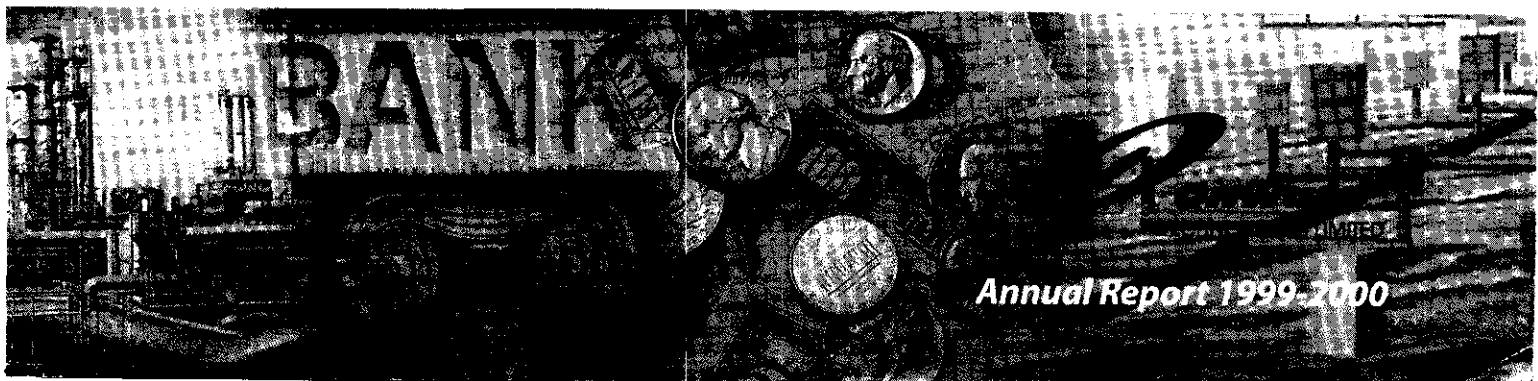


Blending Strengths.

Creating Solutions.



Annual Report 1999-2000

*Blending Strengths.
Creating Solutions.*

***Incorporated with a mission,
restrengthened by the
corporate vision and expertly
directed by foresight, Onward
Technologies Limited has
grown. Grown to now extend
its operations globally. To
blend software technology and
indigenous talent optimally. To
create world class solutions. To
leave its unmistakable mark
on the IT world. Through
quality, innovation and
professionalism.***



BOARD OF DIRECTORS

Harish Mehta	(Chairman & Managing Director)
Shaila Mehta	(Director)
Berjis Desai	(Director)
Arun Meghani	(Director)
Samir Desai	(Director)
Prachi Mehta	(Alternate to Mr. Samir Desai)

MANAGEMENT TEAM

Harish Mehta	Chairman & Managing Director
Ajit Chaphalkar	- US Operations & Engineering Solutions
Vinayak Vaidya	- Banking & Networking Operations
V.L. Shetty	- UK Operations & Software Development
Hitendra Kale	- Finance, Accounts & Legal
Kisholoy Gupta	- Human Resources

AUDITORS

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

SOLICITORS

Udwadia, Udeshi & Berjis
324 Thomas Cook Bldg.,
3rd Floor, D. N. Road,
Fountain, Mumbai - 400 001.

BANKERS

Bank of Baroda
Corporation Bank
Centurion Bank
Vysya Bank

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Subsidiary Companies Accounts
Shantmurli Holdings Limited
Onward Software Technologies Limited
Onward Technologies, Inc., USA
OFFICIAL WEBSITE
www.onwardgroup.com

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 - 400 096.

REGISTRAR & SHARE TRANSFER AGENTS

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

OUR VISION

“....To provide a competitive edge to customers with our multi-skillsets equipped with state-of-the-art I. T. Tools, Value Added Professional Services for the global market....”



DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure in presenting the Ninth Annual Report and the Audited Statement of Accounts of the Company for the year ended 30th June, 2000.

1. FINANCIAL RESULTS

	For the year ended 30.06.2000 (Rs. in Lacs)	For the year ended 30.06.1999 (Rs. in Lacs)
Sales and Other Income (Net)	4376.81	3638.00
Profit before Interest and Depreciation	989.87	660.12
Interest	221.94	303.73
Depreciation	306.34	223.94
Operating Profit	461.59	132.45
Preliminary Expenses written-off	12.02	6.66
Extraordinary Items/Prior Period Items	22.07	33.10
Provision for Taxation	Nil	Nil
Profit/(Loss) after Tax	427.49	92.69
Balance b/f from previous year	Nil	Nil
Proposed Dividend	Nil	Nil
Transfer to General Reserve	Nil	92.69
Balance carried forward	427.49	Nil

The Company recorded an all round improvement in its financial performance during the year under review. The total turnover increased by 20.31% while the net profit rose substantially over the last year. This healthy percentage profit rise is on account of timely restructuring exercise it undertook in the year 1997-98 and shift in focus towards a professional services and solutions model for export market, thus resulting in better utilisation of available resources and consequent margin realisations in the highly competitive computer software solutions and services industry in which it performs. The Company with its strong domain knowledge and latest skillsets, now stands on a steady platform and is confident of excelling in years to come.

2. DIVIDEND

The Directors, with a view to conserve resources of the Company for further growth, have decided not to recommend any dividend for the year 1999-2000 despite adequate profits and cash generation.

3. COMPANY'S OPERATIONS

The Company having left behind the restructuring era of its life has now emerged after a turnaround success into a strong and vibrant Company with a healthy bottomline. With fresh direction enthused, a constant effort is being made to provide knowledge based professional software services to its customers in vertical market segments where

onward
TECHNOLOGIES LIMITED



the Company enjoys a high reputation. The Company consolidated its operations in the Banking Solutions Business, Manufacturing Engineering Software Services, Process Engineering Solutions Business and Software Development and Consulting Services. The Company completed several off-shore projects from Europe and USA and has got many other valuable projects in hand. The operations of its wholly owned Subsidiary in USA, Onward Technologies, Inc. (OTI) have expanded, thus adding considerably to the export income of the Company. The Company has also started to reap the benefits of having set the branch office in UK. Through the UK branch office the Company has successfully executed projects for certain esteemed clients in the areas of E-Commerce, Client-Server technologies, etc.

The Company has got a distinct leverage in comparison to its peer companies with a unique domain knowledge strength and a Global Delivery Model based on Strategic Business Units such as Banking Software Solutions Division [BSSD], Manufacturing Software Solutions Division [MSSD], Process Software Solutions Division [PSSD], Software Development & Solutions Division [SDSD] and Networking Software Solutions Division [NSSD].

'Artha Pranali', a TBM Package with bilingual features has been well received in various Banks and is most likely to turn out as a flagship product of this SBU in future. 'Mudra Pranali', an application for forex transactions and 'Net Asset', a work flow application shall be introduced directly to the Banking Industry shortly. BSSD's Customer Services network operates from more than 38 locations across the length and breadth of India

and is the only one which can claim to having serviced more than 2000 branches all across India.

MSSD and PSSD also grew further in knowledge having provided software solutions and professional services to various well known and large clients, both in the public and private sector. MSSD with its wealth of expertise in high end technology software products such as IDEAS, ProE and Autocad and the strong domain knowledge in CAD/CAM/CAE gathered over the years undertook various contracts for large domestic customers. Several Offshore Projects were also bagged by MSSD from the USA and Europe during the year. PSSD has been instrumental in providing consultancy training and other application services to several customers in the area of chemical production, fertilizers, petrochemicals, refineries, etc. during the year. Process Simulation and Decision Support System is another area in which PSSD has excelled.

The Company has taken cognizance of the rising level of its receivables, which is essentially from the domestic business. This has resulted in the management taking various steps to control the same. Subsequent to which the current year has witnessed a major portion of year end debtors getting collected till date.

4. NEW VENTURES

The Company has entered into a Global Partnership Agreement with Novell, Inc., USA, a \$ 1.2 billion Fortune 500 Company to provide E-Commerce related Consultancy Services to various business units of Novell, Inc. especially in areas of Net Management, Net Directory, Net Content and thus support Novell, Customers. The Business Solution Offering will include B to B database Directory Integration, Global Directory



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Deployment, NDS Design for normal as well as E-Business needs. The Company will work closely with Novell, Inc. in North America, Europe, Middle East and Asia Pacific.

The Company has also signed up with Thomas Publishing Company, a well known product information publishing company based at New York, USA. The projects from Thomas will be executed at the Company's newly set up Software Development Centre at Pune.

The Company through its wholly owned Subsidiary, Onward Technologies, Inc., USA has also signed an agreement with Structural Dynamic Research Corporation (SDRC), Ohio, USA, to provide Technical, Professional and related services by effective implementation of CAD/CAM/CAE technology, thus reducing the "time to market" for its clients in North America. This is a culmination of the relationship which Onward enjoys with SDRC for the past many years.

The Company has been appointed as the Indian Implementation Partner of Aspen Tech for its prestigious petrochemical & refining project with a large PSU in India. The comfort level of Aspen was mainly due to its earlier experience with the Company as a Business Partner as well as the commendable support provided to their customers through the Company's Help Line for Asia Pacific Customers. To Aspen & its global customers Onward continues to provide professional services.

5. SUBSIDIARY

The Company's wholly owned Subsidiary, Onward Technologies, Inc., USA (OTI) has continually shown a growing trend in its operations since its inception. The business of OTI is garnered in core

expertise areas such as Engineering Solutions and Software Solutions.

6. FIXED DEPOSITS

The Company has not accepted any deposits and as such no amount is outstanding for payment on date.

7. CAPITAL EXPENDITURE

During the year under review, the Company has incurred capital expenditure of Rs.6.78 Crores on various on-going projects. The Company has plans to judiciously invest further amounts in setting up new software development centres as well as expanding and modernising the existing facilities.

8. HUMAN RESOURCES

Onward with its wholly owned Subsidiary has a strength of over 475 employees and consultants out of which 147 were recruited during the year. The Company has taken initiative in the areas of career development, knowledge and skill enhancement through extensive training and education to enhance productivity. The Company has plans to further intensify efforts in employee involvement and motivation after having already implemented an interactive website and open forums. Onward has issued stock options for high performers at all levels encouraging organisation wide excellence. This has also helped the Company to retain high calibre people.

9. AUDITORS

The Company's Auditors, M/s. Kirtane & Pandit, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. The Company has received the Certificate from the Auditors stating that they are qualified under section 224(1) of the Companies



Onward TECHNOLOGIES LIMITED



Act, 1956 to act as the Auditors of the Company, if re-appointed.

9. 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 Company operates in an industry characterised by rapid changes and technological obsolescence. The Company is already registered with DSIR, which comes under Ministry of Science and Technology. The constant R&D efforts has delivered new versions and features for the existing products in all the segments it works. The Company is continuing its efforts to develop new software products for the Banking industry and is geared to expand the levels of automation in the Banking industry with the launch of new products.

a) Specific areas for R & D

R & D activities in 1999-00 concentrated mainly on banking application products.

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

Availability of advanced technology based products for Banks leads to significant reduction in investment required for computerisation and an

overall faster as well as 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. 158.80 lacs

Capital : Nil

iii) FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange earnings : Rs.408.28 Lacs

Foreign Exchange outgo : Rs.415.01 Lacs

10. EMPLOYEE PARTICULARS

The Particulars of Employees as required to be disclosed in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, form part of this Directors' Report. However, as per the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Report and the Accounts are being sent to all Shareholders of the Company excluding the aforesaid information. Any Shareholder interested in obtaining such particulars may write to the Company at its registered address.

11. DIRECTORS

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



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12. FUTURE OUTLOOK AND PLANS

The operations of the Company during the year under review have shown an improved trend which is encouraging. Considering the national and global software industry scenario vis-à-vis its potential, the Company is certain to show better results in the next year.

13. EMPLOYEE STOCK OPTION SCHEME

The Directors are happy to inform that the Company is continuing with the Employee Stock Option Scheme (ESOP) in the current year. As of date 19,700 shares have been allotted against conversion of the ESOP Warrants to the Employees of the Company.

14. Y2K COMPLIANCE

The Company has addressed the Y2K issue successfully and has made a smooth transition to the new millennium. At present all hardware and software systems of the Company are Y2K compliant.

15. 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 Bankers and Financial Institutions, Company Associates from USA., Europe, UK., Department of Electronics and other Government Departments and Authorities. The Directors would like to gratefully acknowledge the contribution made by the employees to the growth of the Company. While appreciating this, your Directors believe that this effort will continue in future and the Company will achieve higher goals. The Company also appreciates the invaluable support from its suppliers, customers and shareholders.

On behalf of the Board of Directors

HARISH MEHTA
CHAIRMAN & MANAGING DIRECTOR

Place : Mumbai

Date : 26th August, 2000



Auditors' Report

The Members of

ONWARD TECHNOLOGIES LIMITED

1. We report that we have audited the Balance Sheet of Onward Technologies Limited as at 30th June, 2000 and the Profit and Loss Account for the year ended on 30th June, 2000 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, the Profit and Loss Account and Balance Sheet comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of The Companies Act, 1956, subject to the following :
 - a) Capitalisation of Research and Development Expenditure (Refer Note 1C and 6 of Schedule XIX) to the extent of Rs. 1,58,80,462/-.
 - b) Accounting of Annual Maintenance Contracts (AMC) charges on Billing basis. In view of numerous transactions, the quantification in this respect is not possible (Refer Note 1 J of Schedule XIX).
4. 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 Para 3 above and Debtors and Creditors balances being subject to confirmation (Note No. 7 of Schedule XIX) 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's Balance Sheet as at 30th June, 2000 and in the case of Profit and Loss Account, of the profit for the year ended on that date.
5. As required by the Manufacturing and Other Companies (Auditors' 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 :
 - 5.1 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.
 - 5.2 The fixed assets of the Company have not been revalued during the year.
 - 5.3 The Management during the year has physically verified the stocks of finished goods of the Company at all its locations at regular intervals.
 - 5.4 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.
 - 5.5 No material discrepancies were noticed between the physically verified stocks and the book records of the same.
 - 5.6 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.
 - 5.7 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.
 - 5.8 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.
 - 5.9 The Company has given loans or advances in the nature of loans to its employees and Onward Group Employees Co-operative Credit Society during the year and they are repaying the principal amounts as stipulated and are also regular in the payment of interest, wherever applicable.
 - 5.10 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.
 - 5.11 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