



Help Customers gain competitive **ADVANTAGE**
in the **GLOBAL** marketplace



18th ANNUAL REPORT 2008 - 2009

BOARD OF DIRECTORS

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

AUDITORS

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

REGISTERED OFFICE

Sterling Centre, 2 Floor
Dr. A. B. Road
Worli
Mumbai 400 018.
Tel # (022) 24926570

REGISTRAR & SHARE TRANSFER AGENTS

Link Intime India Pvt. Ltd.
C-13, Pannaial Silk Mills Compound,
L.B.S. Marg,
Bhandup (West),
Mumbai – 400 078.

CORPORATE WEBSITE

www.onwardgroup.com

CONTENTS

Notice	3
Director's Report	15
Management Discussion and Analysis	21
Report on Corporate Governance	24
Auditor's Report	36
Balance Sheet	40
Profit & Loss Account	41
Cash Flow Statement	42
Schedules to Accounts	43
Balance Sheet Abstract & Company's General Business Profile	67
Statement pursuant to Section 212 of the Companies Act, 1956	68
Consolidated Financial Statements	69
Subsidiary Companies Accounts	
Onward eServices Limited	94
Shantmurli Holdings Limited	109
Onward Technologies, Inc	116
Onward Technologies GmbH	120

NOTICE

NOTICE is hereby given that the Eighteenth Annual General Meeting of Onward Technologies Limited will be held on Monday, August 31, 2009 at The Victoria Memorial School for the Blind, Opp. Tardeo A/C Market, 73, Tardeo Road, Mumbai 400 034 at 10.00 a.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, 2009, 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. Arun Meghani**, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of **Mr. Samir Desai**, 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."

SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 and Schedule XIII to the said Act and subject to approval from such other authorities and agencies as may be applicable in this regard, and as per the approval and recommendation of the Remuneration Committee, the consent of the Company be and is hereby given to re-appointment of Mr. Harish Mehta as Chairman and Managing Director of the Company on such terms and conditions including the tenure and payment of remuneration, benefits and perquisites etc. as under:

Date of appointment: January 1, 2009

Tenure: Three years i.e. from January 1, 2009 to December 31, 2012.

Remuneration as follows:

(a) Salary: Rs.150,000 per month aggregating to Rs.1,800,000 per annum.

(b) Perquisites:

- (i) Unfurnished residential accommodation, the Company paying all rents, taxes and other expenses for the upkeep and maintenance of such accommodation or House Rent Allowance in lieu thereof, subject to the condition that the expenditure by the Company on hiring, upkeep and maintenance or house rent allowance in lieu thereof shall not exceed 60% of the salary.
- (ii) Special Allowance up to a maximum of Rs.50,000 per month subject to the discretion of the Board of Directors of the Company.
- (iii) Expenditure on gas, electricity and water charges as also furnishings at the residence to be borne by the Company.
- (iv) Use of one Motor Car with Driver with all running and maintenance expenses to be paid for by the Company.
- (v) Benefit of the Provident Fund Scheme, Superannuation and Annuity Fund Scheme as per Company's Rules together with the benefit of any retirement fund or scheme, which the Company may introduce in the future.
- (vi) Gratuity in accordance with the rules of the Company.
- (vii) Reimbursement of actual medical expenses incurred for self and family as per Company's Rules.
- (viii) Benefit of Sick Leave in accordance with the Rules of the Company.
- (ix) Thirty days Privilege Leave with full pay and allowance for each completed year of service; the said leave being accumulatable and encashable at the end of his tenure.



NOTICE (Contd.)

- (x) Benefit of 1st Class air / air conditioned train fare and/or expenses incurred for such other mode of conveyance as the appointee may opt for, for self and family, while on Privilege Leave together with Hotel, Board and Lodging expenses as per the rules of the Company.
 - (xi) Personal Accident Insurance cover at the cost of the Company provided that the actual premium thereof does not exceed Rs.4,000 p.a. or such other amount as the Board of Directors may deem fit.
 - (xii) Use of one Telephone at the residence and one Mobile Phone for the Company's business provided that the cost of personal long distance calls, if any, shall be reimbursed by the appointee to the Company.
 - (xiii) Fees (excluding life membership and entrance) of maximum of two clubs together with the benefit of all expenses incurred thereat towards the business of the Company.
 - (xiv) Reimbursement of business promotion/entertainment expenses/books and periodicals expenses incurred towards the business of the Company at actuals.
- (c) Incentive:

Performance based incentive shall be payable to Mr. Harish Mehta at the end of the Financial Year based on the discretion of the Board

"RESOLVED FURTHER THAT in case of inadequacy of profits or absence of profits in any financial year during the tenure of Mr. Harish Mehta, Chairman and Managing Director, he shall be paid remuneration as stated aforesaid and such remuneration shall be deemed as the Minimum Remuneration payable to him".

"RESOLVED FURTHER THAT in case the aggregate remuneration consisting of Salary, Incentive, Bonus, perquisites and benefits as aforesaid for any financial year during the tenure of Mr. Harish Mehta, Chairman & Managing Director, exceeds the limits of Sections 198, 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Section 1 of Part II of Schedule XIII to the said Act or Section II of Part II of the said Schedule XIII to the said Act based on the prevailing Effective Capital of the Company from time to time, the Company do make payment of such remuneration to Mr. Harish Mehta, Chairman & Managing Director subject to the approval of the Central Government and such other authorities as may be necessary in this regard."

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things and to execute all such documents, instruments and writings as may be required to give effect to this resolution."

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

"RESOLVED THAT pursuant to the provision of Section 314 (1B) and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of the Central Government and subject to such other approvals, permissions, consents and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions, consents and sanctions, the consent of the members of the Company be and is hereby accorded to Mr. Jigar Mehta, a relative of Mr. Harish Mehta and Mrs. Shaila Mehta, Directors of the Company to continue to hold an office or place of profit in the Company as General Manager – Corporate Affairs on following revised remuneration and the terms and conditions with effect from April 1, 2008.

- | | |
|---------------------------|---|
| 1. Basic Salary | : Rs.60,000 per month |
| 2. HRA | : 40% of the basic salary |
| 3. Special Allowance | : Rs. 42,000 per month |
| 4. Performance Incentive | : Incentive under this clause will be based on individual performance based on revenue targets. This will be determined by the Board. However, the said incentive shall not exceed Rs.50 Lac p.a. |
| 5. Superannuation | : Rs.9,000 p.m. |
| 6. Transport Allowance | : Rs.800 p.m. |
| 7. Performance Allowance | : Rs.57,000 p.m. |
| 8. Medical | : Rs.1,250 p.m. |
| 9. Leave Travel Allowance | : Rs.5,000 p.m. |
| 10. Provident Fund | : Rs.7,200 p.m. |
| 11. Car | : EMI of Rs.525,000 p.a. |

NOTICE (Contd.)

RESOLVED FURTHER THAT the Board of Directors/Committee of Directors be and are hereby authorized to change/revise the designation, grade of Mr. Jigar Mehta and to increase, augment and/or enhance the gross remuneration to be paid to Mr. Jigar Mehta up to 20% per annum, effective from April 1 each year, first such increase to be granted with effect from April 1, 2009.

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."

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

"RESOLVED THAT pursuant to provisions of Section 293 (1) (e) of the Companies Act, 1956 and such other provisions of the Act as may be applicable or any statutory modification and re-enactment thereof for the time being in force and also such other approvals as may be necessary, the approval of the share holders be and is hereby accorded to the Company contributing to charitable and other funds not directly relating to the business of the Company or the welfare of the Employees, any amounts the aggregates of which will in any financial year, not exceeding Rs.15 Lac (Rupees Fifteen Lac Only) over and above fifty thousand rupees or five percent of its average profits as determined pursuant to the provisions of section 349 and 350 of the Companies Act, 1956 during the three financial years immediately preceding, whichever is greater."

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

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act 1956, the relevant Articles of the Articles of Association of the Company and the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("the Guidelines") (including any statutory modification(s) or re-enactment of the Act or the Guidelines for the time being in force) and subject to such other approvals, permissions, consents and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions, consents and sanctions which may be agreed by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee of the Board) the consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot at any time to or to the benefit of such person(s) who are in permanent employment of the Company present or future, including any Directors of the Company, whether whole-time or otherwise (excluding promoter directors but including Independent Directors), present or future, under a scheme titled **"Onward Employee Stock Option Plan 2009"** (hereinafter referred to as the "Onward ESOP 2009") such number of equity shares and/or equity linked instruments (including options), and/or any other instruments or securities (hereinafter collectively referred to as "Securities") of the Company which could give rise to issue of equity shares not exceeding 3,500,000 (including any securities issued pursuant to the Resolution at item no. 9 of this notice) at such price, in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board in accordance with the guidelines or other provisions of the law or guidelines issued by the relevant Authority or as may be prevailing at that time;

RESOLVED FURTHER THAT the new equity shares to be issued and allotted by the Company in the manner aforesaid shall rank pari passu, in all respects with the then existing equity shares of the Company;

RESOLVED FURTHER THAT for the purpose of giving effect to any creation, offer, issue, allotment or listing of the Securities, the Board/ Committee of the Board be and is hereby authorized on behalf of the Company to do all such acts, things, deeds and matters as it may, in its absolute discretion deem necessary or desirable for such purpose and with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in regard to such issue(s) or allotment(s) (including to amend or modify any of the terms of such issue or allotment) without being required to seek any further consent or approval of the Members, as it may in its absolute discretion deem fit;

NOTICE (Contd.)

RESOLVED FURTHER THAT the Board/Committee of the Board be and is hereby authorized to alter, vary or modify the Onward ESOP 2009, subject to the stipulation that such alteration, variation, modification and the Onward ESOP 2009 so altered, varied, modified shall confirm to be in accordance with the regulations, conditions framed/issued by SEBI or any other statutory authorities in this regard and to delegate all or any of the powers including fixing the grant Price of option herein conferred to any Committee of Directors and subject to necessary approval of the shareholders, if required."

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

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act 1956, the relevant articles of the Articles of Association of the Company and the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("the Guidelines") (including any statutory modification(s) or re-enactment of the Act or the Guidelines for the time being in force) and subject to such other approvals, permissions, consents and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions, consents and sanctions which may be agreed by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee of the Board), the consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot at any time to or to the benefit of such person(s) who are in the permanent employment of the subsidiary Company, present or future, including any Directors of the subsidiary Company, whether whole-time or otherwise (excluding promoter directors but including Independent Directors), present or future, under a scheme titled **"Onward Employee Stock Option Plan 2009"** (hereinafter referred to as the "Onward ESOP 2009") such number of equity shares and/or equity linked instruments (including options), and/or any other instruments or securities hereinafter collectively referred to as "Securities") of the Company which could give rise to issue of equity shares not exceeding 3,500,000 (including any securities issued pursuant to the Resolution at item no. 8 of this notice) at such price, in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board in accordance with the guidelines or other provisions of the law or guidelines issued by the relevant Authority or as may be prevailing at that time;

RESOLVED FURTHER THAT the new equity shares to be issued and allotted by the Company in the manner aforesaid shall rank *pari passu*, in all respects with the then existing equity shares of the Company;

RESOLVED FURTHER THAT for the purpose of giving effect to any creation, offer, issue, allotment or listing of the Securities, the Board / Committee of the Board, be, and is hereby authorized on behalf of the Company to do all such acts, things, deeds and matters as it may, in its absolute discretion deem necessary or desirable for such purpose and with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in regard to such issue(s) or allotment(s) (including to amend or modify any of the terms of such issue or allotment) without being required to seek any further consent or approval of the Members, as it may in its absolute discretion deem fit;

RESOLVED FURTHER THAT the Board/Committee of the Board, be, and is hereby authorized to alter, vary or modify the Onward ESOP 2009, subject to the stipulation that such alteration, variation, modification and the Onward ESOP 2009 so altered, varied, modified shall confirm to be in accordance with the regulations, conditions framed/issued by SEBI or any other statutory authorities in this regard and to delegate all or any of the powers including fixing the grant price of option herein conferred to any Committee of Directors and subject to necessary approval of the shareholders, if required."

By the order of the Board of Directors

Harish Mehta

Chairman & Managing Director

Place: Mumbai
Date: June 30, 2009

Registered Office:
Sterling Centre, 2nd Floor
Dr. A. B. Road, Worli
Mumbai 400 018.

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.
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.
4. The Register of Members and Share Transfer Books of the Company will remain closed from August 27, 2009 to August 31, 2009 (both days inclusive).
5. Members are requested to address all correspondence pertaining to their securities mentioning either the Folio Number/ Client ID or DP ID numbers as applicable including any change of address, if any, to the Registrars and Transfer Agents of the Company viz.:
Link Intime India Pvt. Ltd.
C-13, Pannalal Silk Mills Compound
L. B. S. Marg, Bhandup, Mumbai-400078
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.

EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS OF SECTION 173(2) OF THE COMPANIES ACT, 1956.**Item No. 5**

Mr. Harish Mehta is the founder of the Onward group. He is an Electrical Engineer from Pune College of Engineering and holds Masters Degree in Computer Science from Brooklyn Polytechnic Institute, NY, USA. He has 25 years of cumulative experience in the Indian Computer Industry and was one of the Chief Architects for realizing the Hinditron – Digital Joint Venture in India.

Mr. Harish Mehta has completed his tenure as a Managing Director and Board has approved his re-appointment in its meeting held on January 19, 2009. Mr. Mehta's vast experience, the direction and leadership provided by him to enable the Company to achieve its current position of a market front runner vis-à-vis the emerging opportunities and new challenges posed by the changing industrial scenario and the pivotal role expected by Mr. Mehta to steer the Company to newer heights of strength and profitability, it has been deemed prudent to re-appoint Mr. Harish Mehta as the Chairman & Managing Director of the Company for a period of three years with effect from January 1, 2009 at such remuneration and on such terms and conditions as specified in the resolution set out in the Notice of the meeting.

Following information to the extent applicable is given pursuant to the requirements of Section II of Part II of Schedule XIII of the Companies Act, 1956:

I. General Information :**(1) Nature of Industry**

The increasing levels of digitization have resulted in much of the product development process being performed virtually using computing technologies. The evolution of the engineering services market and the increasing maturity of the vendor for the said services have highlighted the need for examining this as a separate segment. Indian companies have successfully leveraged their skill sets, tools and experience from outsourcing IT Software and services, to gain a strong foot hold in the outsourced product design and engineering services arena. Product design engineering encompasses mechanical as well as electronic engineering disciplines. The services offered extend from the early stages of idea generation, through engineering analysis and design, virtual simulation,

NOTICE (Contd.)

documentation and conversion, prototyping and production, testing, knowledge based engineering and PLM Solutions.

(2) Financial Performance of the Company during last 2 years :

(Rs. in Lac)

Particulars	2006 - 07	2007 - 08
Total Income	3,458.81	3,499.24
Total Expenditure	3,287.12	3,331.28
Operating Profit	171.69	(132.04)
Less :Preliminary Expenses written off	7.29	—
Prior Period Items	14.28	(33.83)
Profit Before Tax	150.12	(165.87)
Provision for Tax Current Tax Deferred Tax Expenses/(Benefit)	(71.27)	(96.20)
Profit After Tax	78.85	(75.67)

- (3) The earnings in foreign currency were on account of Software exports including consulting services and commissions. For the year ended March 31, 2008 the amount of earnings in foreign currency is Rs.2,456.67 Lac. The total expenditure in Foreign Currency for the year ended March 31, 2008 is Rs.710.16 Lac.

During the year under review the Company did not enter into any Foreign Collaborations nor was any foreign investments.

II. Information about Mr. Harish Mehta:

(1) Background Details:

Mr. Harish Mehta is an Electrical Engineer from Pune College of Engineering and possesses a Masters Degree in Computer Science from Brooklyn Polytechnic Institute, NY, USA. He is the founder of Onward group. He has 25 years of cumulative experience in the Indian Computer Industry and was one of the Chief Architects for realizing the Hinditron – Digital Joint Venture in India.

(2) Past Remuneration :

Mr. Harish Mehta is the Chairman & Managing Director of the Company since 15 years, he was not drawing any remuneration from the Company. He has started drawing remuneration from financial year 2005-2006. His remuneration details for past four years are given below:

1.1.05 – 31.3.06	- Rs 689,985
1.4.06 – 31.3.07	- Rs 2,759,940
1.4.07 – 31.3.08	- Rs 2,793,690
1.4.08 – 31.12.08	- Rs 2,531,205

(3) Job Profile and Suitability:

Considering his background and experience, Mr. Harish Mehta is responsible for overall management of the Company under the supervision of the Board of Directors.

(4) Recognition & Awards :

Mr. Harish Mehta is one of the guiding lights of the Company. His vision and hard work have enabled the Company to achieve its current position of industry front runner. He has been associated with the IT sector for more than a decade.

He was the founder member of NASSCOM (National Association of Software & Service Companies) and former president and member of the Executive council. He has successfully chaired major Indian and International conferences.

NOTICE (Contd.)

In the year 1994, Mr. Harish Mehta was conferred with the CEO of the year award at an International Seminar organized by Narsee Monjee Institute of Management Studies and TATA HRD network.

Considering the qualification and experience of Mr. Harish Mehta vis-a-vis the efforts required to be infused by him to successfully taking the Company through the challenging times ahead, remuneration proposed to be paid to Mr. Harish Mehta, Managing Director is fully justified.

(5) Proposed Remuneration

Subject to the approval of the Shareholders of the Company, Mr. Harish Mehta is proposed to be paid following remuneration w.e.f. January 1, 2009.

Remuneration:

- (a) Salary: Rs.150,000 per month aggregating to Rs.1,800,000 per annum.
- (b) Perquisites:
 - (i) Unfurnished residential accommodation, the Company paying all rents, taxes and other expenses for the upkeep and maintenance of such accommodation or House Rent Allowance in lieu thereof, subject to the condition that the expenditure by the Company on hiring, upkeep and maintenance or house rent allowance in lieu thereof shall not exceed 60% of the salary.
 - (ii) Special Allowance up to a maximum of Rs.50,000 per month subject to the discretion of the Board of Directors of the Company.
 - (iii) Expenditure on gas, electricity and water charges as also furnishings at the residence to be borne by the Company.
 - (iv) Use of one Motor Car with Driver with all running and maintenance expenses to be paid for by the Company.
 - (v) Benefit of the Provident Fund Scheme, Superannuation and Annuity Fund Scheme as per Company's Rules together with the benefit of any retirement fund or scheme, which the Company may introduce in the future.
 - (vi) Gratuity in accordance with the rules of the Company.
 - (vii) Reimbursement of actual medical expenses incurred for self and family as per Company's Rules.
 - (viii) Benefit of Sick Leave in accordance with the Rules of the Company.
 - (ix) Thirty days Privilege Leave with full pay and allowance for each completed year of service; the said leave being accumulatable and encashable at the end of his tenure.
 - (x) Benefit of 1st Class air / air conditioned train fare and/or expenses incurred for such other mode of conveyance as the appointee may opt for, for self and family, while on Privilege Leave together with Hotel, Board and Lodging expenses as per the rules of the Company.
 - (xi) Personal Accident Insurance cover at the cost of the Company provided that the actual premium thereof does not exceed Rs.4,000 p.a. or such other amount as the Board of Directors may deem fit.
 - (xii) Use of one Telephone at the residence and one Mobile Phone for the Company's business provided that the cost of personal long distance calls, if any, shall be reimbursed by the appointee to the Company.
 - (xiii) Fees (excluding life membership and entrance) of maximum of two clubs together with the benefit of all expenses incurred thereat towards the business of the Company.
 - (xiv) Reimbursement of business promotion/entertainment expenses/books and periodicals expenses incurred towards the business of the Company at actuals.