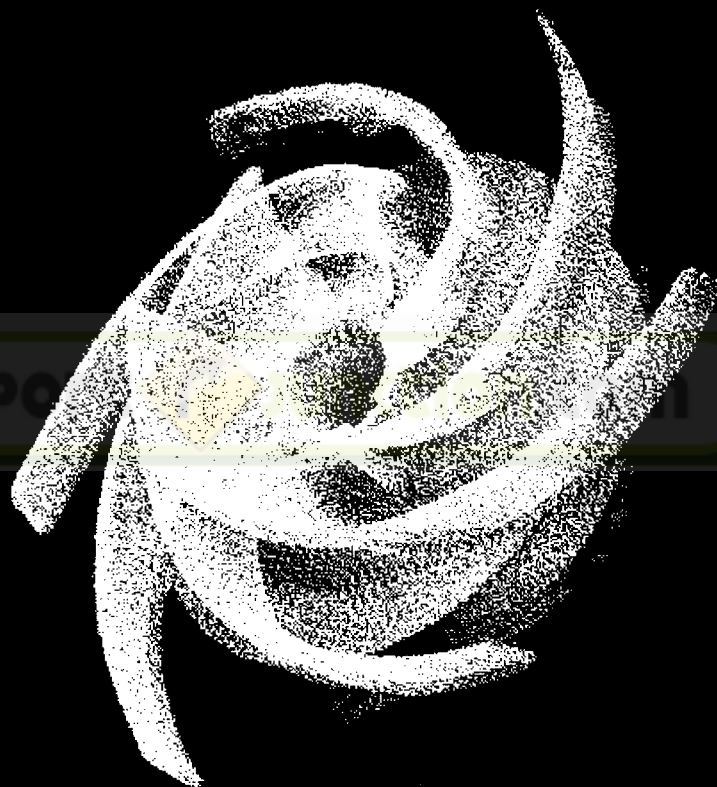


## 15th Annual Report 2005-06

yz x



 **onward**<sup>®</sup>  
TECHNOLOGIES LIMITED

---

## BOARD OF DIRECTORS

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

---

## COMPANY SECRETARY

Monita Singh

---

## 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.  
Tel: +91 22 27680044  
Fax: +91 22 27681529

---

## REGISTRAR & SHARE TRANSFER AGENTS

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

---

## CORPORATE WEBSITE

[www.onwardgroup.com](http://www.onwardgroup.com)

---

**CONTENTS**

Notice .....	2
Director's Report .....	5
Management Discussion and Analysis .....	11
Report on Corporate Governance .....	13
Auditor's Report .....	23
Balance Sheet .....	26
Profit & Loss Account .....	27
Cash Flow Statement .....	28
Schedules to Accounts .....	29
Balance Sheet Abstract & Company's General Business Profile .....	45
Consolidated Financial Statements .....	46
Statement pursuant to Section 212 of the Companies Act, 1956 .....	64
<b>Subsidiary Companies Accounts</b>	
Onward eServices Limited .....	65
Shantmurli Holdings Limited .....	77
Onward Technologies, Inc. ....	82
Onward Technologies GmbH .....	86



## Notice

NOTICE is hereby given that the Fifteenth 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, August 11, 2006 at 4.00 p.m. to transact the following business:

### ORDINARY BUSINESS :-

1. To receive, consider and adopt the Balance Sheet of the Company as at March 31, 2006 and the Profit and Loss Account 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. Samir Desai who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Arun Meghani who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

### SPECIAL BUSINESS :

5. To announce the results of the Postal Ballot in respect of the following Ordinary Resolution on which voting of the members is sought for by way of Postal Ballot system in terms of section 192A of the Companies Act, 1956:

"RESOLVED THAT pursuant to the provisions of section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modifications or re-enactment thereof, for the time being in force, the Consent of the Company be and is hereby accorded for charges created or to be created, whether pari passu with any existing charge or not, on all its movable or immovable properties where so ever situated, both present and future and the whole of the undertaking of the Company in favour of any persons, banks and/or financial institutions for securing repayment of any loans, financial assistance, borrowings and facilities together with costs, interests, charges and expenses thereon.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to finalise the terms and conditions and execute all such documents for creating the mortgage, hypothecation and/or charges and to do all such acts and things as may be necessary in connection therewith and incidental thereto for giving effect to the above resolution."

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

**Harish Mehta**

*Chairman & Managing Director*

Place : Mumbai

Date : June 23, 2006

### Registered Office:

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

### 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.
2. 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.
3. 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.

## Notice (Contd.)

4. The motions under item no. 5 is for consideration and voting through 'Postal Ballot' in terms of the provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules 2001, as amended. Accordingly a Ballot Paper has been supplied separately. Members are requested to cast their votes on this item in writing, by marking in the appropriate box provided for in the said Ballot Paper. Attention of the members is invited to the detailed instructions given in the Ballot Paper and they are requested to exercise their right of vote as per the said instructions.
5. Members are requested to send the Ballot Paper duly tick marked as per their choice and signed, in the self addressed envelope sent along with this Notice. The Company has made arrangements to pay for the Postage on the said envelope. However, envelopes containing postal ballots, if sent by courier at the expenses of the registered shareholder will also be accepted.
6. In accordance with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 Postal Ballot received after 30 days from the date of posting of this letter will be treated as if the reply from the Member has not been received and the same will not be considered.
7. On the date and time fixed for the Annual General Meeting, the Chairman will announce the results on the voting by Postal Ballot, based on the report of the scrutinizer(s).
8. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, August 9, 2006 to Friday, August 11, 2006 (both days inclusive).
9. 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 (W), Mumbai-400078
10. Members / Proxies attending the Meeting are requested to bring their copies of Annual Report together with attendance slip at the Meeting.
11. 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 to keep the required information ready at the Meeting.

### EXPLANATORY STATEMENT

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

During the course of business the Company has availed credit facilities from financial institutions, Banks for the purpose of augmenting the resources to meet its Capital expenditure and Working Capital commitments :

Term Loan of Rs. 2,010 Lacs from UTI Bank Ltd.

This loan is to be secured by a pari passu first charge/mortgage in favour of UTI Bank Ltd. on all immoveable properties of the Company, both present and future located at TTC MIDC Industrial Area, Dist. Thane and on moveable assets of the Company, both present and future situated at various locations. There would also be a provision of a floating charge with the Company being allowed to hypothecate its stock of raw materials, work-in-progress, finished goods, stores (not relating to the plant & machinery or any spare parts thereof) and book debts in favour of its bankers for securing working capital facilities in ordinary course of business with such hypothecation having priority over the floating charge.

The Company is negotiating with Banks and financial institutions for further financial assistance by way of secured facilities.



## Notice (Contd.)

Section 293 (1) (a) of the Companies Act, 1956 provides that the Board of Directors of the Company shall not without the consent of the members of the Company in general meeting, sell, lease, or otherwise dispose off the undertaking of the Company or any substantial part thereof.

The members are hereby requested to accord their consent for charges created/to be created on the movable as well as immovable properties of the Company to secure various credit facilities availed from UTI Bank Ltd. and other Banks/ Financial Institutions.

Pursuant to Section 192A of the Companies Act, 1956 and in terms of Article 36 of the Articles of Association of the Company, the subject matter of the resolution is required to be considered through Postal Ballot system.

The Postal Ballot Form alongwith self addressed envelope has been already sent. Members need not pay the postage on the envelopes, as the Company has made arrangements for payment of postage thereon. Members are requested to indicate their assent or dissent in the manner and form, following the detailed instructions given in the Postal Ballot Form itself.

The Resolution, if assented to by requisite majority, shall be taken as passed on August 11, 2006 at the Annual General Meeting when the results of the Postal Ballot will be announced.

No Director of the Company 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. Samir Desai and Mr. Arun Meghani.**

Mr. Samir Desai has done his Graduation in Mechanical Engineering from the Baroda University and holds a Master of Science degree in Industrial Engineering from the Illinois Institute of Technology, USA. He was the founder President and Chief Executive of Systems Resources Corporation a high-tech Company specializing in systems for military and law enforcement applications, information control systems, office automation, etc. He is currently the President of Aditi Inc., USA.

Mr. Arun Meghani is a Business Graduate from Toledo University, USA. He is associated Director in Bangalore Spokes Pvt. Ltd. Entrepreneur by profession. He also holds a degree in Business Administration from the USA.

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

**Harish Mehta**

*Chairman & Managing Director*

Place : Mumbai

Date : June 23, 2006

**Registered Office:**

Onward House,

Plot No. D 28/7

TTC MIDC Industrial Area, Turbhe,

Navi Mumbai 400 705.

## Directors' Report

**To,  
The Members,**

The Directors present the Fifteenth Annual Report together with audited Balance Sheet and Profit and Loss Account of Onward Technologies Limited for the Financial Year ended March 31, 2006.

### 1. FINANCIAL RESULTS

	For the year ended 31.3.2006	(Rs. in Lac) For the period ended 31.3.2005 (Nine months)
Sales and Other Income (Net)	3,158.00	1,962.76
Profit before Interest and Depreciation	835.01	513.90
Interest	137.75	91.88
Depreciation	307.29	184.38
Operating Profit	389.97	237.64
Preliminary Expenses write-off	12.31	51.73
Prior Period Items	11.23	18.59
Profit / (Loss) Before Tax	366.43	167.32
Provision for Taxation (Incl. of FBT) - current	-	0.17
- deferred	31.36	(188.58)
Profit / (Loss) after Tax	335.07	355.73
Balance b/f from previous year	467.60	111.87
Proposed Dividend	NIL	Nil
Transfer to General Reserve	NIL	Nil
Balance carried forward	802.67	467.60

The current financial year of the company is for a period of twelve months as against nine months of the previous year, hence the two financial numbers are not comparable.

### 2. DIVIDEND

Although overall performance of the Company has been satisfactory, however, your Directors contemplate that in order to meet growth objectives of the Company, substantial effort may be needed this year. Therefore, no Dividends are recommended for the current Financial Year.

### 3. OPERATIONS

The Company consolidated its presence in the Engineering Design Services space globally. The overall Engineering Design revenues grew by 16.8% in Financial Year 2005-2006 as compared to the previous year. It follows a Global delivery model by offering a blended Onsite, Near shore, Offshore and Domestic Services and has increased its engineering manpower base from 280 to 350.



## Directors' Report (Contd.)

Besides consolidating its presence in the existing industry verticals (automotive, off-highway, aircraft and industrial equipments) the Company has ventured into newer verticals such as industrial furnitures and construction and has also added new areas of expertise including programme management of Tools and Fixtures, Testing and Configuration Services.

During the year the Company signed exclusive design service agreements with a few US customers enabling substantial training of its engineers/managers at client site and flow of technical know how. Further it de-risked its revenues by developing new customers. The Company's customer base now numbers over 100, a significant percentage of which are repeat customers.

In the closing months of Financial Year 2005-2006, the Company launched a major Sales thrust in the US, expanding its business development team. This resulted in the Company being approved as a vendor by several new customers. Similar Sales thrust is also planned in markets like UK and Germany, over the next few quarters to boost sales.

The Company has invested in and expanded its infrastructure in Pune by 4,000 sq. ft. to accommodate 50 more engineers and also invested in advanced high-speed computing to offer high-end solutions in the design market. This would help propel Onward to the high-end of the market in terms of analysis capability.

In this year, a significant effort was made to change the Company's service mix in favour of high value-added work. This was consistent with the Company's objective of being known as a solutions provider. Key domain manpower was added in order to offer a higher degree of design content to its major customers.

This new thrust into exclusive design service agreements, expansion of Sales team in US and investment in Infrastructure in Pune would help the Company to improve its revenue and get better margins in future.

### 4. Human Resource Initiatives

Given the nature of the Company's business a talented and dedicated team of people is its greatest asset. Several initiatives were taken during the year to improve domain skills as well to mobilize talent in India and globally. These included:

#### **Personality Development of Management Team:**

A leadership program conducted by reputed external consultants was organized for the Management Team.

#### **Training programs for engineers:**

Around 8,000 hours of training was conducted in-house in various spheres.

#### **Professional Counseling:**

To achieve the employees' feedback mapping/retention/career planning, an external professional psychologist was brought in as consultant to facilitate the process, and one-on-one sittings were conducted, lasting a few months.

#### **Business Development/Sales Training:**

A dedicated weekly program was initiated using external consultants for training & mentoring of the sales/business development teams for mining existing customers & targeting new customers.

#### **ESOP Scheme:**

The ESOP scheme elicited a good response. The scheme helped in motivation, bonding of employees to the Company, inculcating sense of ownership and a long-term view, and associated retention of employees.

### 5. INCREASE IN THE SHARE CAPITAL

During the year the paid up Share Capital of the Company was augmented from Rs. 124,908,200 divided into 12,490,820 Equity Shares of Rs. 10 each to Rs. 131,770,700 divided into 13,177,070 Equity Shares of Rs. 10 each, consequent to



## Directors' Report (Contd.)

allotment and of 625,000 Equity Shares of Rs. 10 each at a premium of Rs. 85 per Share (Price determined as per DIP Guidelines of SEBI) to a promoter group company on Preferential Basis. The said Preferential Allotment was made pursuant to the approval of Members at the Extra Ordinary General Meeting held on January 6, 2006, the proceed from the said issue was utilized towards additions in the infrastructural assets and to meet the working capital needs of the Company to attain the long term sustained growth accomplish growth opportunities. Company has also made allotment of 61,250 Equity Shares of Rs. 10 each arising on exercise of Options by the Option Holders allotted under Employee Stock Option Scheme 2001.

### 6. SUBSIDIARIES

The subsidiaries of your company are as follows:

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

During the current Financial Year ended as on March 31, 2006 the total revenue generated by the Company was Rs. 963.37 Lacs as against Rs. 893.93 Lacs in previous accounting period 2004-2005. It registered a Loss of Rs. 484.69 Lacs against a Loss of Rs. 406.84 Lacs in previous accounting period.

The Company is strengthening its product based business including the products acquired by it in the acquisition of M/s. Kale Consultants' Banking Business, by expanding its customer base in the Co-operative Banks Segment in addition to the Nationalised Banks and other private Scheduled Banks.

It has also launched its distributed core banking software – BANKBRICS and is in the process of implementing the same with two of its key customer. The Company is expecting to reap the benefits of this efforts in the coming years.

Through its all India network of branch offices and resident engineers the Company is able to strength its long-standing relationship with key customers like Bank of Maharashtra, UCO Bank, United Western Bank and CLAB. The Company has also consolidated its position in the Services business and is now supporting around 3,000 branches of its all India customers.

In its IT services business, the Company offers DOTNET and J2EE based services to its global customers, which has got further strengthened by the global outsourcing partnership with Novell Inc. for Identity based management services.

#### **Shantmurali Holdings Ltd.**

Company did not indulge in significant activities in the current financial year.

#### **Onward Technologies GmbH**

The company has been successful in acquiring some onsite contracts in the current year and has assigned its engineer to customers 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 2005-2006 have been certified internally by the management and taken on record.

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

The Company has recorded net profit of USD \$ 22,344 (approximately equivalent to Rs. 9.97 Lacs) in 2005-2006 as against the profit of USD \$ 22,470 (approximately equivalent to Rs. 10.00 Lacs) in the preceding nine months.

The company believes that US market offers excellent growth opportunities and needs increased marketing support and emphasis on learning new industry requirements. This also requires fresh investment in research. The Directors are confident that these efforts will pay off in terms of increased profitability in the years to come.

### 7. FIXED DEPOSITS

The Company has not accepted or invited any deposits from Public under the Provisions of Acceptance of Fixed Deposits pursuant to provisions of Section 58 of the Companies Act, 1956 in the Current Financial Year.

## Directors' Report (Contd.)

### 8. EMPLOYEE STOCK OPTION SCHEME

Your Company had implemented Employee stock Option Scheme October 2001 for the benefit of Employees of the Company and its Subsidiaries. The aforesaid Scheme was approved by the Members of the Company at the Annual General Meeting held on October 10, 2001 and the Scheme is monitored under the guidance of the members of Compensation Committee of the Board of Directors.

The Company framed Employees Stock Options Scheme called ESOP 2005, approved by the Members of the Company at the Annual General Meeting of the Company held on August 9, 2005 the rational of implementation of New Scheme was to attract, motivate and retain talented personnel with the Organisation for long time. The total number of warrants approved under the Scheme for employees of the Company are 600,000 with option to convert into 2,400,000 Equity Shares and 100,000 warrants for employees of the Subsidiaries namely Onward eServices Ltd., Onward Technologies, Inc. in USA and Onward Technologies GmbH in Germany respectively.

The Disclosures required to be made under SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines 1999, are given in Annexure "A" to this report including details on the grant, vesting, exercise, and lapsed under the aforesaid Scheme ESOP 2001.

### 9. AUDITORS

M/s. Kirtane & Pandit, Chartered Accountant, retire and are eligible for re-appointment as auditors.

### 10. 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 judgments 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 March 31, 2006 and of the Profit/Loss of the Company for the year ended March 31, 2006;
- 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.

### 11. LISTING INFORMATION

The Equity Shares of the Company are listed on The Stock Exchange, Mumbai and National Stock Exchange of India Limited. The Company has initiated process of voluntary delisting of its Equity Shares from Ahmedabad Stock Exchange, however the delisting approval from the Exchange is awaited.

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

#### (i) CONSERVATION OF ENERGY:

The Company utilizes Electricity for operation of Computers and initiates all efforts to minimize the consumption. At all level conservation of energy is stressed upon. Company also takes possible measures to reduce the consumption by deploying Automation.

#### (ii) TECHNOLOGY ABSORPTION:

##### Research and Development

The IT and ITES Industry are subject to high rate of technological obsolesce. 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