

Powering Growth

**27th ANNUAL REPORT
2017-18**

Engineering
PRODUCTS

Enabling
BUSINESS

Delivering
PROMISES

Board of Directors

Mr. Harish Mehta
 Mr. Jigar Mehta
 Mr. Pranay Vakil
 Mr. Nandkumar Pradhan
 Mrs. Prachi Mehta
 Mr. Rahul Rathi
 Mr. Parish Meghani

Registrar and Transfer Agents

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

Investor Relations

info@onwardgroup.com

Statutory Auditors

Price Waterhouse Chartered Accountants LLP
 7th Floor, Tower A, Wing 1, Business Bay,
 Airport Road, Yerwada, Pune - 411006

Website

www.onwardgroup.com

Company's Registered Office

Sterling Centre, 2nd Floor,
 Dr. A.B. Road, Worli,
 Mumbai - 400018

Corporate Identity Number

L28920MH1991PLC062542

CAUTIONARY STATEMENT

This Annual Report contains certain information, declarations, statements, reports, intimations which are required as per the Companies Act, 2013 and other laws and regulations which are applicable to Onward Technologies Limited (the 'Company'). Certain information is provided for reference and understanding of the readers, wherein every attempt is made to ensure that the information contained are true and factual and has been obtained from reliable sources, the Company is not responsible for any errors or omissions, or for the results obtained from the use of this information.

Certain declarations and statements in this report concerning the Company and its prospects including its expected performance and financial positions are forward-looking statements. Such statements involve known and unknown risks, uncertainties and other factors and are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which it will operate in the future, which may cause actual results to differ materially from those expressed in such statements. Except as may be required by applicable law, we disclaim any intention or obligation to update or revise any forward-looking statements.

Information contained herein does not constitute an offer for, or an invitation to make an offer for, shares or other securities in the Company or its subsidiary or affiliate companies. An investment in shares of the Company is speculative and may contain significant risks, including the risk of loss of some or all of an investment. Past or present performance is not indicative of future results. Stakeholders should consult with their legal, tax, financial, and other advisors prior to making an investment with the Company.

This Report contains references to Company's website or web-links therein, which may be mandated under the governing law and are provided for the readers' convenience only.

CONTENTS

A.	MESSAGE TO SHAREHOLDERS	
i.	From Chairman	1
ii.	From Managing Director	2
B.	DIRECTOR'S REPORT	3
	<i>Annexures to Director's Reports</i>	15
C.	MANAGEMENT DISCUSSION AND ANALYSIS	32
D.	CORPORATE GOVERNANCE	36
i.	CEO & CFO Certification	52
ii.	Declaration: Code of Conduct	52
iii.	Certificate on Corporate Governance	53
E.	FINANCIALS	
i.	Consolidated Financials	54
ii.	Standalone Financials	114
F.	ANNUAL GENERAL MEETING	
i.	Notice	174
ii.	Attendance Slip	183
iii.	Proxy Form	185

From the Chairman's Desk

Brace yourself, the world is changing... fast !

Dear Shareholders,

We have entered an era of irreversible techno-scientific age. The way advances in technology and innovation are gathering momentum, seeing it optimistically as per leading futurist Ray Kurzweil, in few decades both poverty and disease, the world's two worst enemies could be eliminated.

Under this backdrop, as an engineering and technology services provider, we are living in very interesting and challenging times. Now that disruption is a new constant, every business need to be digital to stay afloat.

Our industry continues to evolve. NASSCOM recently launched Future Skills, a platform intended to train over two million IT professionals as well as two million potential professionals and students in job-oriented skills. NASSCOM has recognized as many as 55 new job roles spanning emerging technology areas including artificial intelligence (AI), big data analytics, 3D Printing, IOT, social and mobile, in line with the needs of the industry. This sets the stage for what is popularly called a "fourth industrial revolution" and with robotics connected to this cyber world of computer systems, brings in the birth of "smart factories".

Digitalization of manufacturing from shop floor to the white collar offices is the major trend. From early adoption of ERP in 90's to PLM for maximizing the Supply chain and Manufacturing processes, Industrial IOT with Analytics, the manufacturing sector is expected to commit quite a bit of funds for software and services over the next 10 to 20 years. We seek to leverage the full capabilities of our offerings with broader participation across the enterprise and product development ecosystem—embedding ourselves more deeply at different steps of the value chain.

The way to survive and thrive in this wave of disruption is to collaborate more with your customers and partner with leading engineering technology providers (CAD, CAE, Simulation, Digital Manufacturing). We are investing in next generation technologies of Digital twins and software tools to facilitate factory automation. We continue to invest in newer skills in re-skilling our work force to meet the demands of our customers to grow their business. 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.

Looking at the performance of FY 2018, I stand satisfied with a consolidated double-digit growth of the Company together with 60% + improvement in our bottom line. Our service lines across Mechanical Engineering Design Services and IT services attracted many interesting projects (end to end program involving design analysis and prototyping), within our existing customer base, which reflects our growing competence aligned with changing market requirements. Company has renewed 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.

For our IT services business, the current year is offering good potential for growth primarily driven by need for automation, robust spending by public and private sector and India being the most preferred IT destination globally.

We continue to operate with the highest level of commitment, excellence, integrity & corporate governance. I believe our core values are the pillars of our growth and are the way forward for continued success of the organization as well as enhancing brand "Onward". The strength of our culture is what makes us more capable and better positioned for the future than it has been at any time in our history. As we head into 2018-19 and beyond, I am more excited than ever about the opportunity to demonstrate that when we do right for our clients and put them first, others stakeholders viz, our shareholders and our employees also win.

Thank you for your continued loyalty & support as we build the Onward Technologies of the future.

Sincerely,

Harish Mehta
Executive Chairman



From the Managing Director's Desk



Dear Shareholders,

FY 17-18 has been a year to celebrate in many ways. The company continued its growth path with a 10.2% growth in top line and 64%+ growth in Profit After Tax (PAT) resulting in Earnings Per Share (EPS) growth of 60%. During the year, Company expanded its infrastructure with opening of new offices in Pune (WTC), Chennai (OMR) & North America (Troy & Cleveland). All this is to ensure the "Quality" & "Quantity" of business at Onward Technologies remains healthy and sustainable, while delivering good margins. At the May, 2018 Board of Directors (BoD) meeting, Company also proposes to pay Dividend for third year in a row.

Further to my last year's note, I am happy to share substantial progress which we have made across various key identified areas which will drive further revenue growth & margin expansion towards doubling the revenue to Rs. 500 crore in the near future.

Our top strategic customers continue to be our focus. I'm pleased to share with you that our revenues from the top 10 customers went up from 30% to 38% in FY 17-18. This percentage has a high probability to go up over 50% in the next 2 years, which is our aim through the continued focused investments and efforts towards these customers. The opportunity to scale with these customers both through current focused service lines of product engineering, manufacturing engineering and new areas like embedded, electronics, digital, etc is more than 20 times their current outsourcing to us. We believe we are rightly positioned, now more than ever before, to achieve the above growth.

Earlier this year, Onward Technologies was listed among the Asia Pacific's top 1000 high growth companies by Financial Times. And again in Sep'17, Onward Technologies was awarded & recognized as "Pride of Maharashtra" award at an event in Pune. We also received numerous recognition & awards from our customers across the regions which is evident with more than 90% annuity contract renewals.

Working towards our Net Zero Debt goal, last year Company repaid close to Rs. 7 crores of external term loan debt with a balance consolidated debt of Rs. 14.98 crores on March, 2018. We are well on track to have net zero debt in the next 18- 24 months. Our (Days Sales Outstanding) DSO has also shown an improvement from average 75 days in past to average 65 days now due to the higher quality of customers that we serve today. We feel confident that we will be able to bring it down further in next 24 months and maintain the same at an average of 50 days.

Last year we also announced strategic Business Transformation partnership with French global industry leader - Dassault Systèmes and entered into services partnership with Michigan based - Altair Engineering to strengthen our capabilities in engineering services domain. Company also made investments in embedded, technical publications and PLM space which will help us to enter into these new domains, bid for larger enterprise deals and partner with our customers better.

We continue to attract & retain exceptional talent with 2500+ employees today serving customers from our various offices globally. I'm particularly pleased that our North American Subsidiary Onward Technologies Inc (OTI) has more than 40% local Americans on its headcount. We have a clear vision of having over 50% local talent in all our primary markets (North America, UK & Germany) to build stronger & deeper relations with the customers. This year we will add more Sales & Client servicing depth in all our international offices to scale the business further.

Looking ahead, Onward Technologies will continue to make the strategic investments needed to serve our customers more effectively and deliver profitable growth for our shareholders. I thank you for your continued support & interest.

Sincerely,

Jigar Mehta
Managing Director

DIRECTOR'S REPORT

To

The Members,

The Directors of your Company are pleased to present before you the 27TH 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 31st March, 2018.

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 2500+ employees operating across Company's various offices in India (Mumbai, Pune and Chennai), USA (Chicago, Troy, Boston, Milwaukee and Cleveland) 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 is as follows:

Rs. in Lakhs

Particulars	Consolidated Results		Standalone Results	
	For the year ended 31.3.2018	For the year ended 31.3.2017	For the year ended 31.3.2018	For the year ended 31.3.2017
Sales and other income (Net)	24,921.36	22,608.69	11,310.03	9,957.05
Profit before finance cost, depreciation and exceptional items	1,602.44	1,372.32	1,009.00	1,117.93
Finance costs	302.98	279.96	218.08	204.48
Depreciation	548.52	432.95	455.94	378.35
Operating profit	750.94	659.41	334.98	535.10
Exceptional items	-	-	-	-
Profit before tax	750.94	659.41	334.98	535.10
Provision for taxation				
– Current tax	223.44	142.70	103.61	134.19
– Previous year tax adjustment	(9.14)	52.78	(9.14)	52.78
– Deferred tax expenses/(benefits)	(134.98)	54.01	20.36	50.88
Profit after tax	671.62	409.91	220.15	297.25

Consolidated Performance:

Your Company's revenues grew to Rs. 24,921.36 Lakhs from Rs. 22,608.69 Lakhs in the last financial year, a growth of 10.23 % over the previous financial year.

The Earnings before Interest, Depreciation, Tax and Appropriations (EBIDTA) for the year 2017 - 18 was at Rs. 1,602.44 Lakhs as compared to Rs. 1,372.32 Lakhs 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 63.84% and stood at Rs. 671.62 Lakhs as at 31st March, 2018 as compared to Rs. 409.92 Lakhs in the previous fiscal.

Director's Report (Contd.)

Standalone Performance:

Your Company achieved total revenue of Rs. 11,310.03 Lakhs as compared to Rs. 9,957.05 Lakhs in the previous year, representing a year-on-year growth of 13.59% 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. 1,009 Lakhs in the current year as compared to Rs. 1,117.93 Lakhs during the previous year.

DIVIDEND

Your Company had declared and paid final dividend in the 26th Annual General Meeting of the Company held on Friday, 21st July, 2017. The Company paid dividend of Rs. 15,364,570 (Rupees One Crore Five Thirty Lakhs Sixty-Four Thousand Five Hundred Seventy 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 Re. 1 (10% per cent) per equity share of face value Rs. 10 each, for the financial year ended 31st March 2018, 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 13th July, 2018, and
- (ii) to those whose names appear as beneficial owners, as on 13th July, 2018 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 31st March, 2018.

SUBSIDIARIES

The subsidiaries of your Company are as follows:

Onward Technologies, Inc. (OTI)

Our North American business has been growing steadily with 5.69% revenue growth compared to previous financial year. The bottom line of the business also showed substantial improvement.

We also opened our 5th office in North America in Cleveland, Ohio to cater to the Industrial Equipment & Machinery (IEM) market in the region. The company has also ramped up its local hiring & delivery capabilities in North America with 40%+ employees resident Americans now. We expect this percentage to go up on annual basis as we continue to invest and scale our North American business.

Onward eServices Limited (OeSL)

Our domestic IT Services business continues to expand its presence in Mumbai & Chennai. We delivered a strong year with 12.23% revenue growth with PAT growth of 40.73% compared to previous financial year.

We are today serving top customers and brands from both of our offices and have a very healthy pipeline and sales funnel to expand the presence in the coming financial year.

Onward Technologies GmbH (OTG)

Our European business underperformed last year and revenues went down by 37% compared to previous financial year. We have taken corrective steps with the change in the entire leadership team and adding more delivery and domain depth to cater to the customers.

Director's Report (Contd.)

Overall the region is very attractive and with the new strategy in full motion, we will deliver growth in the coming financial 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 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 31st March, 2018 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. Pranay Vakil	Independent Director	Non-Executive
Mr. Nandkumar Pradhan	Independent Director	Non-Executive
Mr. Rahul Rathi	Independent Director	Non-Executive
Mr. Parish Meghani	Independent Director	Non-Executive

The Board of Directors of your Company had appointed Mr. Rahul Rathi and Mr. Parish Meghani as an Additional Director (Non-executive/Independent) on the Board of the Company on 24th April, 2017 and 10th May, 2017, respectively, to hold office upto date of 26th Annual General Meeting, in terms of provisions contained in Section 161 of the Companies Act, 2013 (the Act) and rules made thereunder. The members at the 26th Annual General Meeting held on 21st July, 2017, regularized above appointments as the Independent Directors of the Company for a term of three years.

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 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.

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 2017-18.

Independent Directors

Mr. Pranay Vakil, Mr. Nandkumar Pradhan, Mr. Rahul Rathi and Mr. Parish Meghani were the Independent Directors of the Company as on 31st March, 2018. 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 11th May, 2018.

Director's Report (Contd.)

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	22 nd May, 2017	Mumbai, India
2	Tuesday	21 st July, 2017	Mumbai, India
3	Monday	16 th October, 2017	Mumbai, India
4	Tuesday	23 rd January, 2018	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 Standard -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 was no discussion at the meeting which took place through video conferencing; the Directors present were available at the venue of the meeting.

Separate meeting of Independent Directors:

Meeting of the Independent Directors of the Company was held on 27th February, 2018, to review the performance of Non-Independent Directors (including the Chairman) and the Board as a whole, where all the Independent Directors were present. The Independent Directors also reviewed the quality, content and timeliness of the flow of information between the management and the Board and its Committees.

Key Managerial Personnel:

Your Company has appointed following key managerial personnel (KMP) during the year under review:

Sr. No.	Name of KMP	Designation	Date of appointment
1	Mr. M. V. S. S. Narayanacharyulu	Chief Financial Officer	16 th October, 2017

Further, in accordance with the relevant provisions of the Act, necessary declarations and submissions has been made to Registrar of Companies in Form MGT- 14, filing of resolutions and agreements to Registrar.

Director Retiring by Rotation

In terms of Section 152 of the Act and Articles of Association of the Company, 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. The Board recommends her reappointment at the ensuing Annual General Meeting, as Director liable to retire by rotation.

Board Evaluation

Pursuant to the provisions of the Act and Listing Obligations, the Board has carried out an annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its various committees. Independent Directors at their separate meeting held during the year, reviewed the performance of Non-Independent Directors of your Company as well as Chairman of your Company and the Board as a whole.

Audit Committee

The Audit Committee of the Board comprised of Mr. Pranay Vakil, as the Chairman, Mr. Nandkumar Pradhan, Rahul Rath and Mr. Parish Meghani as members as at 31st March, 2018. During the year under review, there were no instances of non-acceptance of any recommendations of the Audit Committee by the Board of Directors of your Company.

Director's Report (Contd.)**SHARE CAPITAL**

During the year the share capital of your Company increased from Rs. 151,962,700 to Rs. 155,420,700 by allotment of 345,800 new shares issued of face value Rs. 10 each under Company's Employees Stock Option Plan 2009. Further, on 4th April, 2018 your Company had allotted 109,500 shares under ESOP scheme and at present, the paid-up share capital is Rs. 156,515,700 divided into 15,651,570 equity shares of face value Rs. 10 each.

Listing information

The equity shares of your Company are listed on the following stock exchanges under the ISIN INE 229A01017.

BSE Limited: Scrip Code: 517536

The National Stock Exchange of India Limited: Scrip Code: ONWARDTEC

The Company has regularly paid the Annual Listing fees to the respective Stock Exchanges. Annual Custody/Issuer fee for the financial year 2017-18 has been paid by the Company to National Securities Depositories Limited and Central Depository Services (India) Limited.

Pledge of shares

None of the equity shares of the Directors of your Company are pledged with any banks or financial institutions.

EMPLOYEE STOCK OPTION SCHEME

Your Company had implemented Employee Stock Option Plan 2009 (ESOP 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 Annual General Meeting 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 ESOP 2009 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 and of its subsidiaries are 875,000 with option to convert into 3,500,000 equity shares (One warrant is equal to four 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 the Act and the SEBI (Share Based Employee Benefits) Regulations, 2014 is given as **Annexure-2** to this report including details on the grant, vesting, exercise, and lapsed options under the aforesaid scheme.

AUDITORS**Statutory Auditors**

The members at the 26th Annual General Meeting of the Company held on Friday, 21st July, 2017 had appointed M/s. Price Waterhouse Chartered Accountants LLP (Firm Registration No. 012754N/ N500016) as Statutory Auditors of the Company to hold office from the conclusion of that Annual General Meeting till the conclusion of 31st Annual General Meeting to be held in the year 2022. Statutory auditors has conducted statutory audit of the financials of the Company for the financial year ended 31st March, 2018 and has submitted their report to the Board along with the financial statements approved at the Board meeting held on 11th May, 2018. The said report is enclosed along with the financials of your Company and also forms part of this Annual Report, which includes their remarks and matters 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 had appointed M/s. Nilesh A. Pradhan & Co., Company Secretaries in Practice (FCS: 5445, CP No.: 3659) to undertake the secretarial audit of your Company for the financial year ended 31st March, 2018. Their audit report is annexed herewith this report as **Annexure-3**.

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