

# Annual Report 2014-2015



**AXISCADES**

Inspired Solutions. By Design

**AXISCADES Engineering Technologies Limited**  
(formerly Axis-IT&T Limited)



FRONT

6m22 / 24'4"

857

2889

4855

993

967

A decorative graphic consisting of numerous blue squares of various sizes, arranged in a cluster on the left side of the page.

# ANNUAL REPORT

2014 - 2015





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## BOARD OF DIRECTORS



**Dr. Vivek Mansingh**  
*Independent Director  
Chairman of the Company  
& CSR*



**Mr. Valmeekanathan S.**  
*Executive Director, CEO*



**Mr. Kailash M. Rustagi**  
*Independent Director  
Chairman Audit Committee*



**Mr. Srinath Batni**  
*Independent Director  
Chairman Nomination &  
Remuneration Committee*



**Mr. Pradeep Dadlani**  
*Independent Director  
Chairman Stakeholders  
Relationship Committee*



**Mrs. Vimmi M Trehan**  
*Independent Director*



**Mr. Kedarnath Choudhury**  
*Non-Executive Director*



**Mr. Rohitasava Chand**  
*Non-Executive Director*



**Mr. Amit Gupta**  
*Non-Executive Director*

## KEY MANAGEMENT PERSONNEL



**Mr. Valmeekanathan S.**  
*Chief Executive Officer &  
Director*



**Mr. Kaushik Sarkar**  
*Chief Financial Officer*



**Ms. Shweta Agrawal**  
*Company Secretary &  
Compliance Officer*

## CORPORATE INFORMATION:

### REGISTERED OFFICE

AXISCADES Engineering  
Technologies Limited  
A-264, Second Floor,  
Defence Colony,  
New Delhi-110024

### BANKERS

Yes Bank Ltd.  
Prestige Obelisk,  
Kasturba Road,  
Bengaluru-560001

### OFFICE FOR CORRESPONDENCE

**For Company Secretary**  
D-30, Sector-3,  
Noida-201301

### For CFO

Kirloskar Business Park, Block C, 2nd Floor, Hebbal,  
Bengaluru-560024

### COMPANY SECRETARY & COMPLIANCE OFFICER

Ms. Shweta Agrawal

### AUDITORS

Walker Chandio & Co LLP  
(Formerly Walker Chandio & Co)  
16/I, Cambridge Road, Ulsoor,  
Bengaluru- 560008



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## NOTICE OF 25th ANNUAL GENERAL MEETING

Date: September 7, 2015

Venue: Air Force Auditorium, Subroto Park, New Delhi-110010

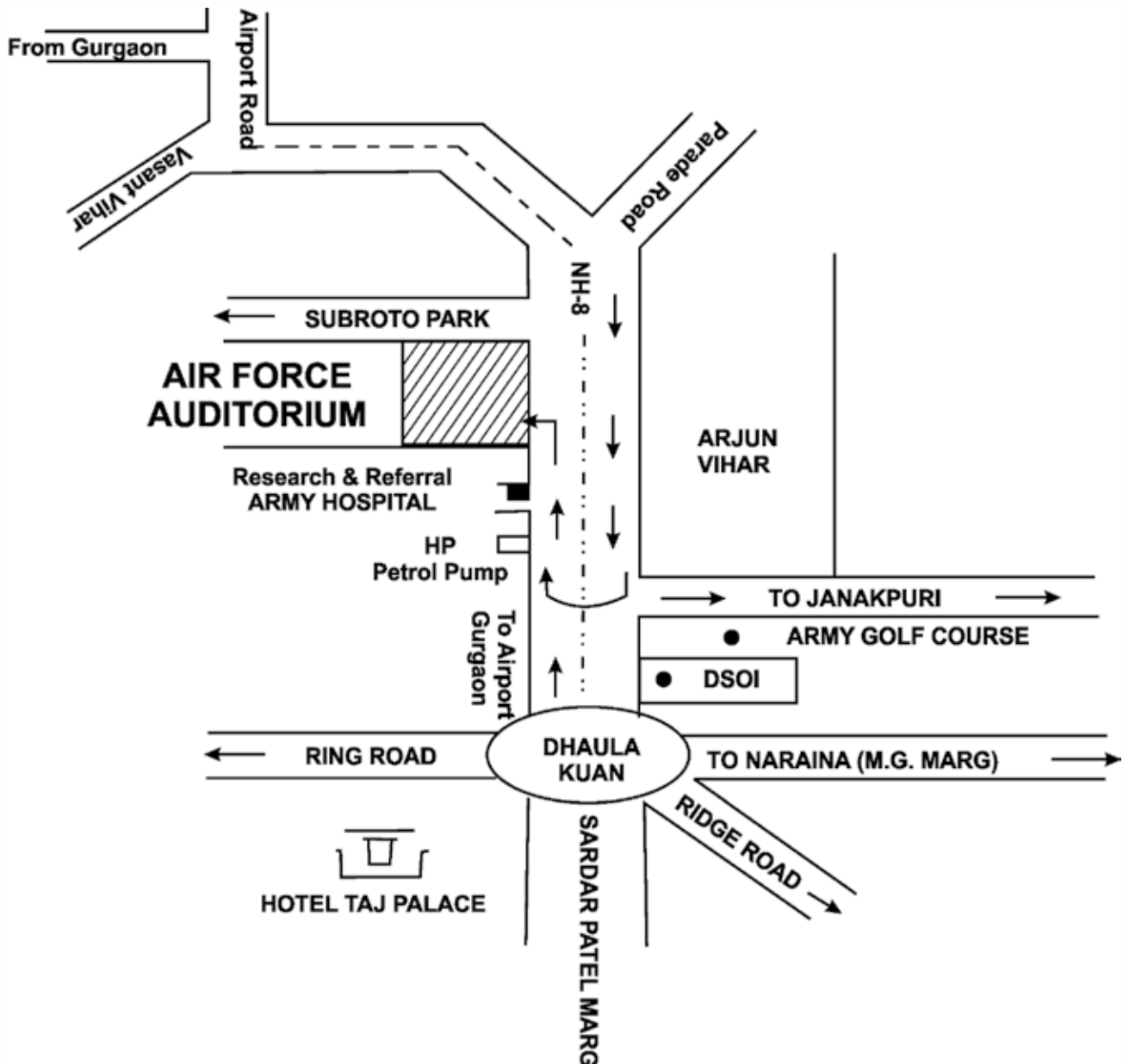
Time: 10.30 a.m.

Proxy form and Attendance Slip are dispatched along with the Annual Report

### Route Map to Venue of AGM



Route Map of venue of AGM of AXISCADES Engineering Technologies Ltd. to be held on Monday, 7th September, 2015 at 10.30 am at Air Force Auditorium.





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## Chairman's Message



**Dr. Vivek Mansingh**

**Dear Stakeholders,**

2014-15 was a new beginning for your Company. With the new name 'AXISCADES Engineering Technologies Limited', in essence a uniform brand has been created that brings together two existing engineering companies – Axis IT&T and Cades Digitech. Both these companies had strong established credentials built over a couple of

decades with their own business models, core engineering competencies, good market presence and strong client engagements.

The first stage of the business transformation was about integrating these two entities into one cohesive organisation with uniform processes and systems. This exercise was about identifying best practices and putting them together while re-engineering the organisation to meet the requirements of the future. This is being supplemented with continuous improvement initiatives to instil operational efficiency as a key characteristic of the DNA of the organisation. In addition, we are driving to further utilise the complementary geography and industry focus of the two entities and leveraging their respective organisational strengths to scale up operations. The integrated organisation now has consistency in terms of provision of value for customers and 'go to market' strategy. In the present global scenario, for an engineering services company based out of India, like us, the market opportunities are immense. There are several estimates that give a sense of the numbers. The latest report by NASSCOM titled 'Global ER&D: Reaching the Inflection Point', released on 26 May 2015, suggests that the annual spending on Engineering and Research and Development (E&RD) will increase to around US\$1.7 trillion. Out of this spend, with a growth of around 7% per annum, the offshore E&RD market is estimated to become US\$ 100-110 billion by 2020, where India's share is expected to rise to around 32%. So, for companies like AXISCADES, the addressable market size for outsourcing of engineering services will be around US\$ 32-35 billion by 2020 and is estimated today to be around US\$17 billion. For me, these numbers are just indicative of the potential of the industry. Different agencies adopting alternate estimation models may come up with other forecasts or estimates, but the important thing is that the result will still suggest a large opportunity.

Having been at the helm of some of the world largest technology driven enterprises, one thing I can vouch for is the need that global companies have of constantly innovating and developing new products and services to remain competitive and drive growth, even when market conditions are not good. It is a well-known fact that companies react most in terms of improving operational efficiencies when demand conditions are challenging and financial performance is under stress. In this light, the recent global economic slowdown has prompted





companies to re-examine the way they do their E&RD spends. What is widely evident is that many companies are continuously improving their E&RD operations and are increasingly considering offshoring of most of their engineering activities. Thus, the opportunity for offshoring engineering services is increasing.

At this juncture, let me take a step back and look at where AXISCADES stands today as a Company.

To begin with, let us look at the financial performance in 2014-15.

As a consolidated entity, total income has grown by 3% to Rs.3,192.4 million. However, in terms of both profits and cash flows there have been significant improvements. With EBIDTA margin as a ratio to revenue increasing from 10.2% in 2013-14 to 13.6% in 2014-15, EBIDTA, in absolute terms, increased by 37.2% to Rs.434.7 million in 2014-15. This improvement in profitability is particularly impressive because it has been achieved at a time when the Company's fixed costs, particularly employee costs, have actually increased with growing levels of hiring. This growth in profitability is primarily due to two factors. First, the increased share of offshore servicing compared to onsite service delivery, increased the share of more cost effective operations. Second, with development in internal capabilities, a sizable portion of the services were executed in-house at the cost of external contractors. In-house service delivery is more cost effective. So on the ground, in terms of operations, we have taken a small albeit strategically correct step forward. The other positive has been the improvements in cash management - cash flow from operations increased by 89.1% to Rs.309.4 million in 2014-15.

Internally, we are making the structural changes necessary to meet our goals. The sales team has been strengthened and transformed from a Business Unit (BU) wise structure to an integrated organisation including three layers – sales, delivery and practice. This is bringing greater focus for the respective functions of sales and delivery. With the added thrust on sales, not only has the Company secured 5 new customers during 2014-15 but is also in advanced stage of discussions to secure some new deals for starting dedicated offshore development centres for a large industrial products company and in renewables energy.

In terms of human resource we have strengthened our team. At the leadership level, we have brought in senior professionals who have strong backgrounds of working in some of the world's leading technology companies.

In addition, corporate governance structures are being strengthened. Today, it is around a year that I have taken fiduciary responsibilities for all shareholders as a non-executive Chairman of the Board of Directors. In this period, the Board has been further strengthened with the inclusion of certain eminent people. In line with the regulatory requirement, we have appointed a lady independent

Director. Clearly, the Company will be supervised by an independent and proactive Board of Directors.

We are primarily an engineering company and will chart out our growth path maintaining this inherent characteristic. We have been servicing three verticals – Aerospace, Heavy engineering, Automobile and Industrial products and are strengthening our capabilities in these activities without over diversifying prematurely. It is important to appreciate that engineering is not just a technology play. It is about domain understanding, which is very important to support the specific needs of a customer in a given industry. There is a strong barrier to entry in this business and engagement structures are very critical. If we can move successfully today, the opportunity is long term because some of our products have life spans, which can stretch even over 3 decades.

There is immense scope in spreading across more industries and expanding beyond our core engineering capability, which is mechanical and electrical, to other domains like electronics etc. While we are committed to move in this direction, we will tread cautiously. Our initial focus is on further strengthening the abilities in our established domains to provide solutions to customers' problems and establish a step in the direction of becoming engineering partners who can co-create products.

In 2014-15, we have created the platform for launching into a strong growth path for AXISCADES. The opportunities are massive but we acknowledge that competition is also stiff. We will move forward in a well calibrated manner where growth is achieved by best managing risks. It is as much about identifying opportunities and developing long term customer relations, as it is about putting the right people, processes and systems in place that will create an efficient, scalable and agile enterprise.

While we focus on value creation for our shareholders, we also aspire to become a good corporate citizen and are driven by the principle of giving back to society. During 2014-15, we have created the framework for a structured Corporate Social Responsibility (CSR) initiative through a formal CSR policy. The core focus is on supporting social and economic inclusion and environment sustainability. We have identified partners and started executing projects from May 2015. We will continue to strengthen this activity. I would like to take this opportunity to thank all our stakeholders including the shareholders, partners, vendors, customers and creditors for their support. A special mention is due for all the employees whose tireless efforts is what is shaping the ability of the Company to deliver long term sustainable value. The opportunities are immense and 'we have miles to go before we sleep'. Look forward to all your faith and belief in our vision as we set sail for the next stage of our development path.

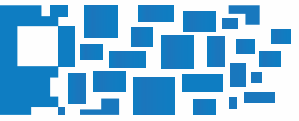
**Dr. Vivek Mansingh.**



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## Global Engineering Services



## A Sea Of Opportunity For India

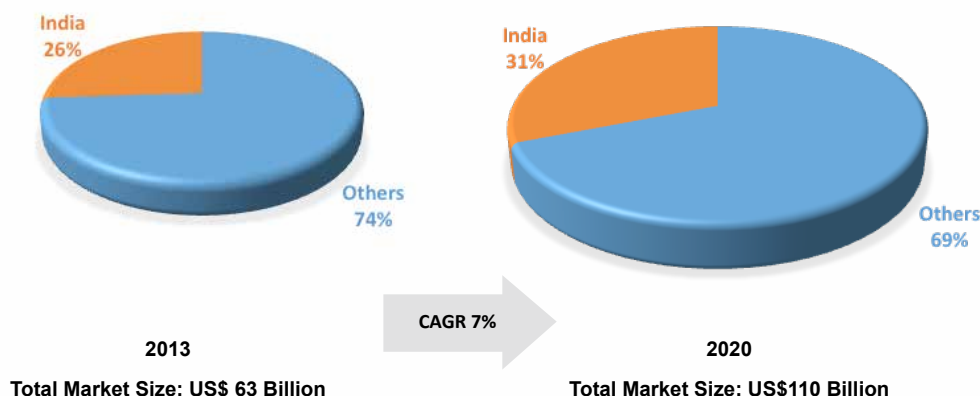
### Global Engineering and R&D Offshoring Market

**Indian offshore E&RD opportunity to grow because:**

Higher propensity to offshore seen across sectors to gain cost advantages

India's share expected to grow because of cost advantages and large talent pool

Localisation of products driving large E&RD to India – Closer to end customer



\* Note: Market projections are based on report by NASSCOM titled 'Global ER&D: Reaching the Inflection Point', released on 26 May 2015