

Engineering Products | Enabling Businesses | Delivering Promises

Powering
Growth



26th ANNUAL REPORT
2016-17

Board of Directors

Mr. Harish Mehta	Executive Chairman
Mr. Jigar Mehta	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/1 , Plot A1,
Opp. Harshal Hall, Kothrud
Pune-411029, India

Registered Office

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

Registrar & Share Transfer Agents

Link Intime India Pvt. Ltd.
C-101, 247 Park,
L. B. S. Marg,
Vikhroli West,
Mumbai- 400083

Corporate Website

www.onwardgroup.com

CONTENTS

A. MESSAGE TO SHAREHOLDERS	
i. From Chairman	1
ii. From Managing Director	2
B. DIRECTORS' REPORT	3
<i>Annexures to Directors' Reports</i>	16
C. MANAGEMENT DISCUSSION AND ANALYSIS	32
D. CORPORATE GOVERNANCE	36
i. CEO & CFO Certification	51
ii. Declaration: Code of Conduct	51
iii. Certificate on Corporate Governance	52
iv. Certificate on ESOP	52
E. FINANCIALS	
i. Consolidated Financials	53
ii. Standalone Financials	85
F. ANNUAL GENERAL MEETING	
i. Notice	119
ii. Attendance Slip	131
iii. Proxy Form	132

From the Chairman's Desk



Dear Shareholders,

Indian Engineering Services Outsourcing Industry today, while on one side is facing the headwinds of protectionism, automation & digitalization, compounded by the slowing GDP growth rate, sluggish industrial production, reduction in discretionary spending by corporates', on the other side digitalization is opening huge opportunities.

Talking about the changes in the industry at a macro level, world is moving towards “Digital” and ideas around “Digital Twin” are taking the market share. Quite simply, a digital twin is a virtual model of a process, product or service. This pairing of the virtual and physical worlds allows analysis of data and monitoring of systems to head off problems before they even occur, prevent downtime, develop new opportunities and even plan for the future by using simulations. It works as a bridge between physical and digital world. While the concept of a digital twin has been around since 2002, it is only thanks to the Internet of Things (IoT) that it has now become cost-effective to implement. Digital twins are becoming a business imperative, covering the entire lifecycle of an asset or process and forming the foundation for connected products and services.

As we enter the fourth era of industry, Industry 4.0, computers and automation will come together in an entirely new way, with robotics connected remotely to computer systems equipped with machine learning algorithms that can learn and control the robotics with very little input from human operators. It introduces to the world what is called as “smart factory”.

Along with the Mechanical Engineering Design Space, company also operates in the BFSI and Managed IT services space, which has started being driven by Big data/analytics based Cloud technologies, Applied Artificial Intelligence, Virtual & Augmented Reality, Blockchains and Automation. Cyber security will be the bedrock on which digitalization will succeed.

The phenomenal impact that digital technology is having on businesses around the world is creating exciting and viable new opportunities for us to collaborate with clients. We continue to invest in newer technologies & skilling / reskilling our work force to meet the demands of our customers to grow their business. We are building new capabilities with great agility. The start of the journey has been very encouraging, as evidenced by the performance during the last fiscal year, both in quantitative and qualitative terms. With focused energy, creativity and discipline, many new initiatives are beginning to show tangible results.

Looking at the performance of FY2017, I stand satisfied with a consolidated double-digit growth of the company. All entities of the company – US, Germany, UK and India grew despite currency weakening in the last quarter of the year. Our service lines across Mechanical Engineering Design Services and IT services attracted many interesting projects (end to end program involving design analysis and prototyping, should costing, digitizing design review process, taking complete responsibility of cycle time using robotics and simulation techniques etc), which echoes our growing competence aligned with changing market requirements. Just to add, company has renewed almost most of its annuity business from last year to this year, which is again a reflection of our contribution and value partnerships with all our active customers.

Onward Technologies brought in a leadership change in 2017, aligning with the rapidly changing customer needs, marketplaces and the environment. Jigar Mehta, took over as the Managing Director of the company with a clear vision to bring in fresh perspectives, build a young team who is adapted with these technological changes and accelerate the growth of Onward Technologies.

Having said that, I am quite hopeful that Onward Technologies will sustain the momentum it has garnered and will continue to show a sustained growth in FY 2017-18 as well, both in topline and bottom line.

Before I end my note, I extend sincere thanks and acknowledge the contributions of Mr Pradip Dubashi and Mr Arun Meghani, who stepped down from the Board of Directors of the company in April 2017. They had been with the company for more than a decade and during their association they were instrumental in helping me put the right building blocks in making Onward a scalable organization and preparing it for its next phase of journey. Even though they are now not associated with the company in a formal capacity, they will always be around to guide the Board and Management with their huge body of experience behind them.

Sincerely,

Harish Mehta
Executive Chairman

MD's Letter to Stakeholders



Dear Shareholders,

The financial year 2016-17 has been an action packed one. Not only has the company seen a double digit growth in our top line, and made profits across all geographies (India, Europe & US) but we have also declared dividend to our shareholders. This has been made possible by two factors – our customers, with whom we were able to engage better and our employees, who with their complete commitment and dedication were all aligned to our continued growth.

In May 2016, the Board of Onward Technologies entrusted me with the responsibility of Managing Director. While the team was getting its act together to ensure we sustain the momentum created and deliver, my top most focus was to build an organization for the future. To that effect, starting April 2017, Onward Technologies now operates under three business units:

1. International Business (IB): Constitutes all Mechanical Engineering design services work coming from International Markets, primarily USA, Germany & UK. This entire business is driven by our 6 sales offices outside India. This unit shall work on the “Global Engineering” model having onshore and offshore delivery teams working cohesively to solve the customer's problems.
2. EDS (India): Constitutes all Mechanical Engineering design services work supporting our Indian customers. This will also include the Product Solutions Group (PSG). This unit will focus on strengthening our key relationships with some of the company's strategic clients each of which is a large ODC, either at the clients' site or in our own delivery centers in Pune & Chennai.
3. ITS (India): Constitutes IT support services provided to our Indian Customers. The Indian subsidiary of Onward Technologies Ltd., OeSL drives this business. The work done in this unit is providing application development and management support, IT Infrastructure and data management support as well as allied activities from our Mumbai & Chennai offices.

We have also formed a central Operations team to support and effectively assist these units across the globe. The financial backbone of the company is being consolidated in Pune. We believe that more than just cost effectiveness, these are the building blocks of a scalable enterprise. Both Operations and Finance heads continue to be entrusted with the responsibility of building better, futuristic and robust processes, workflows and systems that will continue to improve, thereby ensuring that we, at Onward Technologies, are always ahead of the curve.

Coming to our industry and the competitive scenario, two of the larger well established engineering services companies in Pune have seen attractive valuations recently through acquisition / substantial investment from a Top 5 Indian tech firm & PE fund respectively. This shows the potential of our industry, interest in the niche mechanical engineering space & scale possibility once the strategy is executed well.

Having said all above, what should shareholders expect from Onward Technologies in FY17-18? The management team at Onward Technologies would like to lay down a targets you may expect from them in the next 12 months:

1. Profitable Growth: Growth is imperative without compromising on the bottom line. Margin expansion to be driven by “Global Engineering Model” and improving the “Utilization”. All BU Heads will work towards this goal.
2. Control Fixed Costs: Many investments have been made in fixed cost structures of the company over the last 3 years. While we are not averse to further investments, they will be growth oriented, monitored and controlled.

We are at an exciting juncture at Onward Technologies and I would like to take this opportunity to express my gratitude to all our employees for their continued passion and dedication. Also, to Our Board of Directors, for the able guidance and valuable inputs. We are well on our way to building a trusted enterprise, with the best talent, leading from the front, to ensure customer satisfaction and exponential growth. I look forward to sharing our progress with you same time next year.

Sincerely,

Jigar Mehta
Managing Director

Director's Report

To
The Members,

The Directors of your Company are pleased to present before you the 26TH ANNUAL REPORT on the business and operations of the Company, both, on standalone and consolidated basis, together with annual audited financial statements of the Company for the financial year ended March 31, 2017.

CORPORATE OVERVIEW

Onward Technologies Limited is a niche player in Mechanical Engineering Design Services (EDS) and IT consulting services (ITS). The Company offers wide range of engineering design services including product design, engineering analysis, engineering documentation and maintenance and manufacturing solutions for automotive, off highway, aerospace, industrial equipment and consumer goods industries. The Company has number of clients from Fortune 1,000 list.

With a strong team of more than 2500 employees operating across Company's various offices in India (Mumbai, Pune and Chennai), USA (Boston, Chicago, Detroit and Milwaukee) and Europe (Birmingham in UK and Frankfurt in Germany) we are catering to customers who are leading global players in their respective arenas.

FINANCIAL HIGHLIGHTS

The summarized financial performance of your Company are as follows:

Rs. in Lacs

Particulars	Consolidated Results		Standalone Results	
	For the year ended 31.3.2017	For the year ended 31.3.2016	For the year ended 31.3.2017	For the year ended 31.3.2016
Sales and other income (Net)	22,622.03	19,963.27	9,885.21	9,074.64
Profit before finance cost, depreciation and exceptional items	1,484.97	1,528.97	1,076.20	1,132.23
Finance costs	280.79	332.89	204.48	207.40
Depreciation	432.95	382.27	378.35	336.90
Operating profit	771.23	813.81	493.37	587.93
Exceptional items	--	--	--	--
Profit before tax	771.23	813.81	493.37	587.93
Provision for taxation				
– Current tax	141.64	248.30	134.18	224.30
– Previous year tax adjustment	52.78	122.12	52.78	122.12
– Deferred tax expenses/(benefits)	45.67	124.78	14.86	133.29
Profit after tax	531.14	318.61	291.55	108.22

Consolidated Performance:

Your Company's revenues grew to Rs. 22,622.03 Lacs from Rs. 19,963.27 Lacs in the last financial year, a growth of 13.32 % over the previous financial year.

The Earnings before Interest, Depreciation, Tax and Appropriations (EBIDTA) for the year 2016 - 17 was at Rs. 1,484.97 Lacs as compared to Rs. 1,528.97 Lacs in the last financial year. Operationally, your Company continues to invest and grow both in EDS and ITS in India and overseas markets.

The net profit after taxes and minority interest was higher by 66.71 % and stood at Rs. 531.14 Lacs as at March 31, 2017 as compared to Rs. 318.61 Lacs in the previous fiscal.

Director's Report (Contd.)

Standalone Performance:

Your Company achieved total revenue of Rs. 9,885.21 Lacs as compared to Rs. 9,074.64 Lacs in the previous year, representing a year-on-year growth of 8.93% supported by increase in volumes and revenue across all business segment.

The Earnings before Interest, Depreciation, Tax and Appropriations (EBITDA) remains flat and stood at Rs. 1,076.20 Lacs in the current year as compared to Rs. 1,132.23 Lacs during the previous year.

During the year under review, the Company registered growth of 169.40 % in the net profit after tax which stood at Rs. 291.55 Lacs as compared to Rs. 108.22 Lacs in the previous fiscal.

DIVIDEND

Your Company had declared and paid final dividend in the 25th Annual General Meeting of the Company held on Monday, July 18, 2016. The Company paid dividend of Rs. 14,986,720 (Rupees One Crore Forty Nine Lacs Eighty Six Thousand Seven Hundred Twenty only), excluding dividend distribution tax, at the rate of Re. 1 (Rupee One only) per equity share of face value Rs. 10 (Rupees Ten only).

Also, the Directors have recommended a dividend of Rs. 1 (10% per cent) per equity share of face value Rs. 10 each, for the financial year ended March 31, 2017, which, if approved at the ensuing Annual General Meeting, will be paid to:

- (i) all those equity shareholders whose names appear in the register of members as on July 14, 2017, and
- (ii) to those whose names appear as beneficial owners, as on July 14, 2017 as furnished by the National Securities Depository Limited and Central Depository Services (India) Limited for the purpose.

The dividend payout 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.

TRANSFER TO RESERVES

Your Directors does not propose to transfer any amount to its reserves out of the profits of the Company for the year ended March 31, 2017.

SUBSIDIARIES

The subsidiaries of your Company are as follows:

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

During the year, your Company has opened its 11th global office in Brookfield, a suburb of Milwaukee, WI. The same focuses on catering to the customers' needs in the mid-west region and is strategic for Onward Technologies' expansion plan in the Industrial Machinery & Equipment vertical. This is the fourth office in the USA in addition to Chicago, Boston & Detroit.

All four 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. Revenues grew by 12.03% to Rs. 7,356.14 Lacs over the previous fiscal.

Onward eServices Limited (OeSL) (India)

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

During financial year 2016-17, revenues grew by over 23.25% to Rs. 5,036.14 Lacs. The EBITDA of the Company stood at Rs. 356.52 Lacs. The Indian market opening up in Company's market segments helped the growth of top-line.

OeSL has successfully executed several eGovernance projects and Mobility solutions through its Open Source Delivery Centre located at Chennai. OeSL is one of the preferred vendors for delivering Core Banking Implementation & Training to

Director's Report (Contd.)

various banks through reputed System Integrators in India. In the recent past, OeSL has built a strong team to manage the Infrastructure Management Services to various Corporates and PSUs.

Onward Technologies GmbH (OTG) (Germany)

During FY 16-17, revenues grew by over 62.71% to Rs. 703.80 Lacs.

OTG operates from Frankfurt, Germany and services European customers. OTG is focused on engineering business. 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 showing positive results. We continue to enrich our offerings to this challenging market while solving the complex engineering problems.

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 report marked as **Annexure-1**. Further, your Company has not incorporated or acquired any subsidiaries or associate companies, nor Company has entered into any joint venture, during the year under review. Also, none of the abovementioned companies has ceased to be subsidiary of your Company.

BOARD OF DIRECTORS

Composition of the Board of Directors of the Company as at March 31, 2017 was hereunder:

Name of the Director	Designation	Category
Mr. Harish Mehta	Executive Chairman	Executive
Mr. Jigar Mehta	Managing Director	Executive
Mrs. Prachi Mehta	Director	Non-Executive
Mr. Arun Meghani	Director	Non-Executive
Mr. Pradip Dubhashi	Independent Director	Non-Executive
Mr. Pranay Vakil	Independent Director	Non-Executive
Mr. Nandkumar Pradhan	Independent Director	Non-Executive

In the meeting of the Board of Directors held on May 16, 2016, the Board had re-appointed Mr. Harish Mehta as an Executive Chairman of the Company, subject to approval of members of the Company. The members at the 25th Annual General Meeting held on July 18, 2016, ratified above appointment with effect from May 16, 2016.

Further, Mr. Jigar Mehta was appointed on the Board of the Company as the Managing Director at the meeting of the Board dated May 16, 2016, subject to approval of members of the Company. The members at the 25th Annual General Meeting held on July 18, 2016, ratified said appointment with effect from May 16, 2016.

Also, detailed composition of the Board of Directors, including Committees thereof; and number and dates of meetings held during the financial year is provided in the Report on Corporate Governance of your Company for the financial year 2016-17.

Mr. Arun Meghani, Non – executive Director of the Company, retired from the Board effective from Thursday, April 27, 2017, after a distinguished journey on Board of the Company. The Board expresses its gratitude to Mr. Meghani for his immense contribution to the Company with best wishes for the years to come.

The Board of Directors of your Company has appointed Mr. Rahul Rathi and Mr. Parish Meghani as an Additional Director (Non-executive/Independent) on the Board of the Company on April 24, 2017 and May 10, 2017, respectively, to hold office upto date of ensuing Annual General Meeting, in terms of provisions contained in Section 161 of the Companies Act, 2013 (the Act) and rules made thereunder. Brief profile of Mr. Rahul Rathi and Mr. Parish Meghani along with other necessary information as required under Regulation 36 of Securities and Exchange Board of India (SEBI) (Listing

Director's Report (Contd.)

Obligations and Disclosure Requirements) Regulations, 2015 (Listing Obligations) is placed on the website of the Company and also available on the websites of the stock exchanges for the information of the members.

Independent Directors

Mr. Pradip Dubhashi, Mr. Pranay Vakil and Mr. Nandkumar Pradhan were the Independent Directors of the Company as on March 31, 2017. 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 22, 2017.

Mr. Pradip Dubhashi, Independent Director of the Company had tendered his resignation from the Board of the Company with effect from April 05, 2017. Your Company's Board of Directors would like to express appreciation to Mr. Dubhashi and warmly acknowledge his contribution as member of the Board for long journey of over 15 years.

Your Company has also laid down policies to identify persons who are qualified to become Directors and who may be appointed in senior management. Pursuant to above policy and provisions of Section 149 of the Act and Listing Obligations, as amended from time to time, your Directors has proposed appointment of Mr. Rahul Rathi and Mr. Parish Meghani as Non-executive Independent Directors of the Company in their meeting held on May 22, 2017, for the period of 3 (three) consecutive years upto July 20, 2020. The same shall be subject to approval of members at the ensuing Annual General Meeting. Accordingly, necessary resolutions along the explanatory statements are placed in the notice convening 26th Annual General Meeting of the Company.

Mr. Pranay Vakil and Mr. Nandkumar Pradhan were appointed as the Independent Directors on the Board with effect from August 1, 2014 in accordance with the provisions of Section 149 of the Act. Pursuant to the provisions of Section 149 (10) of the Act, an Independent Director shall hold office for a term up to 5 (five) consecutive years, but shall be eligible for re-appointment for another term up to 5 (five) consecutive years by approval of members by special resolution. In view of above provisions and terms of appointment, they hold office upto the date of this Annual General Meeting. Accordingly, keeping in view their experience, expertise and contribution to Board during their previous tenure for making the Board work more objectively and constructively, and uphold the ethical standards of integrity and probity, the Board of Directors recommends their re-appointment for the period of 3 (three) consecutive years up to July 20, 2020.

Further, above re-appointments are recommended based on the report of performance evaluation of Independent Directors done by the Board of your Company. Mr. Pranay Vakil and Mr. Nandkumar Pradhan are not disqualified from being re-appointed in terms of Section 164 and Section 149 of the Act. Accordingly, necessary resolutions along with the explanatory statements are placed in the notice convening 26th Annual General Meeting of the Company.

Meetings of the Board of Directors:

Your Directors meet at regular intervals in every calendar quarter. Meetings are generally held at the registered office of the Company at Mumbai or at Company's office at Pune. During the year, 4 (four) Board meetings were convened and held on the following days:

Sr. No.	Day	Date	Venue
1	Monday	May 16, 2016	Mumbai, India
2	Monday	July 18, 2016	Mumbai, India
3	Friday	October 21, 2016	Mumbai, India
4	Monday	January 23, 2017	Pune, India

The intervening gap between the meetings was within the period prescribed under the Act. Also, all the meetings were convened after sending due notices to the Directors along with agenda and explanatory notes atleast seven days in advance pursuant to the provisions of the Act, Secretarial Statndard-1 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Obligations), as amended from time to time, to enable them to take informed decisions. Requisite quorum was met during each of the above meetings. There were no discussion at the meeting which took place through video conferencing, the Directors present were available at the venue of the meeting.