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Onward

TECHNOLOGIES LIMITED

Annual Report 1997-98

REPORTS www.onward.com



Towards *Globalization*

Onward Technologies Limited – a company that is targeting to make the world its arena of activities. In its Onward march, the Company is changing its focus from primarily a domestic Software company to a global software player. Spanning geographical barriers, Onward has already started operations in USA and Europe for providing Software services and Software development.

Onward has chosen a business model of Professional Services for its Software Exports activities. The focus is on a combination of "on-site" as well as "off-shore" projects, extending the Onward edge of implementation services and programming expertise to our overseas customers. For, at Onward, the opportunities are limitless – like the sky.

Report



junction



Board of Directors

Harish Mehta

(Chairman & Managing Director)

Shaila Mehta

Berjis Desai

Arun Meghani

Cowsy Wadia

(Non-resident)

Samir Desai

(Non-resident)

Management Team

Harish Mehta

(Chairman & Managing Director)

Ajit Chaphalkar

(Chief Operations Officer)

Vinayak Vaidya

(Sr. Vice President - Banking &

Engineering Solutions Division)

V.L. Shetty

(Sr. Vice President - Software Development
& Exports Division)

Report



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Auditors

Kirtane & Pandit
Chartered Accountants
31, Islam Building
46, Veer Nariman Road, Fort
Mumbai - 400 023.

Bankers

Bank of Baroda
Corporation Bank
Centurion Bank Ltd.
IDBI Bank Ltd.

Registered Office

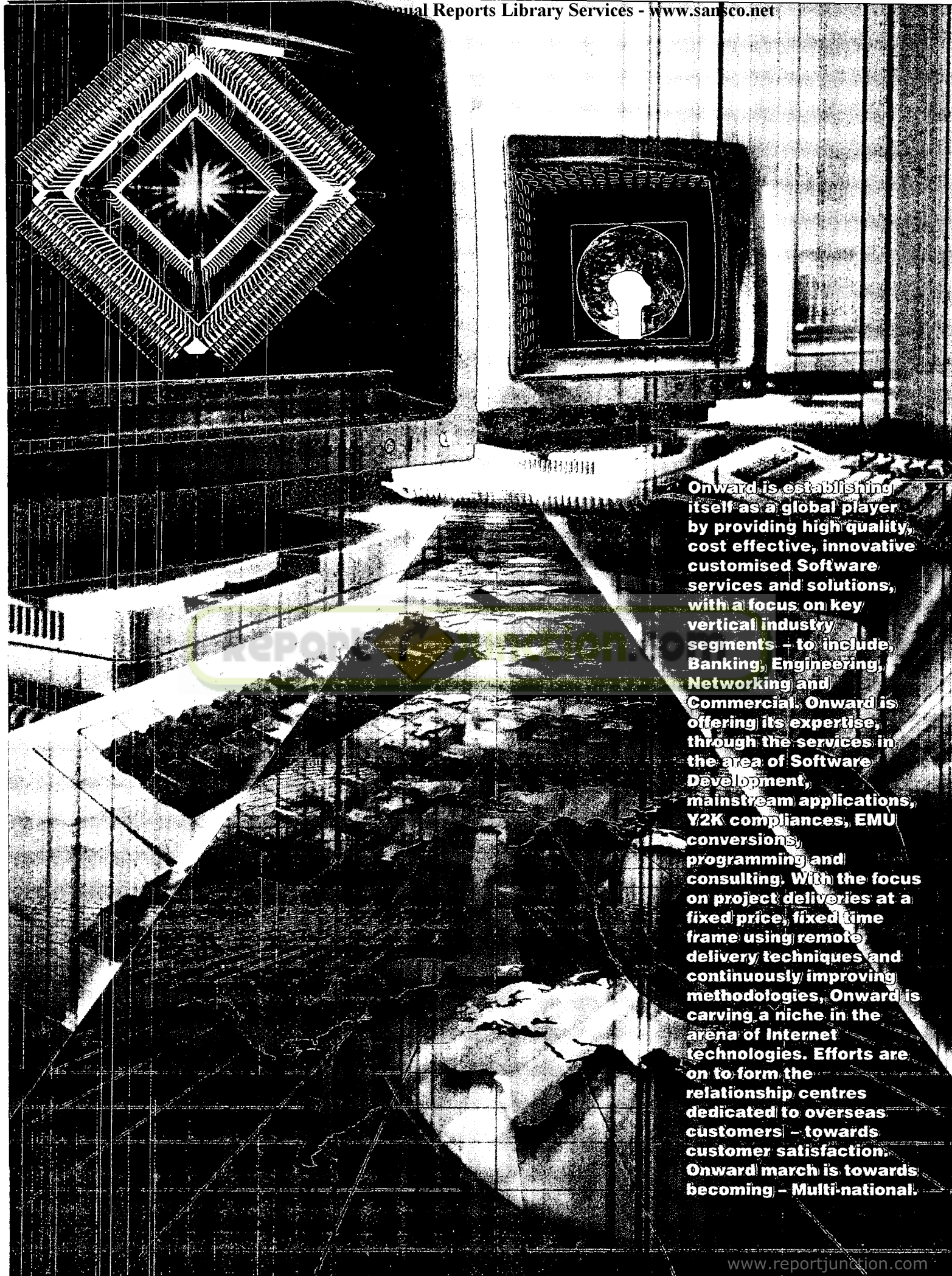
Krislon House, 2nd Floor
Saki Vihar Road,
Saki Naka, Andheri (E),
Mumbai - 400 072.

Software Development Centre

Unit 152, SDF V, 1st Floor,
Seepz, Andheri (E),
Mumbai - 400 076.

Registrar and Share Transfer Agents

Intime Share Services Pvt. Ltd.
260-A, Shanti Industrial Estate,
Sarojini Naidu Road, Mulund (W),
Mumbai - 400 080.



Onward is establishing itself as a global player by providing high quality, cost effective, innovative customised Software services and solutions, with a focus on key vertical industry segments - to include, Banking, Engineering, Networking and Commercial. Onward is offering its expertise, through the services in the area of Software Development, mainstream applications, Y2K compliances, EMU conversions, programming and consulting. With the focus on project deliveries at a fixed price, fixed time frame using remote delivery techniques and continuously improving methodologies, Onward is carving a niche in the arena of Internet technologies. Efforts are on to form the relationship centres dedicated to overseas customers - towards customer satisfaction. Onward march is towards becoming - Multi-national.

Directors' Report

To
The Members,

Your Directors have pleasure in presenting the Seventh Annual Report and the Audited Statement of Accounts of the Company for the year ended 30th June, 1998.

1. FINANCIAL RESULTS :

	For the year Ended 30.6.98 (Rs. in lacs)	For the year Ended 30.6.97 (Rs. in lacs) (15 months)
Sales and other Income (Net)	2684.98	5189.74
Profit before Interest and Depreciation	270.96	510.80
Interest	144.11	166.30
Depreciation	95.74	132.57
Profit before Tax	31.11	211.93
Provision for Taxation	Nil	Nil
Profit after Tax	31.11	211.93
Balance B/f from previous year	388.43	290.94
Less : Extra Ordinary/ Previous Years' Expenses	552.21	11.61
Balance available for appropriation	-132.67	491.26
Dividend (Proposed) and tax thereon	Nil	52.83
Transfer to General Reserve	Nil	50.00
Transfer from General Reserve	132.67	Nil
Balance carried forward	Nil	388.43

The Company's revenue, due to industrial recession witnessed after economical slow down on the domestic front was lower at Rs. 27 Crores during 1997-98. The profit for the year also stands lower at Rs. 31 Lacs as compared to Rs. 212 Lacs in the previous year. The lower operating results were mainly due to the fact that your Company is passing through the transition phase of reducing dependence on domestic markets and

focussed concentration on the export markets mainly in the United States and Europe. Some of the divisions with orientation towards computer hardware products and services and primarily catering to domestic markets, were closed during the year which has resulted in a one time heavy cost to the Company. The export activities on the other hand have yet not fully taken off and are in a nascent stage and the expenses/costs associated with the same also represent start-up expenses of that operation. These expenses which are of extraordinary nature have been disclosed separately in the accounts.

2. DIVIDEND

In view of lower operational results for the year, your directors regret their inability to recommend any dividend for the year.

3. EXPORTS BUSINESS

Onward Technologies, Inc., USA, (OTI) the wholly owned subsidiary of the Company increased its presence across the United States during the year under review. It has operations and software services offered to customers in the states of California, Massachusetts, Texas etc. It began its operations in July, '97 and registered a turnover of US\$ 237,000 during its first financial year ending 31st March, '98. During the year, Company obtained Reserve Bank of India's approval for investing upto US \$ 400,000 in OTI of which US \$ 300,000 has since been already invested.

Operations of Onward Technologies, Inc. are expanded into various geographical places in USA. We also have succeeded in getting new clients. All these efforts are increasing the revenues.

At the time of giving this report, the Company has also secured software services work from customers from Europe. Few assignments and projects have already been completed and the



ONWARD TECHNOLOGIES LIMITED

work is continuously going on into the next phase.

4. RESEARCH & DEVELOPMENT

The Company continues its thrust on developing new products for the banking industry. In addition to considerable improvements in its Total Branch Mechanisation software, efforts are on to develop certain critical application products for the foreign exchange operations of banks. The products developed by the Company for Swift connectivity are getting widely accepted in the market place. In fact Onward is the only Indian Company which is listed in the global directory of Swift products and service providers.

5. INITIATIVE ON ISO 9000

Your Company has already taken effective steps to implement ISO 9000. This is important from the point of view of becoming a company operating in compliance with international standards. The process of certification is planned to be completed within next six months.

6. CAPITAL EXPENDITURE

During the year under review, the Company has incurred capital expenditure of Rs. 4.08 Crores on its various on-going projects (including capital work in progress). The Company has plans to judiciously invest further amounts in setting up new software development centres and expanding and modernising the existing facilities.

7. DIRECTORS

During the year, TDICI has withdrawn the nomination of Mr. A. J. V. Jayachander as a Director of the Company. As a result, Mr. Jayachander ceases to be a director of the Company. Similarly, Mr. Kanwal Rekhi resigned from the Board during the year due to his other preoccupations. The Board places on record their appreciation of contributions made by Mr. Jayachander and Mr. Rekhi.

Mr. Arun Meghani and Mr. Berjis Desai retire by rotation and being eligible offer themselves for re-appointment.

8. AUDITORS

You are requested to appoint Auditors and to fix their remuneration. The retiring Auditors, M/s. Kirtane & Pandit are eligible for re-appointment.

9. PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Accounts is being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company.

10. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO.

i) CONSERVATION OF ENERGY

The operations of the Company involve only low energy consumption. Adequate measures have, however been taken to reduce energy consumption.

ii) TECHNOLOGY ABSORPTION

Research and Development

The convergence of computer technology and communication technology has opened excellent opportunities for developing software products/applications based on computer networks. As stated earlier, the company has been recognised as an in-house R & D unit by the Govt. of India.

Annual Report 1997-98**a) Specific areas for R & D at Onward Technologies Ltd.**

R & D activities in 1996-97 were mainly concentrated on Banking Application products using leading edge Network Operating System.

b) Benefits derived as a result of R & D effort

Availability of advanced technology based products for Banking customers leads in significant reduction in investment required for computerisation, overall faster cost effective processing and customer service.

c) Future Plans

Expansion of current activities by adding more R & D projects having potential for commercial applications.

d) Expenditure on R & D

R & D expenditure incurred during the year was as under :

Revenue : Rs.154.37 lacs

Capital : Nil

11. FUTURE OUTLOOK AND PLANS

The current year has begun on an encouraging note and your Directors are hopeful that barring unforeseen circumstances, your Company will show better results. The Company expects a considerable growth in its exports revenue during the year.

12. ACKNOWLEDGEMENTS

The Directors would like to place on record their sincere appreciation for the continued co-operation, guidance, support and assistance provided during the period under review by the Technology and Financial Institutions, Company Associates from U.S.A., Banks, Department of Electronics and other Government Departments and Authorities.

On behalf of the Board of Directors

Harish Mehta

Chairman & Managing Director

iii) FOREIGN EXCHANGE EARNINGS AND OUTGO

(Rs. in lacs)

Foreign Exchange earnings 205.25

Foreign Exchange outgo 829.40

Place : Mumbai

Date : 24th August, 1998



ONWARD TECHNOLOGIES LIMITED

AUDITORS' REPORT

To

The Members of

ONWARD TECHNOLOGIES LIMITED

1. We report that we have audited the Balance Sheet of Onward Technologies Limited as on 30th June, 1998 and the Profit and Loss Account of the year ended on 30th June, 1998 both of which we have signed under reference to this report.
2. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for our audit. In our opinion, proper books of account have been kept as required by law so far as appears from our examination of the books and the above mentioned statements are in agreement therewith.
3. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Profit and Loss Account, read together with the notes thereon, especially, Schedule XIX, and subject to capitalisation of Research and Development expenditure (Note No. 8 and Note No. 1 C), debtors and creditors balances being subject to confirmation (Note No. 9), give in the prescribed manner, the information required by the Companies Act, 1956, and also give respectively, a true and fair view of the state of affairs of the Company as at 30th June, 1998 and in the case of Profit and Loss Account, of the Profit for the year ended on that date before debiting Extra Ordinary Items and Loss for the year ended on that date after debiting Extra Ordinary Items.
4. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that :
 - 4.1 The Company has maintained full particulars including quantitative details and the situation of fixed assets. As explained to us, a physical verification of fixed assets was conducted by the Management at regular intervals, and no material discrepancies were noticed.
 - 4.2 The fixed assets of the Company have not been revalued during the year.
 - 4.3 The stocks of finished goods of the Company at

all its locations have been physically verified by the Management during the year at regular intervals.

- 4.4 In our opinion, the procedures of physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business. However, considering the nature and size of the business of the Company, the frequency of verification be increased.
- 4.5 No material discrepancies were noticed between the physically verified stocks and the book records of the same.
- 4.6 In our opinion, the valuation of stock of finished goods has been fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
- 4.7 The Company has taken loans during the year from Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and/or from Companies under the same management within the meaning of Section 370(1B) of the Companies Act, 1956. The rate of interest and other terms and conditions, however, were not prima facie prejudicial to the interest of the Company.
- 4.8 The Company has not granted loans to Companies, listed in the register maintained under Section 301 of Companies Act, 1956 and/or to the Companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956.
- 4.9 The Company has given loans or advances in the nature of loans to its employees and Onward Group Employees Co-operative Credit Society Ltd. during the year and they are repaying the principal amounts as stipulated and are also regular in the payment of interest, wherever applicable.
- 4.10 In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and nature of its business for purchase of plant and machinery, equipments and other assets and for the sale of goods.
- 4.11 The purchase of goods and materials and sale of goods, materials and services in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000/- or more value in respect of each party have been made. We were explained that the prices are reasonable having regard to the

Annual Report 1997-98

prevailing circumstances/market prices for such goods, materials and services the prices at which transactions for similar goods, materials or services have been made with other parties. However, there were instances of purchase of materials and sale of services which were of a specialised nature where no comparable prices were available.

- 4.12 As explained to us, the Company has an adequate system of determining unserviceable or damaged finished goods. Adequate provision has been made in the accounts for the loss arising out of the items so determined.
- 4.13 The Company has not accepted any deposits from the public under Section 58A of The Companies Act, 1956.
- 4.14 We have been given to understand that the operation in which the Company is engaged does not result in any realisable scrap or by-product.
- 4.15 In our opinion, the coverage of internal audit functions carried out by a firm of Chartered Accountants appointed by the Company is commensurate with the size of the Company and the nature of its business.
- 4.16 The Central Government has not prescribed the maintenance of cost records by the Company under Section 209 (1) (d) of the Companies Act, 1956 for any of its products.
- 4.17 The Company has generally been regular during the year in depositing Provident Fund and Employees' State Insurance dues with the appropriate authorities.
- 4.18 At the last day of the financial year there were no amounts outstanding in respect of undisputed income tax, wealth tax, sales tax, customs duty and excise duty which were due for more than six months from the date they became payable.
- 4.19 During the course of our examination of the books of account carried out in accordance with

the generally accepted auditing practices we have not come across any personal expenses which have been charged to the Profit and Loss Account other than those payable under contractual obligations or in accordance with the generally accepted business practices.

- 4.20 The Company is not a Sick industrial company within the meaning of Clause (o) of Section 3 (1) of the Sick Industrial Companies (Special Provisions) Act, 1985.
- 4.21 In respect of the services rendered :
- (a) In respect of service activities, the Company has a reasonable system of recording receipts, issues and consumption of stores (other than those purchased for immediate consumption) commensurate with its size and the nature of its service activities. There is no system of job costing and job wise allocation of materials and manhours, as it is considered impracticable.
 - (b) In our opinion, there is a reasonable system of authorisation at proper levels, and allocation of labour to its service activity where applicable and the related system of internal control of the Company is commensurate with the size of the Company and the nature of its business.

- 4.22 In respect of trading activities :

There were no damaged goods during the year.

For and on behalf of **KIRTANE & PANDIT**
Chartered Accountants

Place : Mumbai
Date : 24 th August, 1998

J. V. NAIK
Partner



ONWARD TECHNOLOGIES LIMITED

BALANCE SHEET AS AT 30TH JUNE, 1998

	Schedule	Rupees	Rupees	As at 30.06.98 Rupees	As at 30.06.97 Rupees
SOURCES OF FUNDS :					
Shareholders' Funds :					
Share Capital	I		32,020,880		32,020,880
Reserves and Surplus	II		57,761,121		109,871,241
				89,782,001	141,892,121
Loan Funds :					
Secured Loans	III		108,113,008		88,694,814
Unsecured Loans	IV		22,554,752		12,323,948
				130,667,760	101,018,762
TOTAL				220,449,761	242,910,883
APPLICATION OF FUNDS :					
Fixed Assets :					
	V				
a) Gross Block			190,623,145		116,504,686
Less : Depreciation			42,921,797		25,770,752
Net Block				147,701,348	90,733,934
b) Capital Work in Progress				3,031,927	36,330,586
				150,733,275	127,064,520
Investments	VI			18,676,013	10,995,663
Current Assets, Loans and Advances :					
Inventory	VII	20,432,268			26,614,910
Sundry Debtors	VIII	106,987,738			169,465,098
Cash & Bank Balances	IX	12,510,665			12,855,108
Other Current Assets	X	528,981			394,147
Loans & Advances	XI	23,694,179			19,288,451
			164,153,831		228,617,714
Less : Current Liabilities and Provisions :					
Current Liabilities	XII	114,537,760			121,094,951
Provisions	XIII	2,400,457			7,162,841
			116,938,217		128,257,792
Net Current Assets				47,215,614	100,359,922
Miscellaneous expenditure					
(To the extent not written off or adjusted)				3,824,859	4,490,778
TOTAL				220,449,761	242,910,883
NOTES TO ACCOUNTS	XIX				

As per our report of even date

For **KIRTANE & PANDIT**
Chartered Accountants

For **ONWARD TECHNOLOGIES LIMITED**

J.V. Naik
Partner

Harish Mehta
Chairman & Managing Director

Shaila Mehta
Director

Berjis Desai
Director

Place : Mumbai

Date : 24th August, 1998