



17th ANNUAL REPORT 2007-2008



NAFEMS
The International Association for the
Engineering Analysis Community

BOARD OF DIRECTORS

Harish Mehta	Chairman & Managing Director
Shaila Mehta	Director
Pradip Dubhashi	Director
Arun Meghani	Director
Samir Desai	Director
Dr. Atul Wad	Director

AUDITORS

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

Report  Junction.com

REGISTERED OFFICE

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 (West),
Mumbai – 400 078.

CORPORATE WEBSITE

www.onwardgroup.com

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Notice

NOTICE is hereby given that the Seventeenth Annual General Meeting of Onward Technologies Limited will be held on Thursday, 31st July, 2008 at the Registered Office of the Company situated at Onward House, Plot No. D 28/7, TTC, MIDC Industrial Area, Turbhe, Navi Mumbai 400 705, at 4.00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 31st March, 2008, the Balance Sheet as at 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 re-appointment.
3. To appoint a director in place of **Mr. Pradip Dubhashi**, who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and if deemed fit, to pass with or without modification(s), the following Resolution as an **Ordinary Resolution**:

"RESOLVED THAT **M/s. Kirtane & Pandit, Chartered Accountants**, Pune, be and are hereby reappointed as the Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company and that the Board of Directors of the Company be and are hereby authorised to fix their remuneration plus travelling and other out of pocket expenses that may be incurred by the Auditors in connection with the Audit of Accounts of the Company".

By the order of the Board of Directors

Place: Navi Mumbai

Harish Mehta

Date: June 20, 2008

Chairman & Managing Director

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. 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).
4. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, July 29, 2008 to Thursday, July 31, 2008 (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 to keep the required information ready at the meeting.

Directors' Report

To,

The Members,

Your Directors have great pleasure in presenting before you the **SEVENTEENTH ANNUAL REPORT** together with Audited Annual Accounts of the Company for the Financial year ended 31st March, 2008.

FINANCIAL RESULTS

The salient features of the Company's working results are as under :

	For the year ended 31.3.2008	(Rs. in Lac) For the year ended 31.3.2007
Sales and Other Income (Net)	3199.24	3458.81
Profit before Interest and Depreciation	372.51	583.72
Interest	201.19	123.67
Depreciation	303.37	288.36
Operating Profit	(132.05)	171.69
Preliminary Expenses written-off	-	7.29
Prior Period Items	33.82	14.28
Profit / (Loss) Before Tax	(165.87)	150.12
Provision for Taxation - Current	-	-
Deferred (Included Fringe Benefit Tax)	(90.20)	71.27
Profit / (Loss) after Tax	(75.67)	78.85
Balance brought forward from previous year	881.52	802.67
Proposed Dividend	NIL	NIL
Transfer to General Reserve	NIL	NIL
Balance carried forward	805.85	881.52

DIVIDEND

The Company will continue to invest for future growth. Your Directors do not recommend any dividend for the current financial year.

OPERATIONS

Onward Technologies is pleased to announce that the company has completed a massive restructuring initiated 24 months back across the board & now is focused on 2 main business lines.

- 1) Mechanical Engineering Design Services (EDS)
- 2) IT Consulting Services (ITS)

EDS Operations are part of Onward Technologies in India & ITS operations are run through its wholly owned 100% subsidiary, Onward eServices Ltd (OeSL). Both these business lines are supported through global subsidiaries in North America (Onward Technologies Inc) & Germany (Onward Technologies GmbH) & global branch offices in UK (Onward Technologies UK) & UAE (Onward Technologies UAE).



Directors' Report (Contd.)

The company's employees strength has gone up from 650 last financial year to 850 employees as on March 31, 2008. The company has invested in new design & development centres in Pune & Chennai and also parallelly expanded its Sales Team presence in North America, UK & Middle East.

Over the years, Onward Technologies has become one of India's leading Mechanical Engineering Design Service, Solutions and Consulting Company. Our Company's clients include global Fortune 1000 manufacturing companies in the Automotive, Agricultural, Heavy Engineering, Electrical Equipments and Aerospace Industry.

During the financial year 2007-2008, the EDS Operations of the company has posted a healthy global revenue growth & added 10 new global clients. The company has continued its commitment to invest in quality certifications & training and is both ISO 9001:2000 quality certified & ISO 27001:2005 certified for data security & confidentiality.

One of the main highlights of last financial year was signing a long term contract with John Deere India for setting up a dedicated Engineering Design Centre in Pune for Product Engineering, Manufacturing Engineering & Supply Management.

Human Resource Initiatives:

Given the nature of the Company's business a talented and dedicated team of people is our greatest asset. Several initiatives were taken during the year where in we have identified Centre of Excellences (CoE) in the following areas;

- Technology
- Application domain
- Process Domain
- Project Management Office

We have recruited specialists in the above areas. Few more senior domain and processes experts will be joining Onward shortly.

Project Management Initiatives: All the Project Managers were given 35 hours of extensive training on Project Management Methodologies and they are getting prepared for PMP certification.

Onward Leadership Development Program (OLDP) for young Managers: Leadership programs is being conducted by reputed consultants for the potential leaders and are getting trained for 2 months on various aspects of Management, negotiations skills, selling skills, people management etc.

Training programs for engineers: All our Engineers are getting trained on latest software and domains. Around 9000 hours of training was conducted in-house in various spheres. In order to groom them to take up challenges, employees were given customer centric orientation and were also trained to take up overseas assignments more effectively.

Professional Counseling: To address the employee's professional and personal grievances, an external professional psychotherapist is on board to facilitate the process and one-on-one sittings were conducted. Many employees have been benefited by this initiative.

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. Employees were allotted ESOPs based on their performance and commitment to organisation.

Employee Connect: In order to connect with our employees, various majors were taken including open house, suggestion schemes etc. through which employees queries were addressed and suggestions were implemented.

Employee Relations: In all the employees relations in the company was very cordial and which has reflected in the reduction of attrition level.

Directors' Report (Contd.)

SUBSIDIARIES

The subsidiaries of your company are as follows:

Onward eServices Ltd.

For the Financial Year 2007-2008, Onward eServices Ltd, the domestic IT Services arm of the company posted a healthy revenue growth of 40% from last financial year.

The investments made by the company in expanding its Project & Services portfolio over the last 2 years resulted in a healthy growth & order booking across the country. The customer satisfaction levels are at an all time high & receivables has also come down substantially. This was mainly due to dedicated focus in working with large multinational customers, sustaining revenue model.

The IT Services – Consulting Division's has also expanded in the Middle East by opening a new office in Dubai (Onward Technologies UAE) in October 2007. The company is already working with a leading Bank in the Middle East in its banking/ technology initiatives & has opened up few large prospects in a short duration of time.

The IT Services – Consulting Division's North American Operations (operated under Onward Technologies Inc) also showed a healthy revenue growth of 50% as compared to last financial year. The IT Services – Consulting Division's operations are headquartered in Massachusetts & have recently moved into a much bigger office premises in line with the expansion plans. One of the main highlight's of last Financial Year was getting selected to partner with Google Inc. to join their Enterprise Partner Program, which would result in faster customer acquisition & attracting senior high quality talent to the company.

The Management Team is very positive of the growth prospects of the current portfolio of services & is confident of continuing to grow in the current market scenario. The company plans to continue with its global expansion strategy & aims to have 10 global Sales offices in the next 2 years.

During the year under review, a scheme of reconstruction and reduction of capital of Onward e-services Limited, a subsidiary company, has been proposed. As per the scheme, the equity investment in the said subsidiary shall be written off against the securities premium account of your Company and outstanding loans to the said subsidiary will be converted into equity shares. The said scheme was approved by the members of the Company in the Court convened Extra Ordinary General Meeting held on 9th June 2008.

Shantmurali Holdings Ltd.

During the year under review, the Company did not undertake any substantial activities.

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 2007-08 have been certified internally by the management and taken on record.

Onward Technologies Inc.

The Company has recorded a profit of **USD 15,857** for the current year.

The US market still offers lucrative business opportunities but this needs an additional investment in marketing support and reach to increase its customer base and having a greater slice in the growing business in the US.

INCREASE IN THE SHARE CAPITAL

During the year the paid up Share Capital of the Company was augmented from Rs.132,447,700 divided into 13,244,770 Equity Shares of Rs.10/- each to Rs.132,728,700 divided into 13,272,870 Equity Shares of Rs.10/- each, consequent to allotment of 28,100 Equity Shares of Rs.10/- each arising upon exercise of Options by the Option holders allotted under Employee Stock Option Scheme 2001.



Directors' Report (Contd.)

FIXED DEPOSITS

During the year under review, the Company had not invited or accepted any deposits from the Public.

EMPLOYEE STOCK OPTION SCHEME

Your Company had implemented Employee Stock Option Scheme 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 10th October 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., India, Onward Technologies, Inc. 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, is given as Annexure to this report including details on the grant, vesting, exercise, and lapsed under the aforesaid Scheme ESOP 2001 and 2005.

AUDITORS

M/s. Kirtane & Pandit, Chartered Accountants, Pune, Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting. The Company has received a letter from them to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that :

- (a) in the preparation of the annual accounts for the financial year ended 31st March 2008, 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 Auditor's Report;
- (b) the Directors 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 31st March 2008 and of the profit or loss of the Company for the year ended 31st March 2008;
- (c) the Directors 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) the Directors have prepared the annual accounts for the financial year ended 31st March 2008 on a going concern basis.

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 .

CORPORATE GOVERNANCE

The Company has taken appropriate steps and measures to comply with all the applicable provisions of the revised Clause 49 on Corporate Governance and Section 292A of the Companies Act, 1956. A detailed report on Corporate Governance along with a certificate of Statutory Auditors of the Company is attached herewith as an Annexure to this report.

Directors' Report (Contd.)

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 levels 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 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. It invests and encourages continuous innovation. Its 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 it to remain competitive.

c) Future Plans

Expansion of current activities by adding more R&D related activities in Manufacturing and Process Engineering applications, which have potential for commercial applications.

(iii) FOREIGN EXCHANGE EARNINGS AND OUTGO:

	2007 - 08	2006 - 07
Foreign Exchange earnings	Rs.2,456.67 Lacs	Rs.2,984.18 Lacs
Foreign Exchange outgo	Rs.710.16 Lacs	Rs.887.94 Lacs

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 Members of the Company excluding the aforesaid information. Any Members interested in obtaining such particulars may write to the Company at its registered address.

DIRECTORS

Mr. Harish Mehta and Mr. Pradip Dubhashi shall retire by rotation and being eligible offer themselves for re-appointment.

ACKNOWLEDGEMENTS

Your Directors hereby put on record their sincere gratitude towards the continued assistance and co-operation extended to the Company by its Customers, Stakeholders, Suppliers, Banks, Financial Institutions and various Government authorities towards the growth of the Company.

Your Directors also place on record their deep sense of appreciation for the dedicated services rendered by the employees of the Company.

On behalf of the Board of Directors

Sd/-

HARISH MEHTA

Chairman & Managing Director

Place : Mumbai

Date : June 20, 2008



Annexure to the Director's Report

Disclosure required under SEBI (Employee Stock Option Plan) Guidelines, 1999

Sr.No.	Description	ESOP 2005		ESOP 2001	
		2007 - 08	2006 - 07	2007 - 08	2001 - 07
1	Total number of options under the Plan	850,000	850,000	176,250	176,250
2	Options granted during the year	49,800	65,820	0	144,850
3	Pricing formula	Rs.30	Rs.30	Rs.10	Rs.10
4	Options vested (as of March 31)	16,455.00	0.00	76,175	71,612.50
5	Options exercised during the year	0.00	0.00	7,025	52,575
6	Total number of shares arising as a result of exercise of Option (as of 31st March)	0.00	0.00	28,100	210,300
7	Options lapsed	32,080	7,000	8,188	60,662
8	Variation of terms of options	In addition to employees, Company will now issue, offer and allot options to Independent Directors of the Company and its subsidiary, namely, Onward Technologies, Inc., USA and Onward eServices Ltd.		Nil	Deletion of maximum number of options to any employees
9	Money realized by exercise of options during the year	-	-	281,000	2,103,000
10	Total number of options in force at the end of the year	817,920	843,000	47,800	63,013
11	Employee wise details of options granted to				
	a) Senior Management during the year				
	1. Mr. Hitendra Kale	-	-	1,187.5	-
	2. Mr. Vijay Kanbur	-	-	500	-
	b) Employees holding 5% or more of the total number of options granted during the year	-	-	-	-
	c) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued Capital (excluding outstanding warrants and conversions) of the company at the time of grant	-	-	-	-
12	Diluted Earnings Per Share pursuant to issue of Shares on exercise of option calculated in accordance With International Accounting Standard (IAS) 33. (Rs.)	-	-	-	-