



AXISCADES

Inspired Solutions. By Design



TRANSFORMATION

Continuous and Consistent

Contents

Corporate Overview

- 02 Driven by innovation and passion
- 03 Transforming to excel
- 04 Chairman's letter
- 06 Transforming for a sustainable future
- 12 Board of Directors

Statutory Reports

- 13 Management Discussion & Analysis
- 21 Board's Report & Annexures
- 52 Report on Corporate Governance

Financial Statements

- 66 Standalone
- 134 Consolidated
- 219 Notice

FORWARD-LOOKING STATEMENT

This Report may contain certain forward-looking statements relating to the future business, development and economic performance. Such Statements may be subject to a number of risks, uncertainties and other important factors, such as but not limited to (1) competitive pressure; (2) legislative and regulatory developments; (3) global, macro-economic and political trends; (4) fluctuations in currency exchange rates and general market conditions; (5) delay or inability in obtaining approvals from authorities; (6) technical developments; (7) litigations; (8) adverse publicity and news coverage, which could cause actual developments and results to differ materially from the statements made in this report. AXISCADES Engineering Technologies Limited assumes no obligation to update or alter forward-looking statements whether as a result of new information, future events or otherwise.

Globally, the engineering services industry is witnessing massive disruptions. Manufacturing is moving towards 'Industry 4.0', a scenario where manufacturing technologies are witnessing rising use of automation and data exchange. Customers are increasingly demanding integrated digital-led service offerings at right prices, while wanting long-term partners to step-up innovation and broaden offerings. The scenario demands offering the customers an unmatched proposition.

Our strategy, at AXISCADES, over the next few years will entail consistent transformation by integrating and digitalising offerings as well as building new capabilities and product solutions.

As we evolve into a next-generation digital engineering services company, we will focus on extending service offerings to newer areas forming alliances with innovative companies to multiply competencies, and ramping-up strategy in defence business to capitalise on the offset opportunity. We have engaged the entire leadership team and defined key metrics to ensure the success of this transformational journey.

**We are ready to evolve and deliver
in this new digital era.**



AXISCADES:

Driven by innovation and passion...

AXISCADES is amongst the leading Product Engineering Solutions Company. With our skilled team of 2,100+ people having multiple competencies strengthened by strategic alliances, we are driven by the vision to deliver futuristic, digital technology-enabled product engineering solutions.

Our holistic offerings cover the gamut of design, development and lifecycle support for mechanical engineering, embedded software and hardware, system integration, manufacturing and aftermarket solutions.

We are a technology solution partner to global OEMs, including some Fortune 500 companies, in developing innovative, sustainable, safer and smarter products.

...Transforming to excel



With the new era bringing in new challenges, we have developed a comprehensive strategy to strengthen our preferred partner positioning and ensure long-term sustainability.

Our strategy to transform

Build digital engineering capabilities

- Integrate core Mechanical, Electrical, Electronics & Embedded
- Incubate product lifecycle management
- Integrate digital technology as part of engineering service offering

Grow defence business

- Focus on offset opportunity
- Develop product strategy

Enter strategic alliances

- Forge alliance with innovative companies to strengthen competencies for Industry 4.0 (industrial internet of things) solution

Ensuring seamless transitioning

We have defined key metrics where we will have to work to ensure success of our transformation journey. These include:



Customer base:

Expand customer-base and ensure no single customer contributes to majority business



Top line and bottom line growth:

Rejuvenate sales to drive organic growth and undertake cost improvements by centralised team under the CFO



Integrated service offering:

Bring different service lines to existing customers and offer more end-to-end integrated solutions



Defence business:

Grow offset and global supply chain business, and ramp-up offerings through integration of ACATL (AXISCADES Aerospace & Technologies) and Mistral's, our alliance partners, capabilities



Capability:

Enhance cross-selling to existing customers by integrating our capabilities to offer broader solutions

Chairman's letter

Dear Stakeholders,

AXISCADES has emerged as a strategic product engineering partner to some of the world's largest companies and OEMs, which include Fortune 500 companies. This manifests our growing competencies and readiness to provide next-generation digital engineering services. Your Company is now pushing its boundaries and looking towards opportunities in the era of Industry 4.0. Assisting us in this journey will be Mr. Mritunjay Singh, who took over the helm as the CEO and ED of the Company from January 2018. His decades rich experience and proven record of taking customer-centric technology companies to the next level of growth will be crucial in making AXISCADES a bigger and stronger company.

Review of the year gone by

Our revenue from operations for the year increased by 6.7% to ₹ 5,192 million as compared to ₹ 4,868 million in FY 2016-17. This was primarily driven by the acquisition of Mistral Solutions in December 2017, the full impact of which will be reflected in the next fiscal year. However, a one-off event to the tune of ₹ 128 million towards provisioning of receivables from two start-up companies in the US and an increase in cost due to organisational restructuring impacted our profitability. Our operating income declined by 38.8% to ₹ 327 million with a margin of 6.1% as compared to 10.6% in the previous year. These were just temporary blips and the important thing is, we have already taken cost reduction initiatives.

We continue to expand our operations globally. We expanded our footprints in Europe, North America and, the Asia-Pacific in aerospace business. We opened an office in Columbus, Indiana in USA and in Asia-Pacific region, we signed an engineering services contract with Chinese subsidiary of European Aerospace Company.

During the year, we witnessed significant traction in our business as well. We were selected as a supplier across divisions for a Fortune 500 energy company, a global partner for a large European defence player, and as the main supplier to re-engineer and manufacture critical parts for a global automotive OEM. Two new customers were added in the medical and semiconductor segment.

In the energy vertical, we expanded scope from wind to conventional and nuclear energy, adding a large global OEM. While in product lifecycle management, we won our first order from a US-based customs air conditioning OEM.



We will focus on extending service offerings to newer areas like Product Life Cycle Management, forming alliances with innovative companies to multiply competencies, and enhancing defence business to capitalise on the offset opportunity.

The defence business saw positive momentum with multiple domestic contracts getting into production stage across various labs. Our pilot with a North American OEM on vehicle automation facilitated in enhancing our embedded and electronics capabilities.

Evolving amidst mega industry trends

The industry we operate in is witnessing an interesting evolution, and three megatrends are emerging which will create new opportunities. One, the rising use of digital technology is leading to a significant change in manufacturing, product creation, and aftermarket mechanism. It is ultimately revolutionising the way products are made, consumed, and serviced. Two, massive amounts of data and information is becoming readily available, unfolding an entirely new dimension to meaningfully consuming them. And three, India's rising prominence as an economic powerhouse is creating an urgent need to strengthen defence, which the Government intends to achieve through its push for Make in India and indigenising defence technologies. This is creating tremendous market opportunity for being Offset partners and building products in-house.

While these trends are reshaping the industry, we, at AXISCADES have envisioned our way forward to create more opportunities. We will focus on extending service offerings to newer areas like PLM (Product Life Cycle Management), forming alliances with innovative companies to multiply competencies, and enhancing defence business to capitalise on the offset opportunity. We have engaged the entire leadership team and defined key metrics to ensure the success of this transformational journey. It will be important to be innovative in approach, strengthen capabilities around software embedded in products and tactfully extend presence to newer sectors and geographies that offers growth.

Defence, I believe, will be an area where we must think long-term. And for this, we have acquired Mistral Solutions and allied with AERACCESS and French-based SIDES, all of which have diverse competencies in the defence and aerospace. These will enable us to address large defence business opportunities in India and with global OEMs and take advantage of Government's Make in India initiative. It will position us as a significant player in the defence offset and digital technologies.

We have formed a joint venture (JV) with Assystem Engineering and Operations Services SAS (France) to collaborate in the energy and nuclear space. This JV is modelled on our earlier partnership that was formed to cater Airbus Group's requirements. Our earlier acquisition of ACATL had helped us build capability around electronics and simulation software.

We will continue to look for inorganic growth opportunities focussed on acquiring niche technologies or customers that add value to our product solution portfolio. This will strengthen our position as one of the leading Products and Engineering Solutions Company.

Outlook

I believe this is an exciting time to be in business. While we have envisioned a great future by building comprehensive strategies to deliver in this new ecosystem, it will be important to remain agile and keep moving up the learning curve to ensure its success.

Globally, the rising protectionist and nationalist stances are posing challenges, giving way to non-commercial trade barriers. This has necessitated the adoption of a long-term strategy. In line with this thought, our focus will be on creating a different job profile where people would train machines and ensure more local resources are hired.

Looking forward to a better tomorrow, I thank each stakeholder for continued support. I would like to thank our commercial partners, the Board of Directors and the Company management for their continued guidance and support that has helped us move ahead and embrace transformation that is continuous and consistent, our employees who with their talent and skills have facilitated in strengthening our brand. The future is bright and we will continue to build value for each stakeholder.

Warm regards,

Dr. Vivek Mansingh
Chairman

Transforming for a sustainable future...

Adding alliances Multiplying competencies

The industry is evolving rapidly and technologies are getting outdated faster than ever. In such a scenario, it is important to be agile and multiply competencies today to be able to deliver tomorrow.

At AXISCADES, we are strengthening fundamentals through our successful inorganic growth strategy, through which we identify and form alliances with right innovative companies. Our ability to seamlessly integrate operations with such companies has had a multiplier effect on enhancing our offerings, reach, capacities and technical competencies. It provides us ready access to new technologies, markets and competencies, which otherwise would have been cost-intensive and time-consuming. Thus, shortening our time-to-market and giving us a fast movers advantage.



Our successful integration journey

Mistral Solutions (Acquisition)

Mistral has strong embedded, electronics product and software capabilities and specialises in end-to-end embedded solutions and product engineering. It has partnerships with Indian public-sector defence organisations for design and integration of aircraft sub-systems and presence in North America for homeland security. It also offers services to various international defence OEMs.

Integration advantage:

The acquisition will enable us to strengthen our aerospace and defence capabilities to address large business opportunities in India and globally with OEMs, thereby allowing us to take advantage of Government's Make in India initiative. It will also make us a significant player in the defence offset and digital technologies.

AXISCADES Aerospace & Technologies (Acquisition)

ACATL has system integration, electronics and simulation software capabilities.

Integration advantage:

It strengthened our aerospace and defence capabilities and helped us win an order for advanced simulation products for Ministry of Defence (MoD) in India. It enabled us to become the offset partner and Preferred Global Supplier of Automated testing equipment for a European OEM.

AERACCESS (Memorandum of Understanding)

AERACCESS has expertise in developing state-of-the-art drones with technology support from French Space Agency (CNES). Its clientele includes Home Ministry and MoD of France and UK.

Integration advantage:

The partnership will give us access to Q800 Drone family and facilitate in evaluating opportunities for drones in Indian defence and aerospace sectors to address the various aerial surveillance requirements. It will help us contribute to Make in India initiative and become an integral part of OEM's global supply chain delivering drone solutions.

SIDES (Industrial Cooperation Agreement)

France-based SIDES has six decades experience in Fire Fighting Solutions and provides full range of solutions for Airfield Crash Fire Trucks (ACFT), Civil Defence trucks, industrial fire trucks and fixed pumps.

Integration advantage:

It will strengthen our aerospace and defence offerings giving access to state-of-the-art ACFT required in India. Together, we will evaluate opportunities for fire-fighting trucks, civil defence and industrial fire trucks. It will strengthen country's self-reliance in critical safety requirements and enable us to become an integral part of OEMs' global supply chain delivering simulation solutions.

Assystem Energy & Infrastructure (Joint Venture)

Assystem is an international group specialised in engineering.

Integration advantage:

The JV company will focus on enhancing the future of energy and nuclear sector and address the engineering services needs of major energy players globally. It will also target nuclear programmes in India.

Transforming for a sustainable future... Stepping-up to be a preferred partner

The product engineering solution business can be time-consuming and involves deep knowledge and understanding of customer business and sector. This nature of business makes it extremely important for customers to rationalise suppliers and build long-term relations with select few having distinctive competitive edge and long-term vision.

At AXISCADES, we have always been driven by the vision of becoming a valued business partner to our customers through focus on innovation, ability to provide multiple offering and end-to-end support, thereby reaching closer to them. This has been instrumental in our growing relations with existing customers and ability to attract new ones. Our track record of servicing high profile customers and getting repeat business from them validates the strong proposition that we offer.

Art-to-part partnership

We offer customers unparalleled support by working closely with them to deliver unconventional services and solutions that meet their diverse and growing requirements. We ensure seamless support right from conceptualisation to the final product that is manufactured. In addition to this, we offer digital simulation support which facilitates in thorough investigation of solutions before customers make actual investments in product development infrastructure, thereby assisting them in taking right decisions.

One-stop solution

With our capability to offer multiple solutions under six diverse verticals, we are a one-stop solution for customers. We consistently strengthen our capabilities and offerings by allying with multiple companies, enabling us to address higher share of customer requirement. We ensure providing unhindered services by reaching closer to them through our network of 15 global engineering centres along with that of our alliances.