



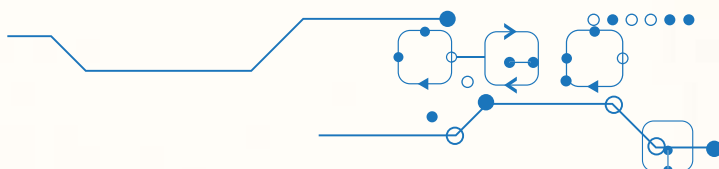
AXISCADES

Inspired. Solutions. By Design

ANNUAL REPORT
2019-20



**Technology-led
engineering**
through passion
and innovation



Production
Research
Business
Development
Manufacturing
Services

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About the Company

AXISCADES is a leading technology solutions company focusing on global ER&D sector and strategic technology markets. The Group is at the cutting edge of R&D to address the futuristic needs of its clients in the aerospace, defence, heavy engineering, automotive, industrial, semiconductor, homeland security and healthcare sectors.



David Bradley
Chairman &
Non-Executive Director



Our strategic proposition has always been to build a diversified set of asset classes, sectors and markets, and that has made us more resilient in the face of an external shock like the coronavirus. The velocity of our actions has been critical during this time and our teams are doing their best, while staying abreast of the recovery rate of our customers.

Key highlights of FY20

10.7%

Growth in revenue

₹993 MN
EBITDA

₹303 MN
Profit after tax

₹7.87
Earnings per share



Technology-led engineering through passion and innovation

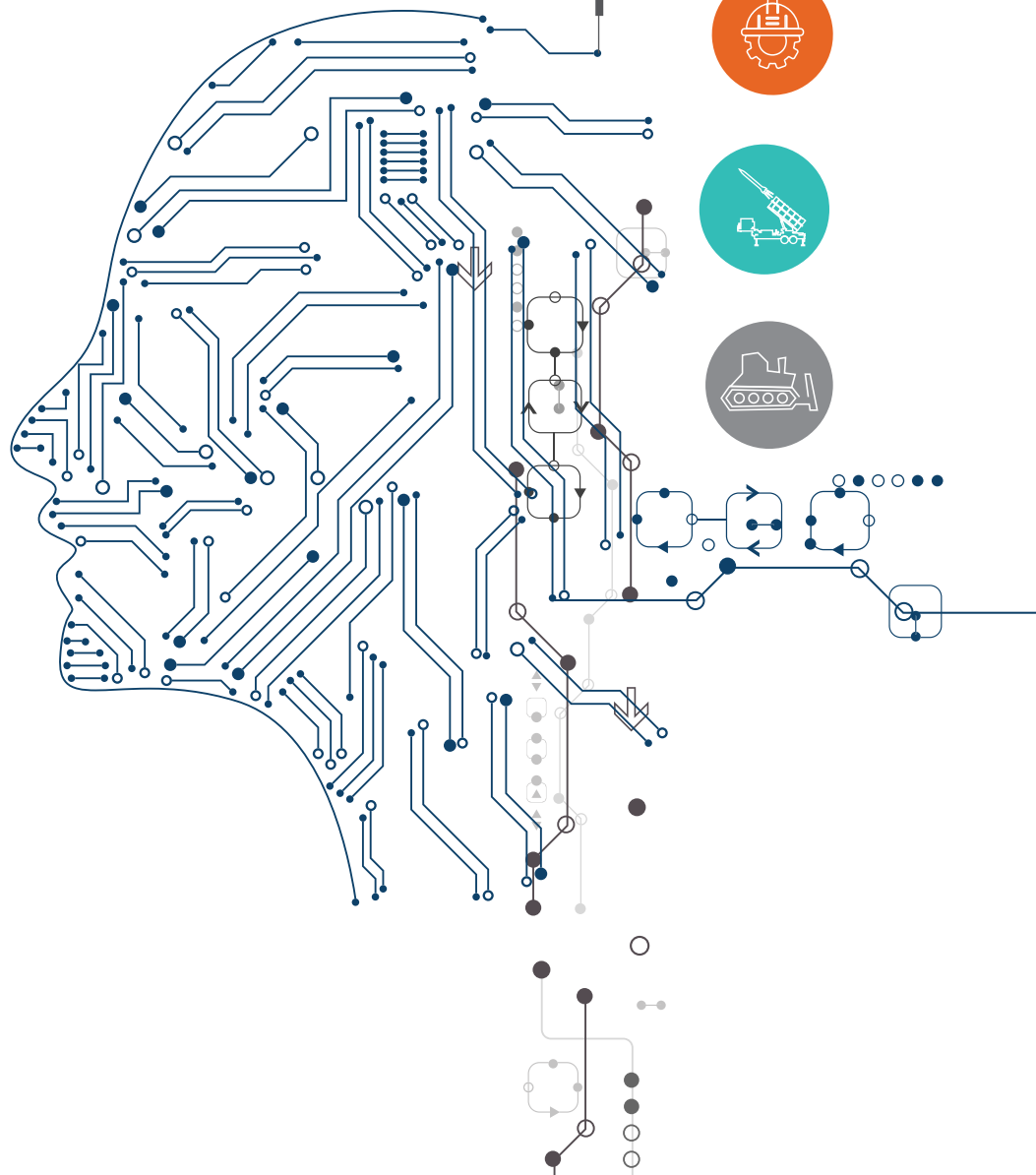
The engineering world is changing – faster than ever before. Businesses are leveraging technology to transform their products, services and operations and revolutionise how we power our societies, produce our goods and how we work, live and move. Accelerating this shift, the pandemic is compelling corporates to reinvent how they source their engineering products and processes. This has resulted in radical changes to the scope and medium of engagement, as well as the governance mechanism. As we explore opportunities presented by this new normal, the role played by technology and engineering companies must be reimaged.

Over the past few years, with the execution of AXISCADES' strategy, we have laid the foundation for our businesses to offer clients a unique value proposition that meets their transformation and innovation needs:

- a) to be a specialist in each of our capabilities and offerings.
- b) to compete in rapidly changing and increasingly digitally enabled industries
- c) to deliver profitable growth.

Our key differentiator has and will be our presence across the product lifecycle, helping companies create customer-focused offerings with cutting-edge technology. With our deep domain knowledge and technology expertise, we engage with customers at every stage of the value chain, helping them design, build, operate, and maintain innovative products and services that keep them ahead of the curve.

Looking ahead, we will continue to take actions to support the next generation of customers with reliable solutions that drives their productivity and competitiveness; provide our employees and partners with new opportunities to grow, develop and realise their full potential; make our processes more efficient and effective; and diversify revenue streams and ensure attractive returns to our shareholders. We will continue to lead with passion and innovation.



Anatomy of a holistic technology and engineering solutions provider

AXISCADES' offerings span the entire product lifecycle, from research and development, design, manufacturing, integration, testing, in-service and integrated logistics management.

We are a team of 2,000+ skilled and empowered workers and a robust and reliable ecosystem comprising 18 partners, united by a common purpose of delivering futuristic engineering solutions.

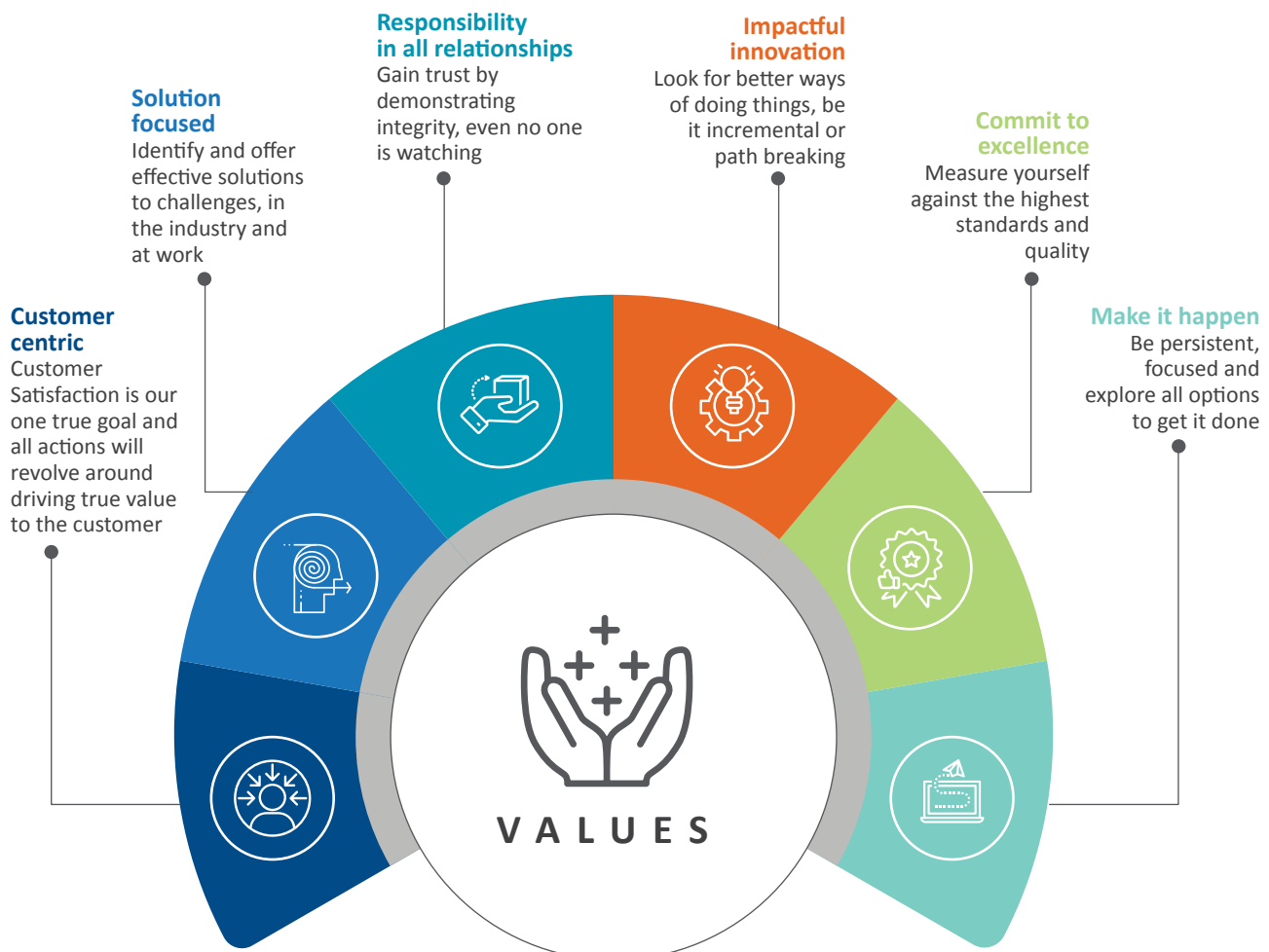
Our proven expertise in product development and solutions engineering enabled through deep domain know-

how and capabilities across mechanical engineering, embedded electronics, software/hardware, system integration and digitisation, make us the preferred partner for as many as eight Centres of Excellence for global OEMs.

Our services are routed through 15 global engineering centres across North America, Europe and the Asia Pacific, including

proximity centres in Toulouse (France), Hamburg and Augsburg (Germany), Peoria (USA) and Copenhagen (Denmark).

Compass that guides us





500+

Customers



2,000+

Team strength



15

Global engineering centres



18

Strategic partnerships

Capabilities under the hood

Mechanical

- Design (Computer-Aided Design)
- Analysis (Computer-Aided Engineering)
- Product Lifecycle Management (PLM)/Product Data Management (PDM)
- Manufacturing engineering
- Production support
- Technical publications
- In-service support
- Repair engineering
- Service extension

Digital

- Industrial Internet of Things (Manufacturing system integration)
- Industrial simulation
- Artificial intelligence/machine learning (AI/ML) solutions
- Data analytics applications
- Additive manufacturing solutions
- Augmented/Virtual Reality (AR/VR) solutions
- Cloud and Big Data

Electronics

- Embedded electronics
- Hardware development
- Software development
- System integration
- Test solutions
- Integrated logistics support
- Maintenance
- Mid-life upgrade
- Obsolescence management

Industry verticals that we serve

We work to build and sustain enduring relationships with industry leaders in nine verticals.



AEROSPACE

- Primary and secondary structures
- Aircraft interiors
- Mechanical System Installation (MSI) and Electrical System Installation (ESI)
- Electrical harness
- Manufacturing engineering/concessions
- In-service support
- In-flight entertainment and display systems



AUTOMOTIVE

- Body-in-White (BIW), interior and exterior
- Engines, powertrain and chassis systems
- Telematics and Advanced Driver-Assistance System (ADAS), infotainment, active safety and Automotive Open System Architecture (AUTOSAR)
- Digital manufacturing and prototyping
- Cost optimisation and localisation



DEFENCE SOLUTIONS

- Avionics
- Radar and electronic warfare systems
- Automated test equipment
- Simulators (computer based, fixed and motion based)
- Ground Support Equipment (GSE)/ Ground Handling Equipment (GHE)
- Unmanned Aerial Vehicle (UAV)/ Remotely Piloted Aircraft System (RPAS)
- System integration
- Offset management
- Manufacturing ecosystem



HEAVY ENGINEERING

- Off-highway vehicles
- Structures and cabin
- Engine and powertrain
- Electrical and hydraulic systems
- Machine control, safety systems and telematics



INDUSTRIAL ENGINEERING

- Digital factory
- Industrial automation
- Process planning and control
- Virtual manufacturing
- Enterprise integration
- Robotic solutions



ENERGY AND ENVIRONMENT

- Mechanical and electrical engineering, automation, and Internet-of-Things (IoT)
- Major wind turbine assemblies (tower, generator, hub, blade, spinner, nacelle and yaw)
- Mechanical and electrical routing
- Wind resource analysis and siting
- Cost optimisation and automation



HOMELAND SECURITY

- C4ISR solutions
- Communication systems
- Perimeter protection
- VIP security
- Smart and safe city
- Emergency management
- Cybersecurity



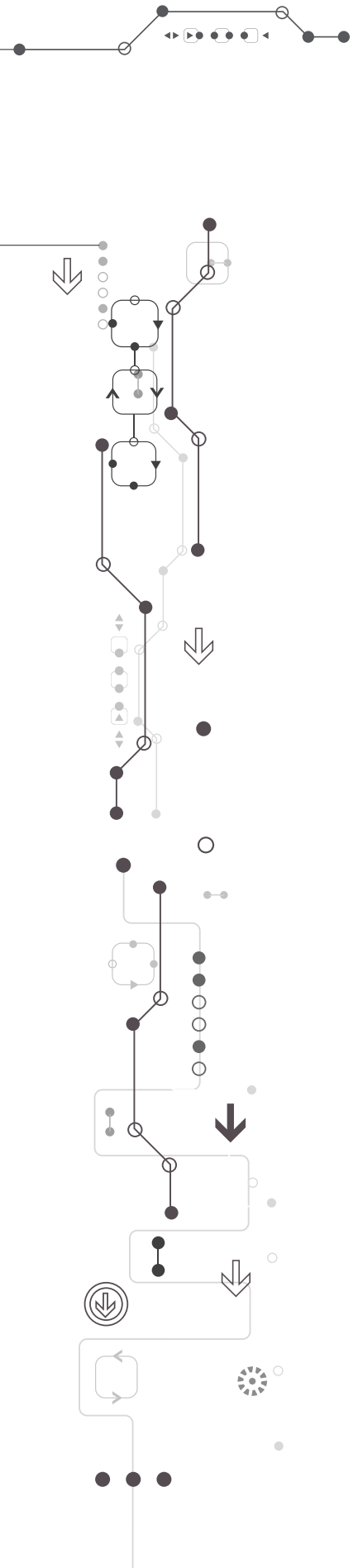
HEALTHCARE AND LIFESCIENCES

- Medical devices
- Health monitoring devices
- Wearable electronics
- Drug delivery systems
- Intensive Care Unit (ICU) beds
- Remediation



SEMI-CONDUCTOR

- Platform development, design, testing
- Product on Modules (PoM)/System on Modules (SoM)
- Chip support packages
- Board Support Package (BSP) and firmware
- Middleware
- Power management
- Testing



Chairman's statement



Dear Shareholders,

It has been over a year since I took over as the Chairman and I wish to share how the Company is progressing towards its goal of being a leading technology solutions provider.

First off, let me address the elephant in the room. The opening to the new decade has been eventful, to say the least. The pandemic that is currently ravaging economies and industries worldwide has caused a disruption. There have been major changes in the way our customers and we operate in this new normal. When I evaluated the impact to our portfolio companies with our team, we assessed the following for each company: their employee health and safety precautions; whether they had healthy cash flow; ways to cut cost of operation while keeping talent; ability to shift production less-affected areas; and so on.



10.7%

Growth
in operating
revenue



The Company has demonstrated throughout FY20 that with focus and discipline it possess all the required elements to be a leader in its chosen field, delivering to customer, offering career opportunities to staff and returning the fiscal results rightfully demanded by shareholders.

Although it is still too soon to say how long-lasting and severe the impact of COVID-19 will be on our portfolio, our strategic proposition has always been to build a diversified set of asset classes, sectors and markets, and that has made us more resilient in the face of an external shock like the coronavirus. The velocity of our actions has been critical during this time and our teams are doing their best, while staying abreast of the recovery rate of our customers. The close collaboration between AXISCADES and its partners has always been our competitive advantage during times of high and low volatility.

While we are evolving our operations to suit the needs of the current market, there are critical elements that have been affecting the industry's recovery. Consumer spending and sentiment have tremendously impacted both aerospace and automotive industries to the extent that the industry's fiscal health is in need of a significant boost from the respective governments. There has been an impact in the supply chain of major OEMs and as a direct result, there is increased caution in working with suppliers.

One trend that we have been fortunate to capitalise on and the industry is increasingly leaning towards, is digital engineering. Top engineering R&D spenders are investing in digital engineering themes to accelerate manufacturing processes and new product development, while also enabling alternative revenue streams. Massive investments are being made towards digital engineering by companies across the globe, including the top global 1000 companies (Z1000). Currently, the global spend towards digital engineering stands at US\$293 billion, which is expected to more than double to a staggering US\$667 billion by 2023. In the next five years, this amount will drive growth in engineering R&D and is expected to account for 39% of the overall spend.

Automotive, for example, is one of the biggest spenders on engineering R&D and its digital engineering spend is expected to touch US\$41 billion by 2023. Automotive

companies are investing this spend in building autonomous vehicles, connected cars, ADAS and Factory 4.0, much of which represent the skills and competencies that we have focused our efforts on building over the last few years

In commercial aviation, companies are experiencing disruption in production and slowing demand, as workers prefer to work from home, passengers stop traveling and customers defer taking delivery of new aircraft. Demand for spare parts is also down since less maintenance is currently required. Aircraft manufacturers are capital intensive and thus raising short-term concerns about cash flow and liquidity. This has, in turn, placed significant stress in the way major OEMs are looking at their ecosystem and we will have to wait for a few more months to ascertain the true impact this would have on our partnerships.

On the defense side, however, the ecosystem is better positioned. While production may slow for the same reasons as in aircraft manufacturing, the demand over the next two years will remain somewhat constant since budgets for these projects had been allocated prior to the pandemic and many of the projects are critical to national defense.

FINANCIAL HIGHLIGHTS OF FY20

- Operating revenue grew 7.3% in US\$ terms and 10.7% in INR terms
- Costs remained flat at ₹ 6,422 million in FY20 as compared to ₹ 6,391 million in FY19
- EBITDA grew 4.7 times to ₹ 993 million with EBITDA margin at 14.6%
- Cash generated from operations grew 1.75x to ₹ 649 million
- PAT grew multi-fold to ₹ 303 million
- EPS recorded at ₹ 7.87

PERFORMANCE HIGHLIGHTS OF FY20

- New customer additions, expanding relationships and focus on execution drive strong
- Emphasis on cost optimisation and efficiencies further drive profitable growth
- Resilient business model, well entrenched relationships, proven capabilities and strong FY20 performance offer comfort to navigate near to medium term challenges

OPERATING HIGHLIGHTS OF FY20

- Won two multi-year, multi-million contracts
- Received additional orders from a European systems OEM, expanding the relationship to US\$ 10 million
- Added 3 new clients in the digital domain
- Added 9 new customers during the year mostly in heavy engineering

and automotive domains (some of the customers have the potential to translate into US\$ 1 million+ accounts in the near future)

When I look back at the year gone by, I am proud of our teams' drive and focus to evolve and transform. From developing new and more efficient products, to harnessing the power of technology to deliver insights-rich solutions, to pioneering disruptive innovations that will help shape the future of engineering R&D – time and again, we used our passion for engineering to address today and tomorrow's challenges. As a result, the Company saw increased engagement with the existing customer base from newer locations and expansion as part of the strategic growth plan for FY20. We are seeing strong traction from our earlier investments in digitisation, as we provide Industry 4.0 offerings to our clients. Existing customers are looking at working with us on newer, more complex assignments and this is the biggest vote of confidence in our future readiness that we could ask for.

While the current market trends and projections are forcing considerable changes across the industries we operate in, we are focused on building on our existing foundations and delivering what is planned to our customers, employees and shareholders alike. Through the concerted efforts of our management team, employees, and partners, we are demonstrating the highest resilience to power through this period of uncertainty. We realise this situation is very dynamic and have contingency plans in place. We remain watchful and ready to adjust the measures in response to changing circumstances.

I would like to finish on a positive note and point out that the Company has demonstrated throughout FY20 that with focus and discipline it possess all the required elements to be a leader in its chosen field, delivering to customer, offering career opportunities to staff and returning the fiscal results rightfully demanded by shareholders.

I wish to thank all our shareholders for their understanding during this year of transformation and to the whole team within the Company for delivering on our collective commitments. FY21 will be difficult for all and I wish everyone the safest journey through this global crisis.

Warm regards,

David Bradley

Chairman & Non-Executive Director

The AXISCADES advantage



INNOVATION AT THE CORE

We house strong innovation-driven businesses in diverse global markets. We know the future belongs to the disruptors, which is why we strive to foster rapid, pervasive innovation and remain aware of and open to new technologies and advances. We harness innovation in primarily three ways: our core processes in manufacturing; our products and services within each business unit; and disrupting markets and existing business models to strengthen our competitive advantage.



COMPLETE ENGINEERING OWNERSHIP

The scale and diversity of our capabilities allow us to both serve a variety of verticals and become the one-stop shop in each. Further, we consistently strengthen our capabilities through strategic collaborations, thereby addressing a wider range of customer requirements. Our widespread network of 15 global engineering centres ensure that we provide uninterrupted services to every customer. Our illustrious clientele and the quantum of repeat business validate the strong proposition that we offer.



MEANINGFUL SYNERGY-BASED PARTNERSHIPS

We come with solid fundamentals and a rich pedigree in engineering, as well as a proven record of successful acquisitions and seamless merge with the evolving needs of the industry, it is but logical to seek out capable organisations, with whom we can differentiate ourselves further. Our ability to integrate operations with such companies has had a multiplier effect on expanding our offerings, reach, capacities and more. We are unlocking value in terms of access to new technologies and clients, thus gaining on time to market.

