



# AXISCADES

Inspired Solutions. By Design

AEROSPACE



HEAVY ENGINEERING



DEFENCE



AUTOMOTIVE



INDUSTRIAL PRODUCTS



# *GOING STRONG*

**ANNUAL REPORT 2015-16**

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



*Strength  
in **unity***

Link for downloading the report  
[www.axiscades.com/investor-relation.html](http://www.axiscades.com/investor-relation.html)

Technology is evolving at an incredibly rapid pace and the expertise offered by Indian companies has got the world's attention. With this backdrop, the unified brand AXISCADES, the result of the coming together of Axis-IT&T and CADES, has the vision of becoming a globally admired provider of innovative engineering solutions in a complex, futuristic world.

AXISCADES is present in aerospace, heavy engineering, defence, automotive, and industrial products. Our knowhow is valued by several of the biggest players in these industries, and our mission is to grow our business by fulfilling India's potential. We aim to capture a greater share of the global engineering research and development market, one of the fastest growing offshoring businesses.

#### NOTICE OF 26<sup>th</sup> ANNUAL GENERAL MEETING

Day & Date: Monday, September 26, 2016

Venue: Sathya Sai Samskruta Sadanam,  
No. 20, Hosur Road,  
Bengaluru- 560 029, Karnataka

Time: 11.00 a.m. IST

Proxy form and Attendance slip are  
despatched along with the Annual Report

Route map is at the end of this Report

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# Board of Directors



Front Row ( From L to R )

- |   |   |  |   |
|---|---|--|---|
| 1. Mr. Valmeekanathan S.<br>Chief Executive Officer &<br>Director | 2. Dr. Vivek Mansingh<br>Independent Director Chairman<br>of the Company & CSR<br>Committee | 3. Mr. Sudhakar Gande Vice<br>Chairman &<br>Executive Director | 4. Mr. Kailash M. Rustagi<br>Independent Director Chairman<br>Audit Committee |
| 5. Mrs. Vimmi M Trehan Inde-<br>pendent Director                  | 6. Mr. Kedarnath Choudhury<br>Non-Executive Director  |  |   |

2nd Row ( From L to R )

- |   |   |   |   |
|---|---|---|---|
| 1. Mr. Amit Gupta<br>Non-Executive Director | 2. Mr. Srinath Batni<br>Independent Director<br>Chairman Nomination & Remu-<br>neration Committee | 3. Mr. Rohitasava Chand<br>Non-Executive Director | 4. Mr. Pradeep Dadlani<br>Independent Director Chairman<br>Stakeholders Relationship<br>Committee |
|---|---|---|---|

## Key Management Personnel



Mr. Sudhakar Gande  
*Vice Chairman &  
Executive Director*



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  
Block C, Second Floor,  
Kirkoskar Business Park,  
Bengaluru - 560 024, India

### BANKERS

Yes Bank Ltd.  
Prestige Obelisk,  
Kasturba Road,  
Bengaluru - 560 001, India

### AUDITORS

Walker Chandiok & Co LLP  
(Formerly Walker Chandiok & Co)  
5 Floor, No. 65/2, Bagmane Tridib, Block "A",  
Bagmane Tech Park, C V Raman Nagar,  
Bengaluru 560 093, India

# Chairman's message



**Dr. Vivek Mansingh**  
Chairman

## *Dear Stakeholders,*

As I reflect on the year gone by, i.e. FY 2015-16, it gives me pleasure to report that we have made good progress in our transformation journey. This included diversification of our offerings across new sectors, strengthening of internal systems and processes, enhanced focus on innovation and on our value proposition, and giving a push to organic growth through investments in sales and marketing. Further, the acquisition of AXISCADES Aerospace & Technologies is moving in the right direction. We expect to receive the approval in Q2FY17. The acquisition will align all our interests and unlock greater value for shareholders.

## **FINANCIAL PERFORMANCE**

The revenue from operations on a consolidated basis increased from ₹ 3,175 million to ₹ 3,754 million, a growth of 18% over FY15. EBITDA margin increased by 150bps to 14.7% over FY15, mainly contributed by expansion in gross margin. The other positive has been improvements in PAT and EPS. PAT is at

₹ 286 million, up 47% from FY15, and EPS is at ₹ 10.51, which has improved by 36.7% over FY15. The increase in EBITDA margin demonstrates our success in improving business mix, operational efficiency and the proportion of our offshore business.

## **ENHANCING INVESTMENTS**

We are making significant investments to enter into new areas of work. An important aspect of this is developing an ecosystem of niche competencies, wherein we are servicing our existing customers with new offerings. In the long run, the benefits from this engagement model - initially, enhancing revenue from these new services provided and, subsequently, acquiring new competencies and entering new areas of specialisation - will drive long-term value. Moreover, as this model becomes more evolved, the costs will continue to reduce as we internalise the competency and deepen our relations with our customers.

In line with our commitment to outpacing the industry growth, we continue to push organic growth through investments in sales and marketing. We have hired a Global Head of Sales based out of the US, putting a special emphasis on serving the US aerospace market, and a Director of Business Development and Strategy based out of Paris. With considerable years of experience in their respective fields, they will be looking at putting in place the right systems and processes to drive higher growth. Apart from this, we continue to reinforce our human resources through effective recruitment. Our focus on strengthening our team has proved valuable as we have secured 19 new customers during FY 2015-16.

The Company has consistently been able to win projects offshored by both original equipment manufacturers for aerospace, heavy engineering and automotive industries, and by defence manufacturers looking to fulfil their offset obligations. We hope to expand our presence in the defence sector, going from being a trusted offset partner to a direct bidder for Indian Air Force contracts through AXISCADES Aerospace & Technologies Private Limited. The Government of India is, at the moment, one of the biggest buyers of defence equipment in the world. Under the 'Make in India' initiative, the country will very likely move towards developing its indigenous defence manufacturing capabilities. That is promising for AXISCADES, a company that has already crossed the entry barrier for a highly regulated sector like aerospace and made a name for itself there. That reputation will bolster our efforts to enter other highly regulated sectors.

## **DIVERSIFYING VERTICALS**

I believe FY 2015-16 was a seminal year for our strategy of diversifying verticals. During the year, we signed a contract to set up a dedicated offshore development centre to provide design and engineering

*“ We are committed to innovating and remaining on the path of relevance to our customers.”*

services to a leading manufacturer of wind turbines. This strategic contract will give AXISCADES a great opportunity to further solidify its position in the renewable energy sector, among the sunrise industries across the world.

The Company has also set up a dedicated centre of excellence for a major helicopter OEM, which has the potential to grow into a multi-million dollar account. This is the first time this OEM is moving work out of Europe.

The Company is also looking at opportunities in other fast-growing areas where our strong points - excellent track record in a highly regulated sector like aerospace; and world-class engineering design capabilities for high-technology industries - would stand us in good stead.

### STRATEGIC ACTIONS

Most of our partners are global OEMs or marquee clients with major outsourcing budgets. Through innovation, we are continually focussing on expanding our service offerings and driving higher outsourcing business from them.

In the aerospace and defence sector, by effectively serving customer needs, we create the opportunity of a long-term business relationship through multi-year contracts. Moreover, our success in serving our existing customers opens up opportunities for securing orders from new customers from the same or different verticals.

During the year under review, our strategic efforts in reinforcing customer relationships paid us rich dividends. Our achievement draws further merit as we retained Preferred Engineering Supplier status with European Aerospace global OEM, reaffirming that we are doing the right things and providing engineering services par excellence.

### BOARD COMPOSITION

I am pleased to announce that Mr. Sudhakar Gande, who has extensive experience in venture development, investment banking and general management across aerospace technology and banking sectors, has joined the Board as Vice-Chairman & Executive Director. His presence

on the Board will provide the necessary thrust and impetus in the transformation of the Company and in driving future prospects.

### MARKET OPPORTUNITY

While our order book is progressing in the right direction and we are expanding our offerings to new customers across diverse verticals, I believe this is only the tip of the iceberg as far as market opportunities in engineering services are concerned. Aerospace itself holds great promise for our Company. In the 'Point of View' report published by NASSCOM in December 2015, it is estimated that by the year 2020, offshored engineering research and development (ER&D) for the aerospace sector will be US\$ 4.5-5 billion, with India's share in global offshore (aerospace) market expected to grow to 40-50 per cent.

As per this report, the global ER&D spend is set to touch US\$ 1.7 trillion by 2020, up from US\$ 1.4 trillion in FY13. India's ER&D industry has been seeing double-digit growth in the recent past, and by 2020, it is expected to reach exports of US\$ 30-38 billion. With Asia becoming an attractive offshore destination due to its cost and talent pool advantage, India is expected to further strengthen its position in the global sourcing arena.

### FINAL THOUGHTS

The engineering design services opportunities are enormous. Our business strengths of a talented workforce, the enduring nature of customer relationships, and our global platform will serve us well in the years ahead, enabling us to create higher value. We are committed to innovating and remaining on the path of relevance to our customers. On behalf of the Board, I would like to thank the entire team of AXISCADES for the dedication and professionalism that they have demonstrated throughout another successful year. I would also like to express my gratitude to our shareholders, partners, vendors, customers and creditors for their continued support. You can be assured that we shall work diligently to take this Company to greater heights.

**Dr. Vivek Mansingh**  
Chairman

# *The World of* **AXISCADES**

The unified brand of AXISCADES has reinforced its core areas of operation, while exploring diversification opportunities in a world of extremely quick and complex technological changes. We are well positioned to benefit from the attention being given to Make in India initiative, offset regulations and, at the same time, from offshoring by major international manufacturers in all the sectors where we are active.

The unified brand was formed in FY14 through the merger of Axis-IT&T with Cades, companies with complementary strengths – the former provided engineering services to the heavy industries segment; the latter provided engineering services to the aerospace and automotive sectors. At present, the brand represents two companies, AXISCADES Engineering Technologies Ltd and AXISCADES Aerospace & Technologies Private Ltd. The businesses we cater to are in aerospace, automotive, defence, heavy engineering, and industrial products.

## **AEROSPACE**

We are a strategic partner to original equipment manufacturers and Tier 1 suppliers, who seek cost-efficient solutions combined with the highest level of expertise and deep domain knowledge. Our partnership is based on the need to control development costs, quick technology adoption, risk mitigation and fulfilling offset obligations. AXISCADES has global reach and is able to offer solutions from concept generation to manufacturing support and certification. We provide integrated solutions for system and sub-systems of aerospace engineering, including aircraft interiors, technical publication, reports on non-fulfilment of specific requirements and avionics.

## **AUTOMOTIVE**

We work with our partners in this sector to meet the challenges of ever greater safety and emission norms, the need to offer increasingly better specifications at highly competitive prices, and the urgency of cost reductions to deal with the current unpredictable nature of the global economy. Collaboration between original equipment manufacturers and suppliers for better product, technology, process and business innovations is imperative. Our competencies and domain expertise allow us to provide value across the entire product life cycle. And our portfolio has several developmental and turnkey (art to part) projects for global and Indian automotive OEMs.

## **DEFENCE**

The challenge for the defence industry is constant technological innovation to deal with new and mounting threats to homeland security while keeping costs extremely competitive. We are a well-established offset partner for the Indian government, and are able to draw upon the experience of the armed forces to provide engineering solutions for air, ground and marine systems. Our services in the defence industry includes

end-to-end solution in the electronics domain, software and simulation, product development, test solutions, obsolescence management and system integration. This makes us a preferred Indian offset partner to global OEM's. We are certified for defence manufacturing in India.

## **HEAVY ENGINEERING**

This is an area where we service two types of markets: growing economies with heavy engineering requirements, and developed economies that want to attain greater cost efficiency through offshoring. The main market needs at the moment are product innovation, product localisation, reduced emission, and a shorter design cycle. We have over two decades of expertise in new product development, product improvement and product sustenance. Our domain expertise is in construction, agricultural, mining, material handling equipment; this has given us deep insight into the major challenges of the industry and ways to address them.

## **INDUSTRIAL PRODUCTS**

We have a comprehensive portfolio of engineering solutions for original equipment manufacturers and Tier 1 suppliers. These businesses need a partner to help them with the adoption of new technologies, feature addition, modular approach, shorter development windows, and product localisation. Our presence across industries enables us to offer solutions that are completely customer-centric, and as with all other industries that we service, here, too, we can meet our partners' entire product life cycle development needs. In this space, we have worked with businesses in energy and utilities, appliances, and plant engineering. In the renewable energy sector, we provide cost-effective design solutions and have set up a dedicated offshore development centre for a global market leader in the manufacturing of components such as wind turbines. This is a part of our long-term plan to grow in this sector.



## Performance highlights for 2015-16

Revenue from operations

Up ↑

₹ 375 crore  
18% year-on-year

EBITDA

Up ↑

₹ 55.5 crore  
33% year-on-year

PBT

Up ↑

₹ 44.7 crore  
55% year-on-year

PAT (after minority interest)

Up ↑

₹ 28.6 crore  
47% year-on-year

EPS

Up ↑

₹ 10.51 per share  
37% year-on-year

### High points of 2015-16

- Announced acquisition of AXISCADES Aerospace and Technologies Private Limited (ACATPL) through merger of its holding company. ACATPL provides strategic technologies to aerospace, defence and homeland securities. Approval of the High Court is awaited.
- Renewal of 'Preferred Engineering Supplier' status with European aerospace global OEM.
- Inaugurated new engineering offshore development centre for Siemens Wind Power, in Hyderabad.
- Addition of 19 new clients in FY16.
- Strengthened sales presence in North America and Europe and at key accounts.
- Set up practice team to create innovative solutions for OEMs.

Year-on-year growth in  
major AXISCADES verticals

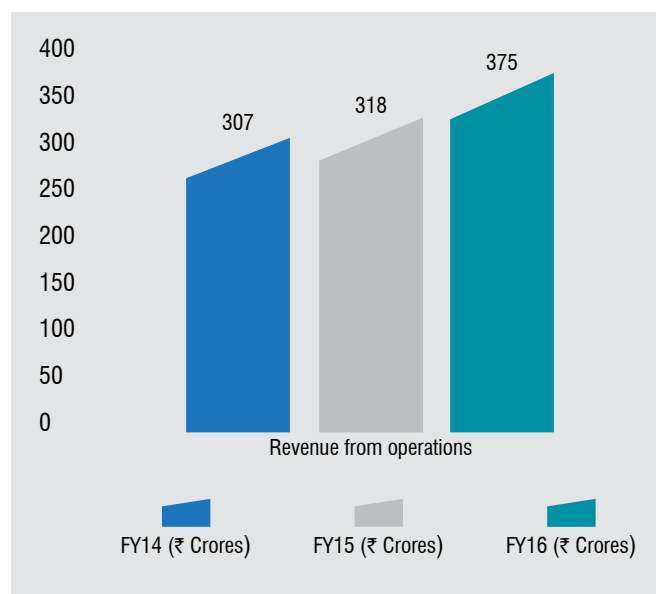
16%

Aerospace

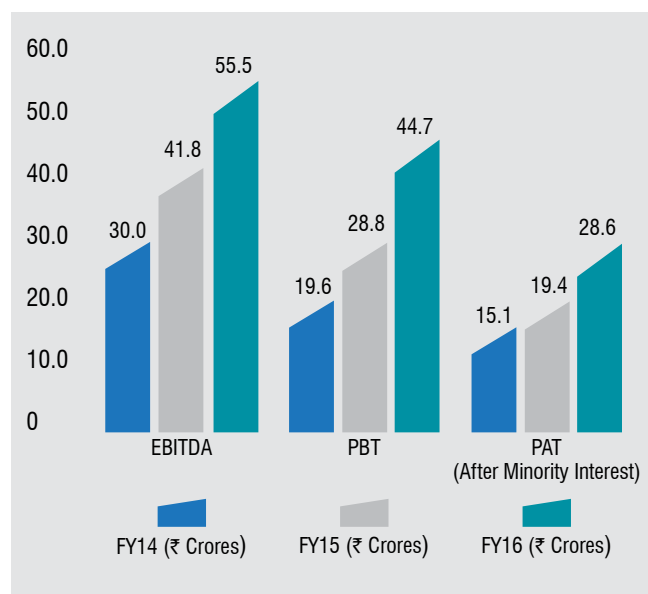
9%

Heavy engineering

Three-year figures on total revenue



Three-year figures on margins



# Engineering research and development overview

## **\$680 billion**

ER&D spend by global top 1000 corporations in FY15

## **32%**

India's future share of the global offshore ER&D market

## **28%**

India's market share in the global ER&D outsourcing market, making it the second largest player

## **\$35 billion**

Estimated future market size of Indian ER&D players such as AXISCADES

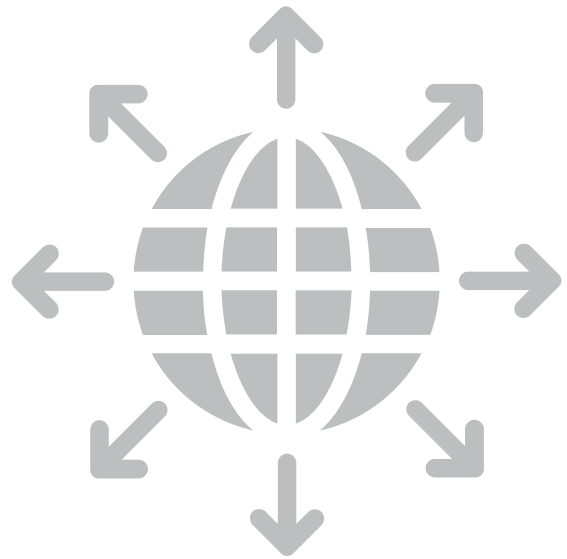
## **\$110 billion**

Offshore ER&D market globally by FY20

## **\$17 billion**

Estimated present market size of Indian ER&D companies

Source: Nasscom Report-Strategic review 2016 and Global ER&D 2015



### Outlook

Some of our verticals have shown substantial growth; some others less so. Overall, AXISCADES is growing faster than the whole ER&D market, and is expanding its market share. With stress on 'Make in India', the rising trend of offshoring, and our successful foray into the highly promising renewable energy sector, the AXISCADES market share has much scope for further improvement.

### Factors in favour of growth in the Indian ER&D market

Increased offshore manufacturing

- ▶ Offset obligations in defence
- ▶ Large Indian talent pool
- ▶ Lower overhead costs
- ▶ Localisation of products
- ▶ Proximity to end customer