

July 10, 2019

## Sonata Software Ltd

Sonata Software is a global technology Company that enables successful platform based digital transformation initiatives for enterprises, to create businesses that are connected, open, intelligent and scalable. The company was consistent in its operations and reported steady growth. Over the 5 years ended FY19, its net sales and net profit increased by 13.5% and 26.8%, respectively.

In FY19 also the company's revenues increased by 20.7%. It's IT services business grew 12% YoY to \$161.2 million in FY19 driven by digital and IP. These two verticals are expected to gain traction over the coming years. Sonata's platformation strategy to provide IT services around IPs like Rezopia, Halosys, Brick & Click and Retina, is yielding results. Growth in IP-led revenues is improving employee productivity and aiding margin expansion. Microsoft Dynamic 365 is in hyper growth phase and Sonata being a preferred development partner is reaping benefits. Sonata strategic acquisition of Sopris and Scalable Data will enhance Dynamics 365 offerings and will support growth.

Growth in IP-led revenues is aiding margin expansion and Microsoft Dynamic 365 is in hyper growth phase. Sonata strategic acquisition of Sopris and Scalable Data will enhance Dynamics 365 offerings and will support growth. The company's cash flow generation being constant and debt being almost nil, returns new acquisitions will further boost overall operations and cash flows. Currently the stock is trading at 13.3x of its earnings and generates 47.9% return on capital. It also pays regular dividend of nearly 50%. Hence BUY.

## BUY

**CMP ₹351**

### Stock Info

Sector	IT-Software
Market Cap (₹ cr)	3,696
Beta	0.6
52 Week High / Low	429/265
Avg. Daily Volume	4,784
Face Value (₹)	1
BSE Sensex	38,557
Nifty	11,499
Reuters Code	SOFT.BO
Bloomberg Code	SSOF IN

### Shareholding Pattern (%)

Promoters	28.2
MF / Banks / Indian Fls	10.0
FII / NRIs / OCBs	13.9
Indian Public / Others	46.8

Abs. (%)	3m	1yr	3yr
Sensex	(0.1)	6.4	39.6
SONATSOFTW	3.8	27.6	105.4

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### Disclosure of Interest Statement

### Sonata Software Ltd

1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

**Ratings (Based on expected returns over 12 months investment period):**

Buy (> 15%)

Accumulate (5% to 15%)  
Reduce (-5% to -15%)

Neutral (-5 to 5%)  
Sell (< -15)