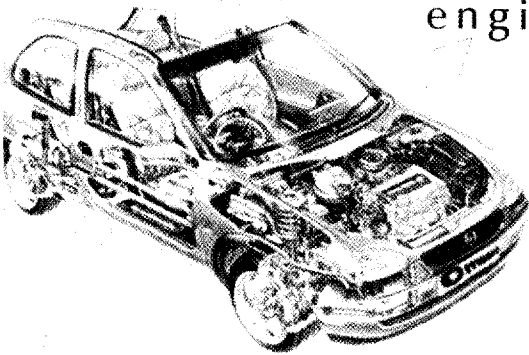
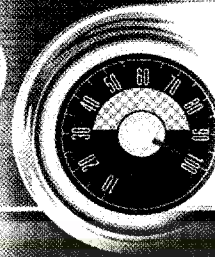


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13th Annual Report



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## CONTENTS

Board of Directors .....	1
Notice .....	2
Director's Report .....	5
Management Discussion and Analysis .....	10
Report on Corporate Governance .....	12
Auditor's Report .....	19
Balance Sheet .....	22
Profit & Loss Account .....	23
Cash Flow Statement .....	24
Schedules to Accounts .....	25
Balance Sheet Abstract & Company's General Business Profile .....	41
Consolidated Financial Statements .....	42
Statement pursuant to Section 212 of the Companies Act, 1956 .....	60
<b>Subsidiary Companies Accounts</b>	
Onward eServices Limited .....	61
Shantmurli Holdings Limited .....	70
Onward Technologies, Inc. ....	75
Onward Technologies GmbH .....	79

## BOARD OF DIRECTORS

Harish Mehta	Chairman & Managing Director
Shaila Mehta	Director
Berjis Desai	Director
Arun Meghani	Director
Samir Desai	Director
Pradip Dubhashi	Director

## AUDITORS

Kirtane & Pandit  
 Chartered Accountants  
 'Sangati', Bhakti Marg,  
 Off. Law College Road,  
 Pune - 411 004.

## REGISTERED OFFICE

Onward House,  
 Plot D, 28/7, T.T.C.,  
 MIDC Industrial Area,  
 Turbhe, Dist. Thane,  
 Navi Mumbai - 400 705.

## SOFTWARE DEVELOPMENT CENTRES

Krishna Kewal Commercial Complex  
 1-A/1, Krishna Kewal Nagar,  
 Kondhwa,  
 Pune - 411 048.

Unit 152, SDF V, 1st Floor,  
 Seepz, Andheri (E),  
 Mumbai - 400 096.

Onward House,  
 Plot D, 28/7, T.T.C.,  
 MIDC Industrial Area,  
 Turbhe, Dist. Thane,  
 Navi Mumbai - 400 705.

## REGISTRAR & SHARE TRANSFER AGENTS

Intime Spectrum Registry Ltd.  
 C-13, Pannalal Silk Mills Compound,  
 L.B.S. Marg,  
 Bhandup,  
 Mumbai - 400 078.

## OFFICIAL WEBSITE

www.onwardgroup.com

## Notice

NOTICE is hereby given that the Thirteenth Annual General Meeting of Onward Technologies Limited will be held at the Registered Office of the Company at Onward House, Plot No. D 28/7, TTC, MIDC Industrial Area, Turbhe, Navi Mumbai 400 705, on Friday, November 19, 2004 at 4.00 p.m. to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at June 30, 2004 and the Profit and Loss Account of the Company for the year ended on that date and the Report of the Auditors and that of the Directors thereon.
2. To appoint a director in place of Mr. Harish Mehta who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a director in place of Mrs. Shaila Mehta who retires by rotation and being eligible, offers herself for reappointment.
4. To appoint auditors and to fix their remuneration.

### SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modification(s), the following as a Special Resolution :

"RESOLVED THAT pursuant to provisions of section 314 and all other applicable provisions, if any, of the Companies Act, 1956, including any statutory modifications or re-enactment thereof, for the time being in force, (hereinafter referred to as "the Act"), consent of the Company be and is hereby accorded to Mr. Jigar H. Mehta, relative of Mr. Harish Mehta and Mrs. Shaila H. Mehta, Directors of the Company, holding and continuing to hold an office or place of profit under the Company as "Manager- Corporate Affairs" or such other designation as may be decided from time to time, on an increased remuneration of Rs. 80,000/- per month, in a time scale of Rs. 40,000 – 10,000 – 1,00,000 – 20,000 – 3,00,000, with effect from July 1, 2004, in the grade as may be appropriate or any other grade to which he may be elevated according to the policy of the Company together with the allowances, benefits, amenities and facilities applicable to employees in such grade as per the rules of the Company.

RESOLVED FURTHER THAT the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any existing duty authorised Committee(s) or which the Board may constitute to exercise the powers of the Board including the powers conferred by this resolution), subject to the consent of the Central Government, if any, as may be necessary, be authorised at its discretion and as deemed fit and proper, to fix or otherwise decide at various intervals the managerial grade and remuneration including perquisites payable to Mr. Jigar H. Mehta while he continues to hold an Office or place of profit under the Company.

RESOLVED FURTHER THAT subject to section 314 (1B) of the Act, the Company shall apply for approval of the Central Government with such modification(s) and variation(s) as the Central Government may suggest and which the Board of Directors of the Company is hereby authorised to accept, and acceptable to Mr. Jigar H. Mehta."

**By the order of the Board of Directors**

Place: Mumbai  
Date : September 29, 2004

**Harish Mehta**  
*Chairman & Managing Director*

### Registered Office:

Onward House  
Plot No. D 28/7, TTC  
MIDC Industrial Area  
Turbhe,  
Navi Mumbai 400 705.

## Notice (Contd.)

### Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies to be effective, should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
2. The Explanatory Statement pursuant to sub-section (2) of Section 173 of the Companies Act, 1956. The bio-data of the Directors proposed to be appointed / re-appointed is also annexed to this Notice, as required under the Listing Agreement.
3. Pursuant to of Stock Exchange 205A(s) of the Companies Act, 1956, dividends declared for the financial year ended on March 31, 1997 and thereafter, transferred to unpaid dividend account, which remain unclaimed for a period of 7 years, will be transferred to the Investor Education and Protection Fund of the Central Government, established under section 205C of the Act. According the provisions of the Act as amended, no claim shall lie against the said Fund or the Company for the amounts of dividend so transferred nor shall any payment be made in respect of such claims.
4. The Register of Members and Share Transfer Books of the Company shall remain closed from November 17, 2004 to November 19, 2004 (both days inclusive).
5. Members are requested to address all correspondence pertaining to their securities mentioning either the Folio Number / Client ID and DP ID numbers as applicable including any change of address, if any, to the Registrars and Transfer Agents of the Company viz.:  
Intime Spectrum Registry Ltd.  
C-13, Pannalal Silk Mills Compound  
L. B. S. Marg, Bhandup, Mumbai-400 078
6. Members / Proxies attending the Meeting are requested to bring their copies of Annual Report together with attendance slip at the meeting.
7. Members seeking any information relating to Accounts are requested to write to the Company at least 10 days before the date of the Annual General Meeting to enable the Management keep the required information ready at the meeting.

**By the order of the Board of Directors**

Place: Mumbai  
Date : September 29, 2004

**Harish Mehta**  
*Chairman & Managing Director*

### Registered Office:

Onward House  
Plot No. D 28/7, TTC  
MIDC Industrial Area  
Turbhe  
Navi Mumbai 400 705.

### EXPLANATORY STATEMENT

**(Pursuant to the provisions of Section 173(2) of the Companies Act, 1956).**

#### Item No.5 :

With the requisite approval of the members by way of Special Resolution passed at the 10th Annual General Meeting of the Company held on October 10, 2001, and subsequently revised on varied terms on 12th AGM, Mr. Jigar Mehta is holding an office of profit since June 19, 2001 and is presently designated as "Manager- Corporate Affairs" in the Company. Mr. Jigar Mehta is



## Notice (Contd.)

a Bachelor of Science in Business Administration with concentrations in Marketing and Management Information System from Boston University, MA, USA. Mr.Jigar Mehta has satisfactorily contributed to the business affairs of the Company in the past two years and has shown capacities to shoulder higher responsibilities. Considering his qualifications and experience the Directors consider the remuneration payable as indicated in the resolution to be reasonable and commensurate with the Market conditions. The Company may entrust upon him such other additional duties and functions with suitable designation and level as it may consider appropriate from time to time.

Mr.Jigar Mehta is a son of Mr.Harish Mehta and Mrs. Shaila Mehta, Directors of the Company and accordingly, this resolution is placed for the approval of the members under Section 314 of the Companies Act, 1956. In accordance with the usual practice followed by the Company for increase in the remuneration to its Managers, Mr.Jigar Mehta's remuneration may also be increased on a year to year basis. In the event the total monthly remuneration payable to Mr.Jigar Mehta increases beyond the limit prescribed by the Central Government in terms of Section 314(1B) of the Act, (which limit presently is Rs.50,000 per month), the approval for the same shall be obtained from the Central Government and the remuneration shall be payable subject to such modification(s) and variation(s) as the Central Government may suggest and which the Board of Directors are hereby authorised to accept.

The Board recommends this Resolution for your approval.

No Director of the Company other than Mr. Harish Mehta and Mrs. Shaila Mehta is concerned or interested in the aforesaid Resolution.

**As required under Clause 49 VI of the Listing Agreement given below are the details of the director proposed for re-appointment of Mr. Harish Mehta and Mrs. Shaila Mehta.**

**Mr. Harish Mehta** is the Chairman and Managing Director of Onward Technologies Ltd. and Deputy Chairman & Managing Director of Onward Novell Software (I) Pvt. Ltd.

Onward Technologies Ltd. (OTL) is a software driven Consulting Services & Solutions Company specialising in Engineering design services, eDirectory enabled solutions & Software Development services. Onward Group today operates from 45 offices worldwide with branches in USA, Germany, U.K., Singapore & Japan.

Mr. Mehta has been the founder member of NASSCOM ( National Association of Software & Service Companies) and former Chairman.

Mr. Mehta holds a Masters degree in Computer Science from Brooklyn Polytechnic Institute, USA.

**Mrs. Shaila Mehta** holds a Master in Science (Statistics) Degree from the University of Mumbai and a Diploma in Systems Design & Analysis from Connecticut, USA. Mrs. Mehta is also Director in Onward eServices Ltd. a Company engaged in providing solution to Banking and Financial institutions.

**By the order of the Board of Directors**

Place: Mumbai  
Date : September 29, 2004

**Harish Mehta**  
Chairman & Managing Director

### Registered Office:

Onward House  
Plot No. D 28/7, TTC  
MIDC Industrial Area  
Turbhe  
Navi Mumbai 400 705.

## Director's Report

To,

The Members,

Your Directors have pleasure in presenting the Thirteenth Annual Report and the Audited Statement of Accounts of the Company for the year ended June 30, 2004.

### 1. FINANCIAL RESULTS

	For the year ended 30.6.2004 (Rs. in Lacs)	For the year ended 30.6.2003 (Rs. in Lacs)
Sales and Other Income (Net)	2,791.17	5,163.06
Profit before Interest and Depreciation	505.74	1,276.76
Interest	192.97	362.49
Depreciation	219.06	691.19
Operating Profit	93.71	223.08
Preliminary Expenses write-off	12.31	12.31
Prior Period Items	3.33	24.11
Profit Before Extraordinary Items & Tax	78.08	186.66
Extraordinary Items	Nil	861.74
Profit / (Loss) Before Tax	78.08	(675.08)
Provision for Taxation – current	2.88	7.86
– deferred	20.58	(37.74)
Profit/(Loss) after Tax	54.62	(645.19)
Balance b/f from previous year	57.25	702.45
Proposed Dividend	Nil	Nil
Transfer to General Reserve	Nil	Nil
Balance carried forward	111.19	57.25

Due to hiving off of the 'Domestic Banking Business' of Onward Technologies Limited into a wholly owned subsidiary, the total revenues of the company have declined from Rs. 5,163.06 Lacs to Rs. 2,791.17 Lacs.

Though, in the initial months of last year, the Company did face some setback in its operations and had to post a sizable loss in the first quarter, the remaining quarters experienced an upward mobility in the operations & profitability, which successfully wiped off the entire loss by the year end and could actually post a profit of Rs. 54.62 Lacs.

### 2. DIVIDEND

With a view to conserve the resources of the Company, the Directors do not recommend payment of any Dividend for the year 2003 – 04.

### 3. OPERATIONS

In Financial Year 2002-2003, Onward Technologies Limited had restructured its activities into two distinct entities and the Domestic Banking Business was hived off into a wholly owned subsidiary, namely Onward eServices Limited. This restructuring, also simultaneously ensured the emergence of the Engineering Design Services as the focal business of Onward Technologies Limited. During the Financial Year 2003-2004, the Company consolidated its business in the Engineering Design space and emerged as one of the very few handful Indian Service providers who could offer End-to-End (ART to PART) solutions from designing, modeling, simulation to FEA and prototyping of Engineering Designs. In the year it catered to various industrial segments such as automobiles, off road automotives, aerospace, machine tools, semi-conductors etc. in addition to providing valuable general Engineering Design Services for sheet metal, castings and plastics to quite a few of the fortune 500 companies. The company untiringly runs its global delivery model to be in time, every time and the services were delivered through its various offices in USA, India, UK and Germany to customers across the globe.

## Director's Report (Contd.)

The Company today has an offshore Engineering strength of more than 220 employees and also has a sizable Onsite presence with more than 50 employees abroad. During the year the Company further invested in newer high-end Engineering Software tools and infrastructure, which shall, in the coming days, help it to further move up the value chain using its unique combination of domain expertise and technology platforms.

The increase in revenues of the Engineering Design Services business was despite the continued recession in the automotive segment and the downslide in aircraft component industry, a result of the recession in the Airline Industry worldwide. Further, the increase was possible due to the Company's thrust on initiating new customers, deeper penetration into existing ones and its diversified presence in USA, UK, Germany, Japan and Finland. Increased focus on Engineering Services saw the Company obtain customers in domains such as fixture design and world class OEMs in automotive segment.

### 4. INCREASE IN THE SHARE CAPITAL

During the year the paid up Share Capital of the Company was increased from Rs.9,997,690, divided in to 999,769 Equity Shares of Rs.10/- each to Rs.10,781,970, divided into 1,078,197 Equity Shares of Rs.10/- each, consequent to allotment and of 275,000 Equity Shares of Rs.10/- each, to Kale Consultants Ltd., and 5,00,000 Equity Shares of Rs.10/- each to promoter group Company on Preferential Basis . 9,300 Equity Shares of Rs.10/- each was allotted to the employees of the Company on account of conversion of the warrants issued by the Company under Employee Stock Option Plan (ESOP).

### 5. SUBSIDIARIES

The subsidiaries of your Company are as follows:

#### **Onward eServices Ltd.**

This Company was incorporated in the year 2003 with a view to ensure focussed attention to the emerging opportunities in rapidly growing banking and financial sector. The Company has just completed its maiden year of operation successfully. The Company is engaged in providing services and solutions to the diverse and challenging banking and financial institutional customers.

#### **Shantamurali Holdings Ltd.**

The Company did not undertake any substantial operation during the year, hence incurred a loss of Rs.13,830/-.

#### **Onward Technologies GmbH**

The Company is exploring all possible opportunities in Germany. As per the regulatory requirements of Germany, the statutory audit of books of account of such a Company are not mandatory, therefore, the enclosed accounts for the year ended June 30, 2004 have been certified internally by the management and taken on record.

#### **Onward Technologies, Inc.**

The Company has shown phenomenal growth in current financial year. Consequently, net profits of the Company have increased to USD 119,027 from USD 42,557 in the preceding financial year. The increase in revenue was attributed to incremental Onsite requirements in the US. Having achieved success in Auto sector, the Company is now trying to venture into other industry segments for End-to-End solutions business.

### 6. HUMAN RESOURCE INITIATIVES

The year of 2003-2004 was a year of experiencing new areas of learning.

To begin with we acquired the Banking Product division of Kale Consultants Limited. Apart from the legalities of transferring employees' and their payroll related activities, we had to culturally integrate them amidst our team of existing employees.



## Director's Report (Contd.)

All the roles, designations and the grades had to be remapped and streamlined so that the team worked like one well oiled monolithic machine.

Our engineering designers are making a fair amount of travel to exhibit their ever-increasing skills in more and more countries. The countries to which they have gone other than the US are UK, Japan, Spain, Germany, France, Italy and Finland. This initiated the HR team to learn about employment process there and educate our engineers on the cultures of these countries. We have imparted training on Japanese, French and Italian languages. Apart from these we had training on team building, leadership and communication skills.

Trainings were not only restricted to languages and other soft skills. As our perspective on domain widened, we had to train our engineers on plastics, engines, gears, fixtures, meshing, seating, body-in-white, composite, NVH and CFD. There was technical training on various softwares for both our designers as well as for our software developers.

To give a boost to sales team an exciting incentive scheme was introduced, which paid us good dividends. Added to this, we enhanced the Company spirit by sanctioning stocks to our key employees under the ESOP scheme and spot awards for excellence in performance.

Our business being widely spread geographically we have realized the importance of regular communication. Open houses have been conducted regularly. Employees exchange views and are told about the company's performance. This forum has also been used for training for the employees by the employees, themselves.

### 7. FIXED DEPOSITS

The Company has not accepted any deposits and as such no amount is outstanding.

### 8. EMPLOYEE STOCK OPTION SCHEME

The Company has an ongoing Employee Stock Option Scheme, which was approved by the Members at the Annual General Meeting, held on December 10, 1997. Under the said Scheme warrants convertible into not more than 160,000 Equity Shares overall, can be allotted to the permanent employees of the Company at a price of Rs.62/- per Equity Share. Till date 29,400 Options have been given to the eligible and deserving employees of the Company under this scheme.

No. of shares allotted against these Options	: 19,700
--	----------

No. of shares forfeited against the Options	: 85,900
---	----------

No. of shares yet to be converted against Options	: 12,000
---	----------

An additional Employees Stock Options Scheme called ESOP 2001 has been implemented to attract, motivate and retain talented personnel. The members at the Annual General Meeting held on October 15, 2001 approved this. The maximum number of warrants to be issued to the employees of the Company and its Subsidiaries would be 126,250 with option to acquire 505,000 equity shares and 25,000 warrants with an option to acquire 100,000 equity shares each in aggregate respectively. The price per equity share for these options has been determined at Rs.10/- considering the ruling market price on the various Stock Exchanges then.

Till date 75,550 Options have been given to the eligible and deserving employees of the Company.

No. of shares allotted against these options	: 27,500
--	----------

No. of shares forfeited against the Options	: 102,200
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No. of shares yet to be converted against Options	: 172,500
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A certificate from the Auditors for the above referred schemes is enclosed with this report.

## Director's Report (Contd.)

### 9. AUDITORS

The Statutory Auditor's, M/s. Kirtane & Pandit, retire at the conclusion of the ensuing 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 Act, 1956, to act as the Auditors of the Company, if re-appointed.

### 10. AUDITORS QUALIFICATION

Your Directors have taken cognizance of the views of the statutory auditors on the extent of internal audit and have taken necessary steps to address the same.

### 11. RESPONSIBILITY STATEMENT

The Directors hereby confirm pursuant to Section 217(2AA) of the Companies Act, 1956:

- a) That in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same, save to the extent, referred to in the Auditors' Report;
- b) that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at June 30, 2003 and of the profit / loss of the Company for the period from July 1, 2002 to June 30, 2003;
- c) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) that they have prepared the annual accounts on a going concern basis.

### 12. LISTING INFORMATION

The Company is listed on the Stock Exchange, Mumbai, National Stock Exchange of India Limited. The Company has applied for delisting of its Shares from Ahmedabad Stock Exchange and Madras Stock Exchange the approval is awaited.

### 13. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :

#### (i) CONSERVATION OF ENERGY:

The Company consumes electricity only for operating its computers mainly . Though it amounts to negligible expenses as compared to total turnover. However, Company has taken necessary steps to reduce its electricity consumption at every stage.

#### (ii) TECHNOLOGY ABSORPTION:

##### Research and Development (R & D)

The Company operates in an industry characterized by rapid changes and technological obsolescence. The Company is continuing its efforts to develop new software products with an eye to expand the levels of automation in the industries its customers operate. The constant R&D efforts have delivered new versions and features for the existing products in all the segments it works.

##### a) Specific areas for R & D

The Company believes that technological obsolescence is a practical reality. We invest and encourage continuous innovation. Our R & D is always focused to provide unique benefits to our customers and other stakeholders by working both proactively (self-driven research) and reactively (customer-driven research).

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

R & D activities taken up by the Company helps us provide a better tomorrow.