



Engineering Products | Enabling Businesses | Delivering Promises



25th
Annual Report
2015-16

Board of Directors

Mr. Harish Mehta	Chairman and Managing Director
Mr. Pradip Dubhashi	Director
Mr. Arun Meghani	Director
Mr. Pranay Vakil	Director
Mr. Nandkumar Pradhan	Director
Mrs. Prachi Mehta	Director

Auditors

Kirtane & Pandit LLP
Chartered Accountants
5th Floor, Wing A, Gopal House
S.No. 127/1B/11, Opp. Harshal Hall
Karve Road, Kothrud
Pune – 411 029

Registered Office

Sterling Centre, 2nd Floor
Dr. A. B. Road
Worli
Mumbai – 400 018

Registrar & Share Transfer Agents

Link Intime India Pvt. 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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Director's Report and Management Analysis

To
The Members,

The directors of your Company are pleased to present before you the **25TH ANNUAL REPORT** together with Audited Annual Financials of the Company for the financial year ended March 31, 2016.

Corporate overview

Onward Technologies Limited is a niche player in Mechanical Engineering Design Services (EDS) and IT consulting services (ITS). Your Company offers product design & mechanical engineering services globally with the range of services including NPD, engineering analysis, sustenance engineering, and manufacturing solutions for automotive, off highway, aerospace, industrial equipment and consumer goods industries. Your Company has active & growing number of clients from Fortune 1000 companies.

With a strong team of 2200+ employees operating from your Company's various offices in India (Mumbai, Pune and Chennai), USA (Boston, Chicago & Detroit) and Europe (UK & Germany), we are catering to customers who are leading global players in their respective fields.

Industry overview

The global engineering spend is almost USD 1,300 billion. The global mechanical engineering spend is USD 260 billion, 20% of the global engineering spend (NASSCOM-Booz report). India's Engineering Research & Development (ER&D) industry has been seeing double digit growth in the recent past and by 2020, it is expected to reach exports of USD 30-38 billion. This sector is emerging as a vital cog in the global value-chain for customers with its focus on impacting customer bottom-line. With ER&D shifting East (Asia excl. Japan to account for one-fourth of total ER&D spend by 2020), India is expected to further cement its place in the global sourcing arena. The growing shortages of skilled resources in the developed market, pressures to reduce time to market, increasing R&D spend in today's challenging consumer expectations vis-à-vis technology transformation and cost rationalization are driving and expanding the need for outsourcing of product engineering services and solutions and manufacturing engineering services. Key themes driving ER&D include sustainability (green tech), miniaturization and localization. Digitization is taking the technology industry by storm, impacting every aspect of business and has opened up new opportunities in the areas of connectivity (IoT> M2M> Engineering analytics), wearable devices, 3D printing, and others. India's ER&D players are now moving from proof-of-concept in these areas to prototyping and beyond, and seeing significant traction. These technologies are further creating opportunities for embedded software, software integration and cyber security. Digitization and Internet of Things (IoT) leading rise to new business models with game changing disruptive technologies like: mobility, autonomous, electrification, connectivity.

From India, your Company is emerging as a reliable, trusted, global mechanical engineering services engine for innovatively solving customers engineering problems.

IoT: Internet of Things;

M2M: Machine To Machine

Financial performance: (Consolidated)

The consolidated sales grew to ₹ 19,963.27 Lacs from ₹ 19,067.67 Lacs in the last financial year, a growth of 4.70% over the previous financial year. The EBITDA for the year 2015-16 was at ₹ 1,533.58 Lacs as compared to ₹ 1,306.51 Lacs in the last financial year. Operationally your Company continues to invest and grow both in EDS and ITS in India and overseas markets.

Director's Report and Management Analysis (Contd.)

The summarized consolidated results of your Company are as follows:

	For the year ended 31.3.2016	For the year ended 31.3.2015
		(₹ in Lac)
Sales and other income (Net)	19,963.27	19,067.67
Profit before finance cost, depreciation and exceptional items	1,533.58	1,306.51
Finance costs	337.50	316.94
Depreciation	382.27	530.32
Operating profit	813.81	459.25
Exceptional items	—	—
Profit before tax	813.81	459.25
Provision for taxation		
– Current tax	248.30	97.44
– Previous year tax adjustment	122.12	135.81
– Deferred tax expenses/(benefits)	124.78	(64.57)
Profit after tax	318.61	290.57

Dividend

Your directors have recommended a dividend of ₹ 1 (10% per cent) per equity share each of face value ₹ 10 aggregating to ₹ 179.74 Lac (inclusive of dividend distribution tax) for the financial year ended March 31, 2016, which, if approved at the ensuing Annual General Meeting ('AGM' or meeting), will be paid to:

- (i) all those equity shareholders whose names appear in the register of members as on July 12, 2016, and
- (ii) to those whose names appear as beneficial owners, as on July 12, 2016 as furnished by the National Securities Depository Limited and Central Depository Services (India) Limited for the purpose.

Your Company proposed to carry nil amounts to reserves for the FY 2015-16. The dividend payout as proposed is in accordance with your Company's policy of paying sustainable dividend linked to long term performance, keeping in view of the capital needs of your Company's growth plans and desire to achieve optimal financing of such plans through internal accruals.

Business: Your Company's engineering operations can be broadly divided under two groups:

- Product engineering and simulation solutions group
- Manufacturing engineering and simulation solutions group

Engineering group: Design to cost, first time right quality and delivery on time are the unique differentiators of your Company. The Company's consulting business offers design lead manufacturing services to the global market that brings the scalability and capability blend with access to the talent in addressing complex engineering problems. Your Company's Simulation driven design and development methodology, Should Costing driven value engineering methodology helps deliver innovative solutions to the customer to reduce "Time to market" and the product costs. Your Company's dedicated engineering excellence center's (EECs) for client's product engineering and development requirement gives the multiplier effects in terms of capacities, responsiveness and productivities. Your Company's flexibility in going extra mile with proximity center's to esteem clientele addressing the global delivery model seamlessly.

Your Company continues to add value added services and upgrade current portfolios aligning to the client changing expectations in expanding product life cycle management; be it proto development, 3D printing, end-end offerings in selective areas. This has strengthened our relationships & lead to renewal of our client engagement with multi-year contracts.

Director's Report and Management Analysis (Contd.)

We provided sizable benefits/savings to a global Transportation client in sourcing of components with Should Costing driven sourcing decisions. We also successfully won & delivered large product engineering program for Auto OEM with proximity in addressing their complex engineering problems. We have been part of Design and Development team for a leading Auto OEM for design of next generation concepts of handcrafted bespoke cabin & cockpit with luxury materials.

That reinforces the six key trends driving enhanced ER&D spend across multiple sectors – Sustainability, Connectivity, Localization, Software-led differentiation, Digital engineering and miniaturization.

Opportunities, Threats, Risks and Concerns

As can be seen in the above case studies, Indian ER&D firms have taken on a partnership role to their customers and are delivering significant value. Opportunities exist in the areas of digitization, manufacturing engineering, sustenance engineering and local engineering. More emphasis on safety across design, analytics, compliance, real-time monitoring, etc.

Investment flow into “greener” technology such as fuel-efficient engines, advanced materials, composites. Going forward, new features will gain importance as firms increasingly try to differentiate themselves and improve operational efficiencies.

Resource scalability, language and relatively better IP protection help India to continue this dominating position. Steep learning curves though as a concern in order to move up in the value chain to serve high end segment, but mitigating it applying rapid training methods/tools /technologies/Subject Matter Experts. Convergence of disruptive technology driven trends.

Achievements/Testimonials

QMS and ISMS: Your Company was first one to be certified for newer ISO 9001-2015 version & ISMS: ISO 27001-2013 standards by TUV Nord.

One of the fortune 10 clients has appreciated the concept to proto development support for seat head rest.

Your Company successfully delivered large program for cutting tools configurations and automation solutions received appreciation.

Your Company received appreciation on productivities achieved on Transformer Design process configuration and customization tool development”.

The strict adherence to quality processes driving to first time right delivery goals has made Onward, a ‘Preferred partner’ for number of major Auto Assembly line integrators.

Operations

For the FY 15-16, your Company continued to strengthen its position in the Engineering and IT segments.

Human Resources

Building effective human capital with strategic processes to energize and drive established organizational goals forward in adherence with unmatched innovation and quality to uphold our successfully proven Business Model, Onward has strategically partnered with every professional, leveraging human capital to support its business model successfully and HR's role evolved to that of a true partner in the business. At Onward, we invigorate employees within our Onward Culture to keep up the good work in key areas, while also encouraging employees to focus more carefully on productivity, quality and timeliness of work.

Strengthening of leadership team to penetrate and enhance the business relationships, increasing customer interactions at Global level has been one of the key focus area. Significant efforts and investment were made in attracting and engaging High Potential talent.

At Onward we know the value of bringing together diverse ideas. We embrace a culture that is accepting and understanding. It's a culture that reflects our global market, widens our business opportunities, attracts the best talent, and breathes life into the best teamwork. Employee well-being, corporate social responsibility, job rotation and succession plan was integrated effectively to support business continuity.

Director's Report and Management Analysis (Contd.)

With an objective of promoting employee connect and cultivating participatory environment to ensure team synergy we organized several events during the year to quote few would be the Onward Day celebration, sports tournaments in areas of cricket, football, new year and festive celebrations. With an objective of aligning efforts towards the growth, boost the team collaboration, an offsite meet in Jan 2016 themed “**Ignite**” session was organized for leadership team in Pune.

CSR activities – Your Company has undertaken a number of CSR initiatives through Onward Foundation. The foundation's aim is to extend support to the community in the fields of education and health.

With a view of “Making a difference to our community” and as part of our corporate social responsibility, there were organized initiatives supporting a paraplegic institute, an orphanage, blood donation camps and tree plantations. Your Company, through the foundation, has setup a computer center for Adivasi girls in rural area of Kaprada, Gujarat.

In addition, the foundation also contributes to an international NGO Social Venture Partners at Pune which works towards the development of Pune city and helps create livelihoods in the underprivileged sections of society. We continue to pledge our support to the Foster Care program of the MSWC (Maharashtra State Women Council) which sponsors education of children in foster care. We encourage female students with outstanding performances in various specializations in science through SNDT. Also the foundation contributed to charitable trust which runs educational institutions.

Since, the consolidated profit of your Company is below the limits mentioned under Section 135 of the Companies Act, 2013 (the ‘Act’) as a result of which, CSR activities are not mandatory for the Company.

Subsidiaries

The subsidiaries of your Company are as follows:

Onward Technologies, Inc. (OTI) (North America)

OTI had three offices in North America at Chicago, Boston & Detroit during the year under review. All three offices are in strategic locations with concentration on engineering and IT customers and in close proximity to the clientele.

The North American operations have been growing at a steady pace. The revenues for the FY 15-16 were at ₹ 6,738.13 Lacs.

Onward eServices Limited (OeSL)

OeSL operates primarily in India, with focus on Open Source Technology solutions, Infrastructure Management services, Professional services and Facilities management services.

During FY 15-16, revenues grew by 23.77% to ₹ 4,086.17 Lac. The EBITDA of the Company stood at ₹ 353.53 Lac. The Indian market opening up in Company's market segments helped the growth of top-line.

Onward Technologies GmbH (OTG) (Germany)

OTG operates from Frankfurt, Germany and services European customers. It has increased the presence and clientele relationships moving towards growth trajectory. The investments made over a period including in the current year has started moving with positive results. We continue to bring in the enrichment in our offerings to this challenging market while solving the complex engineering problems. During FY 15-16, revenues grew by 35% as compared to previous year.

Onward Properties Private Limited (OPPL)

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

The brief particulars of the subsidiaries of your Company as required under AOC-1, is provided as an annexure to this annual report marked as Annexure-5.

Management analysis

Indian Engineering R&D services industry is evolving into new paradigm since the products are totally being overhauled in order to meet the consumer's swift in expectations which are aligned to technological transformations rapidly happening (Smart phones, Smart Cities, Autonomous cars, Digital manufacturing, 3D Printing, etc.). That expanding the Electronics and Automation portion of opportunity significantly, while bringing the ease on outsourcing of the other traditional engineering disciplines/areas for Third Party ESP (Engineering Service Providers) like your Company's major business into.

Director's Report and Management Analysis (Contd.)

Thus, further affirming your Company's unique positioning in its segment, with impressive value proposition being offered to its elite clients. Most of Company's current clientele relationships leveraging the Company's rich experience in scalability and capabilities in solving the complex engineering problems. Your Company is committed to make investments in client relationships, proximity centres and strengthening the capabilities or associated CAPEX; as the investments made over past few years have expanded the confidence with the results on client engagement and reach with value added offerings.

The IT services business expanded the reach and strengthened the presence with esteemed clientele in all the three growth segments: Application Maintenance Services (AMS), Infrastructure Management Services (IMS) and Product Development and System Integration Services (PDSS). It will continue to bring in the growth leveraging the strong presence in USA and India. The leadership team has been strengthened and will continue to make investments in bringing the value added offerings thus growth.

Consolidated financial statements

In accordance with the Act and Accounting Standard (AS) - 21 on consolidated financial statements read with AS - 23 on Accounting for Investments in Associates and AS - 27 on Financial Reporting of Interests in Joint Ventures, the audited consolidated financial statements is provided in this annual report.

We hereby undertake that annual accounts of subsidiary companies and the related detailed information shall be made available to shareholders of holding and subsidiary companies seeking such information at any point of time. The annual accounts of subsidiary companies shall be kept for inspection by any shareholders in the registered office of the holding company and of the respective subsidiary companies.

We shall furnish the hard copies of details of accounts of subsidiaries to any shareholder on demand within a reasonable period of time.

Directors

The board of your Company is composed of directors that meet the criteria laid down under the Act, and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Obligations"). During the year, the board consisted of 1 managing director, 2 non-executive directors and 3 independent directors. There were no changes in the composition of the board during the year under review. Detailed composition of the board of directors, including committees of the board; and number and dates of meetings held is provided in corporate governance report of your Company for the financial year 2015-16.

During the year, 4 (four) board meetings were convened and held on the following day:

1. May 13, 2015;
2. July 30, 2015;
3. November 3, 2015; and
4. January 22, 2016.

The intervening gap between the meetings was within the period prescribed under the Act.

All independent directors have given declarations that they meet the criteria of independence as laid down under Section 149 of the Act which has been relied on by your Company and placed at the board meeting held on May 16, 2016.

Your Company has also laid down policies to identify persons who are qualified to become directors and who may be appointed in senior management.

Retirement by rotation

In terms of Section 152 of the Act, Mrs. Prachi Mehta, would retire by rotation at the forthcoming meeting and is eligible for re-appointment. Mrs. Prachi Mehta has offered herself for re-appointment.

Director's Report and Management Analysis (Contd.)

Share capital

During the year the share capital of your Company increased from ₹ 145,748,700 to ₹ 149,337,700 by allotment of 358,900 new shares issued under ESOP scheme of ₹ 10 each. Further, on April 6, 2016 your Company had allotted 52,950 shares under ESOP scheme and at present, the paid-up capital is ₹ 149,867,200 divided into 14,986,720 equity shares of ₹ 10 each.

Employee Stock Option Scheme

Your Company had implemented Employee Stock Option Scheme 2009 for the benefit of employees of your Company and its subsidiaries. The aforesaid scheme was approved by the members of your Company at the 18th AGM held on 31st August, 2009 and the scheme is monitored under the guidance of the members of nomination and remuneration committee of the board of directors. The rationale of implementation of new scheme was to attract, motivate and retain talented personnel with the organization for long time. The total number of warrants approved under the scheme for employees of your Company, independent directors and employees of its subsidiaries are 875,000 with option to convert into 3,500,000 equity shares. The employees working with the subsidiaries of your Company are also covered under the above scheme.

The disclosures required to be made under relevant provisions of Act and the SEBI (Share Based Employee Benefits) Regulations, 2014 is given as Annexure-3 to this report including details on the grant, vesting, exercise, and lapsed options under the aforesaid ESOP schemes.

Auditors

Statutory auditors

At the 23rd AGM held on August 1, 2014, the members approved the appointment of M/s. Kirtane & Pandit, Chartered Accountants (Firm Registration Number: 105215W) Pune, as Statutory auditors for a period of three years commencing from the 23rd AGM till the conclusion of the AGM to be held in the year 2017 subject to the ratification by the members every year. As recommended by the audit committee, the board has proposed ratification of appointment of M/s. Kirtane & Pandit LLP, Chartered Accountants (Firm Registration Number: 105215W/ W100057) as Statutory auditors for fiscal 2017. The appointment is accordingly proposed in the notice of the current AGM vide item no. 3 for ratification by members.

Their report pursuant to audit for the financial year 2015-16 is enclosed along with the financials of your Company which includes their remarks and matter of emphasis which are self-explanatory.

Secretarial auditors

Pursuant to the provisions of Section 204 of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the board, appointed M/s. Nilesh A. Pradhan & Co., a firm of Company Secretaries in Practice to undertake the secretarial audit of your Company for the financial year ended March 31, 2016. The secretarial audit report is annexed herewith as Annexure-2.

Their report envisages remarks in relation to non-appointment of key managerial personnel viz; Company Secretary and Chief Financial Officer, during the year under review.

Your directors wish to inform you that as a matter of process your Company has now appointed a qualified Company Secretary to take care of the secretarial and compliance of your Company, whereas, your Company is in search for a competent Chief Financial Officer and intend to appoint one in the current fiscal.

Internal control systems and their adequacy

Your Company has an internal control system, commensurate with the size, scale and complexity of its operations. Your Company has documented a robust and comprehensive internal control system for all the major processes to ensure reliability of financial reporting, timely feedback on achievement of operational and strategic goals, compliance with policies, procedures, laws and regulations, safeguarding of assets and economical and efficient use of resources. The formalized system of control facilitates effective compliance as per Listing Obligations and relevant provisions of the Act.

Director's Report and Management Analysis (Contd.)

To maintain its objectivity and independence, the internal audit function reports to the Chairman of the audit committee of the board. The internal audit function monitors and evaluates the efficacy and adequacy of internal control system in your Company, its compliance with operating systems, accounting procedures and policies at all locations of your Company and its subsidiaries. Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and corrective actions there on are presented to the audit committee of the board. The audit committee also met your Company's Statutory Auditors to ascertain their views on the financial statements, including financial reporting system, compliance to accounting policies and procedures, the adequacy and effectiveness of internal controls and systems followed by your Company.

Business risk management

In line with the new regulatory requirements, your Company has formally framed a risk management plan/policy to identify and assess the risk areas, monitor and report compliance and effectiveness of the policy and procedure. A detailed exercise is being carried out to identify, evaluate, manage and monitoring of both business and non-business risk. This plan seeks to create transparency, minimize adverse impact on the business objectives and enhance your Company's competitive advantage. The business risk plan defines the risk management approach across the enterprise at various levels including documentation and reporting. The audit committee and board of directors periodically review the risks and suggest steps to be taken to control and mitigate the same through a properly defined framework.

Particulars of loans, guarantees or investments

Loans, guarantees and investments covered under Section 186 of the Act, form part of the notes to the financial statements provided in this annual report.

Fixed deposits

Your Company has not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding as of the date of the balance sheet.

Particulars of contracts or arrangements made with related parties

All contracts/ arrangements/ transactions entered by your Company during the financial year with related parties were on an arm's length basis, in the ordinary course of business and were in compliance with the applicable provisions of the Act and the Listing Obligations. There are no materially significant related party transactions made by your Company with promoters, directors, key managerial personnel or other designated persons which may have a potential conflict with the interest of your Company at large. All related party transactions are placed before the audit committee of your Company, for its approval. A statement of all related party transactions is placed before the audit committee for its review on a quarterly basis, specifying the nature, value and terms and conditions of the transactions. Your Company has adopted a related party transactions policy. This policy, as approved by the Board, is uploaded on your Company's website; www.onwardgroup.com. There have been no materially significant related party transactions between your Company and directors, the management, subsidiaries or relatives.

Further, all transactions with related parties have been conducted at an arm's length basis and are in ordinary course of business. Accordingly there are no transactions that are required to be reported in Form AOC-2 and as such do not form part of this annual report.

Extract of Annual Return

The details forming part of the extract of the annual return in form MGT-9 is annexed herewith as Annexure-1 to this report.

Director's responsibility statement

The directors confirm that:

1. In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;