



EXPANDING OUR HORIZONS



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In this report, we use the terms 'AXISCADES', 'the Company', 'we', 'us' and 'our' to refer to AXISCADES Engineering Technologies Limited.

WE ARE EXCITED ABOUT OUR FUTURE

The recent closing of the acquisition of AXISCADES Aerospace & Technologies Private Limited (ACATL) opens up new vistas of opportunities. Leveraging our combined technical and domain strength, proven global delivery capability and unparalleled talent, it powers our potential to soar higher.

We have expanded our horizons with the signing of new agreements, renewal of existing contracts and enhancement of our marquee customer base. As an organisation with a strong impetus for sustained value creation, we continue to broaden our service offerings and enhance our competencies to expand our horizons organically. As a company AXISCADES is at an inflection point and well positioned to capitalize and benefit from these opportunities.

There are very few companies in India that can execute at the scale and technical level that AXISCADES is known for delivering in the global engineering market, in its chosen segments. Our capabilities have only enhanced further with the synergistic acquisition and by reinforcing competitive differentiators.

EXPANDING HORIZONS THROUGH STRONG GROWTH PIVOTS

COMPANY OVERVIEW

AXISCADES Engineering Technologies Limited (AXISCADES) is a leading Product Engineering Solutions Company catering to the futuristic needs of Aerospace, Defence & Homeland Security, Heavy Engineering, Automotive & Industrial Products, Energy and Medical & Healthcare sectors.

AXISCADES offers product engineering solutions across Design, Development and Lifecycle Support in the areas of mechanical engineering, embedded engineering, system integration, manufacturing engineering and aftermarket support.

AXISCADES is a partner to global OEMs in building safe, smart, sustainable and innovative solutions. Our solutions integrate the technical know-how, industry best practices and delivery excellence, by placing customer needs at the core of our business. The company's continuous endeavor is to deliver value to its customers through its strong talent of 1600 employees spread across 14 locations.

OPERATIONAL HIGHLIGHTS

EXPANDING CAPABILITIES & PRESENCE

Acquisition of ACATL creating a strong Product engineering Solution organization thus augmenting horizontal and vertical service offerings

Strengthened local German presence with a subsidiary to meet the requirements of European Defence and Space sector

STRONG CUSTOMER RELATIONSHIP

Won a dedicated offshore development center contract from Airbus covering Fuselage, Wings and Defence divisions despite tough competition from Indian and European suppliers

Selected as key partner for design and development of Automated Testing Equipment for a European Defense OEM as part of their global supply chain

NEW VERTICALS & ALLIANCES

Incubated Medical & Healthcare practice with ISO 13485 certification

Signed MoUs with European hi-tech companies, in the areas of Drone, Virtual Reality and Simulation

HIGHLIGHTS OF OUR BUSINESS VERTICALS



AEROSPACE

- Long term strategic relationship with Aerospace OEMs and Tier 1 suppliers
- Solutions range from concept generation phase to manufacturing support and certification
- Integrated solutions for interiors, electrical systems, structures, avionics, mechanical systems



DEFENCE

- Partnering the Defence industry by addressing the strategic needs across air, ground and marine systems
- Authorised India Offset Partner (IOP) for various global OEMs and have successfully established strategic partnerships for executing Offset obligations
- Certified for Defence manufacturing in India



HEAVY ENGINEERING

- Largest engineering services partner to leading global OEM
- Product Engineering Solutions addressing design services, virtual validation and value engineering
- Expertise in New Product Initiatives, Reverse Engineering, Continuous Product Improvement, & end to end Product development



AUTOMOTIVE & INDUSTRIAL PRODUCTION

- Comprehensive portfolio of services to global OEMs and Tier 1 suppliers
- Providing value across the entire product lifecycle from concept evaluation phase to the after start of production phase
- Facilitating design and development of high quality products with lower cost and shorter lead time



ENERGY

- Dedicated offshore development centre in order to provide design, design support and other associated engineering services to leading manufacturer of wind turbines



MEDICAL & HEALTHCARE

- Enabling OEMs to develop reliable medical devices through systems thinking approach
- Capabilities include design & development, optimization, Verification & Validation, firmware & application development and remediation services
- Providing value edge for product localization through differentiating capabilities

CHAIRMAN'S MESSAGE



Dear Stakeholders,

It gives me great pleasure to report that the fiscal year 2016-17 was a milestone year for AXISCADES. It marked the completion of the acquisition of AXISCADES Aerospace & Technologies Private Limited (ACATL), which we had commenced upon in the previous year. Driven by this synergistic acquisition as well as the progress we have made across our various verticals, we are distinctly better positioned for growth and value creation.

BUSINESS DEVELOPMENT & GROWTH

Reinforcing our technical capabilities and high standard of quality, we are proud to share that AXISCADES has won the contract for the dedicated offshore development centre from Airbus with enhanced scope covering Fuselage, Wings and Defence. Your Company has secured an order to deliver advanced simulation products to the Ministry of Defence against stiff international competition. The year saw us being selected as the Preferred Global Supplier by a global OEM in Europe for supply of Automated Testing Equipment. We have added many new clients in the year, seven of which have the potential to contribute significantly to your Company's growth in the coming years. Further, we have opened a subsidiary in Germany to meet the requirements of European Defence and Space sector. We have strengthened our team through the appointment of domain experts with extensive experience in newer focus areas like medical & healthcare and embedded engineering. The efforts have started delivering value with good customer traction and a good sales pipeline across these segments.

While we continue to remain focussed on growing our business organically, our strong balance sheet enables us to aggressively mine for other opportunities and to grow the business inorganically. Select areas like embedded software, innovative and sustainable product development and medical & healthcare segments provide ample opportunity to expand our scope of services and the addressable market.

INVESTING IN OUR COMPETENCIES

We continue to invest in development and acquisition of competencies that will provide us with the agility and technical superiority to deliver exceptional offerings. During the year, we signed agreements with many leading European Technology companies, which will enable us to address the growing market for new age technologies in the Indian Defence and Aerospace sector. In addition, our recent

MoU for a joint venture with one of the world's leading engineering company enables us to unlock huge opportunities in the Energy and Nuclear Engineering sector.

We continue to develop an eco-system around technical partnerships which over a period adds to our in-house capabilities. This strategy has served us well, enabling us to grow one Aerospace account from scratch to excess of USD 20 million in 6 years.

ACATL ACQUISITION

In the third quarter of FY2017, we closed the acquisition of ACATL, a company providing product, system integration and deep technology solutions, to aerospace, defence and homeland security sector. With this acquisition, we now have expanded opportunities that leverage our combined strengths, technical capabilities, processes, talent and global reach. The integration will enable us to deepen existing relationships with cross-selling opportunities, while enhancing our client base, moving us progressively forward on our objective of delivering sustained shareholder value.

With this strategic acquisition, AXISCADES has a competitive edge to address large domestic and global programmes. Given the government's strong focus on developing indigenous manufacturing capabilities in Aerospace & Defence and on the Make in India initiative, this offers enormous opportunities for us as an offset partner for global OEMs and to be a part of their global supply chain.

FINANCIAL PERFORMANCE

FY 16-17 was a challenging environment on multiple fronts; this was further compounded with slow-down particularly in our heavy engineering segment, resulting in a marginal increase in total income by 0.5% from ₹ 3,793 million in FY 15-16 to ₹ 3,813 million in FY 16-17. However, total income on a consolidated basis increased from ₹ 3,793 million to ₹ 4,990 million, a growth of 32% over FY 2015-16, mainly attributable to the acquisition. Operating

margin excluding the impact of the acquisition stands at 8.6% vis-à-vis 15.1% in the previous year. The decline is largely attributable to challenges in Heavy Engineering segment, one specific account in aerospace, additional partner costs to deliver contracts in new areas and further investments in leadership hiring. Operating margin for ACATL stood at 18.4%. The consolidated profit after tax (PAT), after minority interest, for the year stood at ₹ 131 million, impacted by lower revenue and higher expenses.

MARKET OPPORTUNITY

On the macro-front, the global ER&D market offers a broad array of opportunities. As per NASSCOM's Strategic Review 2017 for ER&D, global sourcing of ER&D is at USD 80 billion; India's share in global sourcing stood at 28% amounting to USD 22.5 billion. Going forward, India's ER&D segment is attractively poised for a high CAGR of 15% to reach USD 70-90 billion by 2025, a three-fold increase in revenue. As a reputed and well-established company in this industry, we remain optimistic of benefiting from these expected developments.

The offset opportunity is estimated to be USD 8 billion per year in the next five years based on the current capital purchase programme of the Indian Defence forces. AXISCADES is involved in meeting the critical needs of Indian Defence forces and has established itself as a key partner to the country's Defence requirements. Leveraging our strong track record and industry expertise, the government's 'Make in India' opens a gamut of opportunities for your Company.

In the heavy engineering segment, as I write this, we are witnessing encouraging signs of investments starting to flow into infrastructure development globally, which makes us hopeful that revenues from this business vertical should revive in the coming quarters.

PARTING THOUGHTS

AXISCADES will continue to push the envelope in terms of innovation and execution

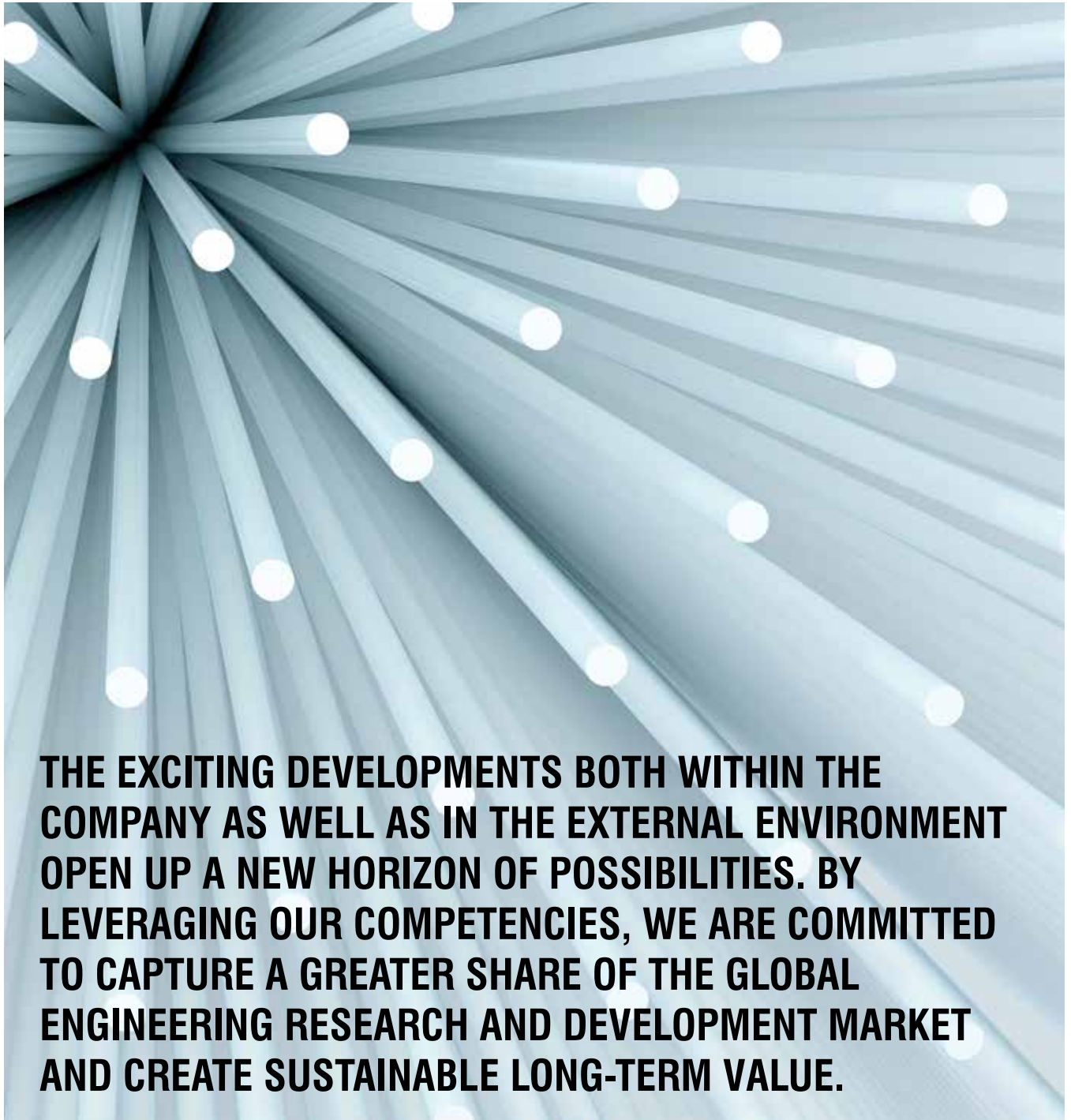
excellence. Driving and achieving operating efficiency is the key to our success, regardless of the headwinds that we may face. This uncompromising commitment to performance is what we firmly believe advances client addition, expansion of projects and our long-term success. Leveraging our long expertise in highly regulated sectors like aerospace and defence and world-class product engineering capabilities for high-technology industries, we will expand our solutions to new areas and improve our value proposition. And last but not the least; unleashing the new strength of AXISCADES post acquisition, we remain upbeat about expanding our horizons and delivering beyond expectations in the long run.

On behalf of the Board, I would like to thank every member of our team for their contributions to another successful year. I would also like to express my gratitude to our shareholders, partners, customers, vendors and creditors for their continued support. We are prepared and excited for the journey ahead as we lead AXISCADES into new possibilities.

Dr. Vivek Mansingh

Chairman

EXCITING DEVELOPMENTS THAT EXPAND HORIZONS



THE EXCITING DEVELOPMENTS BOTH WITHIN THE COMPANY AS WELL AS IN THE EXTERNAL ENVIRONMENT OPEN UP A NEW HORIZON OF POSSIBILITIES. BY LEVERAGING OUR COMPETENCIES, WE ARE COMMITTED TO CAPTURE A GREATER SHARE OF THE GLOBAL ENGINEERING RESEARCH AND DEVELOPMENT MARKET AND CREATE SUSTAINABLE LONG-TERM VALUE.

ACATL ACQUISITION

A landmark development of the year was completion of the acquisition of ACATL. With ACATL's strong technical capabilities in electronics, software simulation and system integration, this acquisition is highly synergistic for our Aerospace and Defence vertical. It will enable us to increase our bandwidth of service offerings, augment our capabilities, deepen existing customer relationships with cross-sell opportunities across our target industries and expand our target addressable market. This in turn will help us to create better long-term value for all our stakeholders.

IMPROVING OUR VALUE PROPOSITION

Today's complex business environment makes it imperative to engineer agile solutions that leverage new-age technologies. Aligned to this, we are taking steady strides in select areas of embedded electronics, industrial automation, product lifecycle management, knowledge-based engineering, engineering analytics, etc. These competitive differentiators will enable us to make our customers' products a lot more intelligent than in the past and their business more digitally driven.

ENHANCING OUR MARQUEE CUSTOMER BASE

The acquisition of ACATL provides a competitive edge by enabling us to increase the scope of our services. This positions us at a vantage point to seize the burgeoning opportunities in terms of offset business and being part of the global supply chain. By effectively serving customer needs, we are enhancing our customer base as well as strengthening our relationships with them.

Acquiring high-end technical capabilities: To address the imminent requirements in aerospace, defence, emerging areas like cyber security, we have entered into collaborations with leading global companies in the new-age

technology space. Our agreements with Drone Volt and E2M Technologies will enable us to bolster our competencies in addressing the growing market for unmanned aerial vehicles (UAV), more popularly known as drones, in the Indian defence and aerospace sector. With Virtual Reality Media, a Slovakian company, an agreement has been signed for addressing the requirements of Russian platforms, such as the Dornier 228 aircraft.

INDIA EVOLVING AS A GLOBAL HUB IN DEFENCE MANUFACTURING

Apart from an increase in demand for expensive military equipment, among the most important trend in the Indian defence sector is the call for localization of military production in the country with the Government's clarion call to the world - 'Make in India'. This increase in Indian Defence spend and Offset obligations are creating huge opportunities in aerospace and defence product design and development activities. With our proven capabilities in the aerospace and defence vertical, sectors that are highly regulated and with strong entry barriers, we are well-poised to capture a significant slice of the pie and scale greater heights.

DIVERSIFYING INTO NEW VERTICALS

Our robust balance sheet provides us the financial strength and flexibility for capturing inorganic growth opportunities. Leveraging our domain expertise, we are constantly evaluating opportunities in new areas such as medical devices, which will help us move up the value chain.

Sustained investment in people: People are at the heart of our success and we are making continued investments for their development as well as strengthening our team through talent hiring and retention. During the year, we reinforced our sales and delivery leadership with the addition of senior Technical Heads to drive business growth across verticals.

Our robust sales team continues to deepen customer connect by addressing their requirements effectively.

VAST OPPORTUNITIES IN THE ER&D SEGMENT

As per the 2017 report released by Nasscom, while the Global ER&D spend witnessed flat growth in 2016, global sourcing of ER&D experienced double-digit growth of 11% over 2015 to reach USD 80 billion. Further, in recent times, India has emerged as among the popular destination for ER&D outsourcing with a 28% share, just marginally behind Europe which holds a 29% share. Going forward, offshoring by major international manufacturers in all the sectors where we are active provides tremendous growth opportunities for our Company.

BOARD OF DIRECTORS



Standing from left to right: Sidhartha Mehra, Kailash M Rustagi, Pradeep Dadlani, Kedarnath Choudhury, Valmeekanathan S., Vimmi M Trehan
Seated from left to right: Srinath Batni, Sudhakar Gande, Vivek Mansingh, Rohitasava Chand