Q3 2026 against Rs.326 Crores in Q2 2026. Cash and cash equivalent net stood at negative Rs.12 Crores in Q3 2026 against negative of Rs.280 Crores in Q2 2026.

Update on our operating metrics. Business operating performance, total headcount stood at 6,404 in Q3 2026 against 6,649 in Q2 2026 with attrition of 11%. On-site offshore revenue mix at 37 is to 63 in Q3 2026 versus Q2 2026 of 43 and 57. Utilization reported at 90% in Q3 2026 versus 87.3% in Q2 2026. We added three new customers in Q3 2026, which includes two large multi-year deals. Top 10 clients contributed revenue share of 55%. In Q2 2026, it was 53%. Number of clients greater than 5 million run rate stood at 13 in Q3 2026, same as Q2 2026. Number of clients is greater than 3 million up to 5 million revenue stood at 8 same as Q2 2026. Q3 2026 order books stood at 97 million with book to bill ratio of 1.18x. In summary, our Q3 performance reflects discipline, execution and impact of sustainable margin levers driven by operational efficiency and AI-led productivity gain. We remain confident in our ability to continue improving margins through execution rigor and delivery excellence. With this, I hand over back to you, back for the question.

Moderator: Thank you very much, Sir. Ladies and gentlemen, we will now move to the Q&A segment. To ensure we provide space for as many participants as possible, we request you to limit yourselves to two questions per turn.

For participants connecting on Zoom, Please click on the raise hand icon located at the bottom toolbar on your screen. When called upon, you will receive a prompt to unmute.

For our participants connected via a telephone call, to join the question queue, please press star nine on your telephone keypad. When it is your turn, you will be prompted to unmute by pressing star six. Please state your name and company name before asking your question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

We take the first question from Dipesh Mehta of Emkay Global. Please go ahead, Sir.

Dipesh Mehta: Thanks for the opportunity. A couple of questions. First, just want to clarify. I think in the prepared remark, you indicated Y-o-Y growth to return by Q2 FY2027. That is what you indicated or I misinterpreted it?

Jagannathan CN: Domestic business, right?

Dipesh Mehta: No, international Sir, IITS.

Jagannathan CN: No, no. We mentioned about domestic business.

Dipesh Mehta: Okay, so for international business we have not made any comment about growth trajectory?

Samir Dhir: So there are two parts. So the comment that we made was for the domestic business, which was to say that by Q2, we will revert back after the large client impact by Q2, we will come on a YoY basis on growth positive basis. On the international side, we talked about three client impacts, and we believe the current trajectory that we delivered in the most recent quarter will probably continue in the near term as well. We are not able to give you a firm indication as to how long will it take to come back to our old growth rates. But at least for the next one or two quarters, we expect the trajectory to continue.

Dipesh Mehta: Okay. So just to understand this domestic business, this is for gross contribution level or we are referring on revenue perspective?

Samir Dhir: Gross contribution level Dipesh.

Dipesh Mehta: Understood. Now on the international side, there is a very sharp decline in BFSI, which you partly alluded about large BFSI where you are seeing some challenges. Considering these three things, do you think things have largely bottomed out or do you think incremental impact to play out in Q4? And Q4, we used to see, let us say, usual seasonality earlier. This time, obviously, we have not benefited even Q3. So considering no benefit, do you think Q4 to be relatively more stable quarter for us?

Samir Dhir: Yeah, so I think the headwinds on the large BFSI Dipesh had been now absorbed in the Q3 quarter. And because we just announced two large deals in BFSI, which are different deals, I think Q4 onwards will pick up growth in the BFSI segment as we move forward. So yes, we are back to growth on BFSI segment now. I think the impact of the large client is behind us and absorbed.

Dipesh Mehta: No, my question was for IITS overall.

Samir Dhir: Overall, I think, like I said, the trajectory that have seen in the last one or two quarters will probably continue for at least next one or two quarters. We are not able to guide beyond that because we are just absorbing the impact on the large tech client and the large retail client as well, so we will probably in coming time, but you should expect the same trajectory to repeat on at least for next one or two quarters.

Dipesh Mehta: The large retail client impact was there in Q3 or it will be now in Q4 kind of thing?

Samir Dhir: It was largely absorbed last quarter and partially will get absorbed in the current Q4 quarter.

Dipesh Mehta: So if I look at your RMD, now that segment, we were not that positive on growth trajectory. But last two quarters, it did fairly well. So can you provide some sense on retail manufacturing, how it is shaping up?

Samir Dhir: Sure. So RMD segment, as we have talked about earlier, has been in stress because of the tariffs earlier on and continuing issues that have been going on in the industry in general. The segment did not grow just because our banking business shrank significantly in the last two quarters. So the percentages looked higher. But as an absolute number, the business did not grow as much. But with the large retail client impact, you would probably see a decline in our retail business relatively more in the Q4 quarter. But from Q1 onwards, we will be back on growth in the retail segment as well.

Dipesh Mehta: If my calculation is right, your RMD segment has grown 36% Y-o-Y in absolute revenue perspective in dollar terms. In quarter-on-quarter, it grew almost 10%, 9.5%, 10%.

Jagannathan CN: Yes, it is because of the large customer, the amount of the impact was divided between Q3 and Q4. You will see the impact more visible in Q4 than in Q3.

Dipesh Mehta: Now the question is quantum of growth is very strong. When we are saying it is under some kind of stress, 30% growth is very strong in my opinion, considering the overall company average growth. I just want to understand how, whether it is now sustainable trajectory or we are still skeptical on growth.

Jagannathan CN: You are talking about RMD, Dipesh?

Dipesh Mehta: That is right.

Jagannathan CN: RMD, we had last year a good amount of recovery happening towards the last two quarters. We will have the similar kind of range of revenue for at least couple of more quarters to observe the impact of the last quarter.

Dipesh Mehta: Understood. Maybe I can take a comment follow-up. Thanks.

Moderator: Thank you. We move to our next question from Sachin Sehgal of Aanicod Infotech. Please go ahead. Mr. Sehgal, you may ask your question now.

Sachin Sehgal: Yes. So which sectors in India are growing like our domestic business? Which sectors are growing that is like quarter-on-quarter it has grown to like almost double its digits? Which are all sectors that are consuming our technology?

Jagannathan CN: You want to know which segment is doing well?

Sachin Sehgal: Yes, in the domestic segment.

Jagannathan CN: BFSI is doing well and we have also expanded it to conglomerates and manufacturing companies now.

Sachin Sehgal: And the international business, what are the impacts of AI into our system? Are we adopting it?

Jagannathan CN: Till now AI has been beneficial to us. So if you see the commentary given by Samir also, all doubt that AI has given a benefit to us and it has helped us to improve the margin and improve the utilization also with almost lesser addition of manpower, it has helped us to get more benefit in market.

Sachin Sehgal: So like I have seen that in the international business, one large deal has been gone in the quarter-on-quarter. The European deals are coming into the picture, like how much is the business in the Americas, in the different Pacific's of the world. It has not been the clear idea about it while reading the financial things?

Jagannathan CN: America still is leading. We are growing more in America than Europe.

Sachin Sehgal: Okay. And how much is the percentage of the Americas and the Europe?

Jagannathan CN: About 70% in America is now.

Sachin Sehgal: Okay. Yes, that is it.

Moderator: Thank you. A reminder to our participants, if you wish to ask a question, you may click on the raise hand icon from your Zoom tab. Participants connected via telephone may enter star nine to ask a question. We will take the next question from Amit Chandra of HDFC Securities. Mr. Chandra, please, could you unmute your microphone and ask your question?

Amit Chandra: Sir, thanks for the opportunity. Sir my question is on the continuation and clarification on the retail softness in specific clients that you said. In BFSI, we saw that one specific client issue impacted our revenues heavily in terms of if I see YoY, it is a 60% decline, 15 million kind of a drop from a single client. So is it fair to assume that all the decline is from a single client or is it we are seeing in a specific-like BSFI, is it other clients also where we saw this?

Samir Dhir: Yes, Amit let me take this. So in BFSI it was a single client impact, which started sometime in summer and by the most recent quarter we have fully absorbed the impacts. So all the impact was one client and it is not fully absorbed and like we made the comment earlier as we move forward from Q4 onwards we will be back on growth in BFSI.

Moderator: Mr. Chandra, do you have any more questions? Thank you. There is no response from this connection. We will move to our next participant. That is Vipulkumar Shah from Sumangal Investments. Mr. Shah, please go ahead with your question.

Vipulkumar Shah: Yes, so my question is regarding the strategy, Mr. Samir. Before you took over, we were a platformation company and we were focusing more on IP-led products, so that strategy has been discarded or it is continuing, so can you make some broad comments regarding that?

Samir Dhir: Sure, happy to. Vipul, if you go back to the original prepared comments I talked about, and let me reiterate. Our ambition is to be a differentiated modernization engineering firm powered by a proprietary platformation framework. We talked about in the prepared comments as well. So platformation actually continues, was, and will continue to be a core part of our thesis and our DNA and it has actually become more important now, given the relevance of AI, we are really building out and expanding the scope of platformation and redefining and extending the boundaries of platformation to incorporate the impact and the benefits of AI as well. Some of the wins that we have talked about are foundational in nature because we are able to win those contracts because of our platformation thesis. Because as we move forward, customers are looking for providers who can bring in engineering best practices, as well as IPs and platforms that can help them accelerate time to market. So, in summary, platformation was, is and will be a core part of our DNA and will continue to differentiate Sonata.

Vipulkumar Shah: So, what percentage of revenue we are getting from this platformation?

Samir Dhir: So, platformation is really not an SKU. It is not a measurable unit. It is a concept that we apply across all our deal wins. In some deals which are more migrate or modernization type deals, it is very much a core part of it. In some deals, it is probably slightly lesser. It depends on the nature of the project. So it is not something that we track as a percentage of revenue. It is a solution vector. As we solution our deals or problems for our customers, we apply the platform principles into our solution till it is, Vipul.

Vipulkumar Shah: Got a very clear reply. But is it possible to take it offline, Sir?

Samir Dhir: Absolutely. So while you are at it, let me give an example. So let us say you are building a front office call center platform. So of course, we will leverage the technology from Microsoft or AWS or any other third party software provider. But as you implement the platform, you use the Sonata platformation techniques to implement in a more efficient and simpler way. That is how we do it but happy to take it offline.

Vipulkumar Shah: Thank you, Sir.

Moderator: Thank you. We take the next question from Dipesh Mehta of Emkay Global. Please go ahead.

Dipesh Mehta: Thanks for the opportunity for follow-up. Two questions. First about the EBITDA margin. I think when you indicated about margin work, you indicated some of the offsetting factors. I missed it. Can you help us understand that part? Positive, I understood. I think you said some negatives were there. I could not understand that part. Second question is about the EBITDA margin trajectory. Considering we deliver significant improvement this quarter, 220 bps kind of improvement, do you think is now here to sustain and further improvement in coming quarters or how one should expect it? Thanks.

Samir Dhir: Sorry for the inconvenience. I think there was some technical glitch. So, I think the question was on the offsetting factor and the guidance for EBITDA go forward. So, as we do the cloud deals, there is an element of cloud consumption as well as services component. And some of these deals have dilutive effect in the first few years. So what I was talking about was there is a balancing of CSP and AI-related costs in the first part of the deals, for the first part of the years of these deals. And that is partly offset by the levers that we talked about. So that was the offsetting factor we were talking about, Dipesh. As far as your question about the forward looking EBITDA guidance, as you know, we have always guided that we want to be a high teens and low 20s EBITDA company. In the most recent quarter, we announced about 19.5% or 19.6 % EBITDA. I think you can calibrate us to be in the 18% to 21% type company range go forward as well. With that said, we do not expect a sharp decline or sharp increase go forward. We will be in the same zone of what we have seen in the most recent quarter from an EBITDA performance perspective.

Dipesh Mehta: Understood. Can you help us understand this CSP and AI-related cost, how it plays out and what will be the contour to understand this part? Thank you.

Samir Dhir: So this is the cloud consumption cost that many clients want us to take as part of the engagement. Some customers work with the cloud providers directly and some customers want to bundle it as part of services deal. So that is the cloud compute cost that we are talking about. So it is very client specific.

Dipesh Mehta: So this is pass-through in a way?

Samir Dhir: Well, not really because this has a managed services component as well. So it is baked into that aspect.

Dipesh Mehta: Understood. Thank you.

Moderator: Thank you. We will take the next question from Ashis Dash from Mirae Asset Securities. Please go ahead.

Ashis Dash: Thanks for the opportunity. So, a question, I just want to understand about the outlook of the TMT vertical. See, what I see that data and dynamics revenue has declined quarter-on-quarter. So, is this because of the softness in your top client?

Samir Dhir: I am sorry, I am struggling to say, you are asking about data or you are asking about TMT vertical, I am just trying to understand the question sorry?

Ashis Dash: Yes, I combined both the things. So I wanted to understand the TMT verticals outlook and also, I see that your dynamics and data service line revenue growth has declined quarter-on-quarter, so is there any relation? And because you mentioned in your prepared comments that you are executing a lot of data-related projects?

Samir Dhir: Sure, sure. We can answer that. So let us talk about the data and data related ramp down. So the data related overall growth is very solid. But the banking client that we talked about, Asis, earlier, the work rammed on that happened in that single client was largely data work. So we are seeing that impact of that one single client come through in the data practice as well. But if you back out one single client impact, I think overall the data practice has done very well for us. As far as the TMT is concerned, I think we have seen significant growth momentum in the TMT vertical. We have seen a resurge in the most, actually full fiscal year. If you keep out the large account, one large account out, because that is the one big account that changes the metric significantly, but if you back that out, one large account, I think we have done very well in the TMT vertical. In fact, the deal that we announced last year, which was I think the $73 million deal for five years was part of the TMT vertical as well and in the course of the year, we have seen a pull-through effect of the deal, which gave us a significant lift overall.

Ashis Dash: Okay and you also talked about some engineering segment of your large account where you see a lot of traction. So could you just highlight have you started seeing growth or have you got any deals or you expect any deal going ahead on that engineering segment?

Samir Dhir: Yes, absolutely. So if you think of the large client, they have two bodies of work. One is the engineering body of work and loosely speaking, the other, let us call it non-engineering body of work. In the engineering side, which is where bulk of the investments are going from this client, which is largely AI driven, and they are trying to modernize their platforms and their products and bring in AI elements in those. So Sonata is right in the middle of those transformation projects to bring the power of AI into all their products. And that is really what is driving the growth. So yes, we have won several midsize deals in that nature in the engineering side. And year-on-year, we have done well on the engineering, like I said earlier. We believe we are back on growth engineering side for the last two to three quarters and as we move forward, we will continue to see that. Having said that, the non-engineering side is where the reductions have been and that will continue to be the offsetting factor of this good news.

Ashis Dash: Yes. Sir my last question on the domestic business. So what I see that this quarter, we saw a strong year-on-year growth, despite you lose one of your largest client in that segment and also, you are giving the outlook that after two quarters you will see year-on-year growth. So what is the reason for the growth during the quarter and second, I just want to understand, after two quarters, when you are showing your confidence that you are back on growth, so which strategy is going to play out to drive your growth after two quarters?

Samir Dhir: Sure. If you go to my prepared comments, and I will repeat earlier, so we have instituted a three pillar strategy. Sujit is on the call. I will request his comments as well. But the three pillar strategy is fairly simple, which we instituted about, I would say, four quarters back. The first one was to expand in the SMC segment from our channel partners' perspective, which was the first strategy we instituted about three to four quarters back. Then we instituted a second strategy, which was to go after the IS, the VAR business, which is the integrated deals.

So when we implement cloud, we also want to implement integrated deals along with the providers. And the third one was to go after more OEMs beyond the three cloud providers and all these three strategies are unleashed and unpacked in the last three to four quarters. So what you saw, the recovery is largely offset by these three strategies that have been at play for some time. So we saw the impact coming. Our teams are proactive and hence, we are able to recover in about two to three quarters time. Sujit if you are on call, please feel free to make any additional comments.

Sujit Mohanty: Thanks, Samir, but I think you have covered it. So essentially, we have increased our coverage and as Samir mentions, we are taking not just the platform now, we are also wherever possible, we are getting into the system integration business around the platform and as Samir mentioned as the third point, beyond these hyperscalers, now we have also started focusing on some of the other OEM partners business and that is giving us some good results. Thank you.

Ashis Dash: Thanks a lot for taking my questions. All the best.

Moderator: Thank you. We have Mr. Amit Chandra from HDFC Securities who would like to ask a question. Please go ahead, Sir. Mr. Amit Chandra.

Amit Chandra: Yes, thanks for the opportunity. I do not know if you have heard my last question, but just some clarification on the retail manufacturing vertical. Obviously, you mentioned that we have seen a ramp up of some deals there and obviously, you have absorbed the impact of the ramp down in one of the clients there. So if you can just assure us that the ramp down there will be not as severe as what we saw in the BFSI because in BFSI the ramp down has been very severe and there has been no huge reliance on like one client. So in terms of concentration, how the concentration is there in the retail vertical? So that is the first question and secondly, in terms of the utilization, obviously, we have scale up the margins we have off shored, and we are running at almost like, like peak numbers in terms of utilizations. So what is the view there, in terms of, able to operate at such high utilization levels? What is the view there?

Samir Dhir: Yes. I got your questions now, Amit. So let me take the first one. And before I answer a specific question, I will paint a broader picture so that if there is any confusion, we can remove that. So if you look at the more sectoral view for us, Amit, clearly our banking financial services and healthcare verticals have done well overall, minus the effect of one single banking client. So we feel very good about the momentum in these two businesses. In the TMT sector, minus the large account, we have done well. I think the momentum is still very strong. In the retail, in general, it has been soft for us. It had some one or two quarters of growth, but we do not expect to be in a solid growth trajectory in any time in the next one or two quarters as well. I think retail will continue to be under pressure for us. It will have one quarter impact because of the large deal, the ramp down for the client that we just talked about, the large account we just talked about. We absorbed a bulk of it in Q3, but some residual impact will come in Q4 as well for sure. But despite and in spite of that, we believe the growth rate overall at a company level in international business that we have will continue the trajectory. So we will be able to absorb the impact of the large client, even in Q4 quarter. So that is a broader commentary from this client perspective. As far as this client is concerned, like I said earlier, we had an unexpected ramp down in the course of the quarter from this client. We continue to work with the customer on the revised terms and conditions. And we will give you a more conclusive view in the coming months as to what is happening with this customer. By the time you come back in May, we will give you a more conclusive view. That is our current information that we have. As far as your point on utilization is concerned, we have given our practice spread right now. As you know, we have been trying to focus the company on fewer practices and go deeper in them. And of course, AI is a significant part of it. We believe the utilization levels that we have will probably continue to be in the high 80s range. That is a sustainable model for us. The current quarter and maybe one or two quarters that you are seeing right now might be touching maybe 89% to 90%, so we might dilute by a percentage or two, but we still think we are a high 80s utilization company. In an odd quarter, we might touch 90%. So that is really how we think about it.

Amit Chandra: Okay and Sir, obviously, in BFSI vertical, you have clarified, but if I see over the last, say, 8 to 10 quarters, we scaled up from say, 10 to 11 million to 26 million, and then again scaled back to 10 million. So the growth came from single client and again, we are back to the levels where we were seven to eight quarters back. So is it, and we have always been saying that BFSI is the focused vertical for us. So, but apart from the top client, we are not seeing any material growth in the clients X of the top client. So is it that has been across the clients or is it only top line led?

Samir Dhir: So I can confirm it have been a single client impact in the banking sector for sure. It is not a broad based impact. As you know, BFSI is a very regulated industry and it takes many, many years to scale this business out. If you recall my prepared comments, I talked about two large deal wins. Both of them are in BFSI sector. One of them is with a Fortune 500 client, which is a multi-year deal, which will continue to scale for us largely from Q1 onwards. So we think that is a fairly large scalable deal for us. And the second deal also, which is relatively small, not as big as the first one that will also continue to scale for us. So the BFS sector is a regulated sector. It has a lot of competition, but with our differentiated AI proposition, we believe we have now a secret sauce to scale and win more large accounts. So we are at the tipping point. Hopefully, we can scale from here. We just had an unfortunate event with one large client. That is why we had to shrink back.

Amit Chandra: And on the TMT vertical, the largest client obviously said that you are seeing traction on the engineering side. So within the large client, what would a mix of engineering and non-engineering?

Samir Dhir: We do not disclose that candidly, but that is a customer specific centric data, we cannot disclose that. But we just want to give you a color that it is not the full account or full relationship is not growing. There are parts of the relationship it is actually going quite well now and the other part, which is still under budgetary pressure.

Amit Chandra: Okay and on the domestic business, obviously, we have seen in terms of GC's slight decline, but just want to understand it better in terms of the strategy of like Microsoft here in terms of going direct. Was it confined to only one large client or is it full-fledged strategy in like in terms of they are going across most of the larger clients or is it just they are trying and testing it in terms of what additional benefits they are trying to derive if they are not seeing any additional benefits and the complexity increases they might go back to the usual like course of business which was there earlier so is it fair to assume it is a temporary impact or is it going to be more structural?

Samir Dhir: Look, I cannot comment on Microsoft's strategy, I can comment on our strategy. And our strategy is simple, to focus on the three pillars that we talked about, to expand in the SMC sector, in the channel business, to go after the new OEMs that we are going after, and to win large SIDs. That is really what we are focused on and I think that strategy is working well for us because despite a large account hit that we had, we are confident about two to three quarters will bring the business back on Y-on-Y growth basis. Having said that comment, Sujit, if you want to make any additional comment, please feel free. So I just want to just make sure I pull in, Sujit.

Sujit Mohanty: Thanks, Amit. Actually, there is no very clear cut written communication saying, okay, these are the accounts, which will be now going forward to be built directly and things like that. So the initial indications which had been given that there are few accounts which Microsoft is planning to build directly. We are not the only partner in India. There are multiple partners of Microsoft in India. So, for each partner, there can be one, two, three, some accounts, which are there. As of today, one of our large accounts got impacted and they have already gone ahead and Microsoft is billing them directly. Now, how it is going to span out and what will happen, that obviously, it is very early to say. We have, it is just two quarters back this has happened and we are also watching the situation going forward, how things are going to span out. As Samir mentioned, we are more concerned and we are more focused on how we are going to make sure that our business growth and trajectory is maintained. And that is what we are more focused at. There is something on which we do not have control, and we have to be just very agile and aggressive to make sure that if when it happens or if it happens, then we should be ready to face it. So having said that, our assessment is not that Microsoft has decided to completely come out of partner led business and going to do business directly. I think those are not the concerns what we have. I hope I have answered your question.

Amit Chandra: Yes, but just one clarification on this. So is it easier for Microsoft to like go directly or it increases the complexity in terms of their engagement with the clients because it is not a single billing or no single entity billing it there is complexity in terms of handling multiple small organization within large organization so how complex is the billing process in terms of going direct.

Sujit Mohanty: You seem to know our business very well. I can only give you my view, which will not be right here. But see, it all depends how Microsoft is looking at it and that is what I said, that, these are multiyear contracts, two quarters, it is very short time to figure out what will happen or how it will pan out, I think. So we are also in a wait and watch mode and we are observing the whole thing. I am sure, in next few quarters, we will have some sense in terms of how things are.

Amit Chandra: Okay, Sir. Thank you and all the best, Sir. Thank you.

Moderator: Thank you. We take the next question as a followup from Vipulkumar Shah from Sumangal Investments. Please go ahead.

Vipulkumar Shah: Hi, thanks for the opportunity. So, my question is regarding the turmoil in software stocks globally since last few days due to release of Anthropic Cloud. So what are your comments? So this will be deflationary for our business in the long term, short term, or is it beneficial to you? Or are you really worried that you may lose a sizable business due to AI over medium term? So your investors are really very worried about the impact of AI on IT services company, so your broad comments will be highly welcome, Sir.

Samir Dhir: Sure, Vipul, I am happy to provide. And I think this is an important question. But before I answer the question, Vipul, let us just give you a little bit of comments about the business that we run. So as you know, we are a modernization engineering firm. We primarily focus on consumer-facing regulated industries, both healthcare, life sciences, and banking financial services. We are heavily regulated industries. Our core business is for complex legacy modernization, which is inherently protected by regulatory constraints, data sensitivity, and deep legacy code. Based on our understanding of the tools out there right now, the AI tools are not very impactful as the technology exists today in these areas right now. So to answer your question, are we losing sleep over it today? The answer is probably no. But are we keeping a watchful eye for the future because it is an innovation that can change anytime. We are definitely keeping a watchful eye. And we will continue to do that. Having said that, is there a marginal impact on our business? Absolutely, there is a marginal impact on the business probably partly positive and partly negative. Positive because we are gaining market share in the business because with AI, it gives you a level playing field to other larger IT services companies. So we believe we can be nimbler and faster and hence gain market share and that is what is probably reflecting in our order book numbers. You have probably seen an order book for AI go from 5% of the total order book to about 10% and the most recent quarter we announced about 14% and that is because we believe we are a relatively smaller company so we can be, faster and nimbler and agile. Having said that, the negative is that customers do expect more productivity now, which I think is fair. So we are catching up with the productivity angle. We are delivering that productivity to the customers. We have made investments in AgentBridge. We have made investments in Harmoni.AI. If you go back two years, we talked about the investments in Harmoni.AI. Go back a year, we talked about investments in AgentBridge. So those are all things that we are doing to catch up on the productivity side. And that is something we continue to work upon. Have we solved that puzzle fully? I do not think we have fully solved it, but we are making incremental progress towards that aspect, but in the whole are we losing sleeping over it, we are not losing sleep over it. We believe the business model that we have created is resilient but we are keeping a watchful eye in the future.

Vipulkumar Shah: But are you forced to share the benefits of productivity improvement with the clients?

Samir Dhir: So I would say, think of our business in two parts. 80% of our clients and this is just rough numbers, just to give you a sense, think of the 80:20 rule, Vipul. 80:20 rule wise, most customers want faster delivery than efficiency. They want projects to be delivered faster. Price is not a constraint for them. 20% customers do expect, on the 80-20 rule basis again, efficiencies. So yes, in the 20% cases, we share partly the gains with them, partly we keep ourselves, and that is partly reflective in our margin accretion as well. But largely it is can you help Sonata deliver the project faster? And that is really the journey that we are on in most of the cases.

Vipulkumar Shah: Very helpful, Sir. Thank you so much.

Moderator: Thank you. We will take that as our last question for today. I will turn the call back to Mr. Dhir for a brief summary and closing comments. Over to you, Sir.

Samir Dhir: Thank you, operator and we just want to thank all of you to join us today and your interest. The questions are very engaging. I am sure you do a lot of work to think about these questions and we do a lot of preparation. Our teams do a lot of preparation to come up with answers. Hopefully, we answered all of your questions. If not, we are happy to take those questions offline through Jagan. We will be happy to answer. But we are delighted with the progress we are making, especially on the profitability front. That was something that we talked to you guys about, that we will get to high teens and low 20s EBITDA. We are glad that we have gotten there and we believe we have gotten there in a sustained manner. We are glad that we had two large deals win in BFSI. We are very proud that our order book on AI is at about 14% of our total order book. There is work in front of us on growth, given the three large account impact that we have seen. We will continue to work on that. I think the next one or two quarters, we believe, we will continue the current growth trajectory but hopefully, coming out of it, we will be able to give you better guidance as to how quarters beyond that will pan out. So thank you very much for joining today. We appreciate all the support. Thank you, operator.

Moderator: Thank you. On behalf of the leadership team, I would like to thank you for your time and for your continued interest in Sonata Software. Should you have any follow-up queries that were not addressed, feel free to reach out to the investor relations team at investor@sonata-software.com. You may now click on the leave button to exit the meeting. Good bye.