



## “Onward Technologies Limited Q1 FY-22 Earnings Conference Call”

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**MODERATOR: MR. APURVA SHAH – PHILLIPCAPITAL (INDIA)  
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**Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY22 Earnings Conference Call of Onward Technologies Limited hosted by PhillipCapital (India) Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘\*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Apurva Shah from PhillipCapital. Thank you and over to you, Mr. Shah.

**Apurva Shah:** Thank you, Margaret. Good evening everyone. On behalf of PhillipCapital, we welcome all of you to the Q1 FY22 post earnings conference call for Onward Technologies Limited. From the management, we have Mr. Jigar Mehta – Managing Director, Mr. Vignesh Kumar – Executive Vice President and Head of Sales for USA and Europe and Mr. Devanand Ramandasani – Chief Financial Officer. So Jigar, we thank you very much for giving us the opportunity to host the post earnings conference call for your company.

So, without any pertinent delay, I would request Mr. Jigar Mehta to start with his opening remarks. Thank you and over to you, sir.

**Jigar Mehta:** Thank you, Apurva and thank you everybody for joining. It is my absolute pleasure to welcome you all for our earnings call today, which is hosted by PhillipCapital for the first quarter of financial year 2022. I hope you are all keeping well and safe. I am very happy to share I hope you guys all got a chance to see our Q1 numbers. I believe this is the best quarter probably in Onward Tech history and we are very excited to be here. A quick summary. We deliver overall revenue consolidated about Rs. 85 odd crores.

PAT of Rs. 9 crores plus and an EPS of 6 for the quarter. Again, these are one of the best numbers in Covid times and over the last several years of investment that the company has been doing. Before I get in to the earnings highlights and which my CFO, Dev will be jump in to, let me give you a quick background about Onward Technologies of where we are today and what we are trying to do, and how we believe we can win in this market.

So, we are a young engineering research ER&D services player. Today, 100% of our revenues in Q1 comes from pure technology services. We have 4 lines of businesses. First line is mechanical engineering, second is embedded systems, third is digital and fourth is IT. We provide all 4 services in the overall digital transformation space to our customers in 3 primary markets, which is North America, Europe and in India. Today, our team has grown to end of the Q1 quarter, total headcount, which is full time employees was 2,121 with majority of them being based in India and less than 5%, which is today in Europe and USA.

We believe that the number post Covid when once the travel restrictions will pick up will increase much faster as anticipated the pipe or the demand that we are seeing from our clients. In terms of geographical locations, I continued to be based in Bombay at the head office at Worli. Our core engineering centers are in Pune, Chennai and now latest one in Bangalore.

While we speak, we have just launched our operations in Noida and by end of the quarter, which is end of Q2 we would be in Hyderabad as well. Outside India our US head office is in Chicago and we have two offices. One in Cleveland, Ohio and the third one in Troy, Michigan and three in Europe, one in London, in Amsterdam and in Frankfurt.

In service we have 4 verticals that we focus on.

Our two fastest growing verticals that we have invested very heavily where we have a majority of our revenues coming from is the transportation and mobility vertical where we focus on the automotive and the real transportation segments. So, we are now in the aerospace business and on the second side we are focused on the industrial equipment & heavy machinery vertical, which is off high tech vehicles, off -highway equipment, agricultural equipment, construction equipment, and mining equipment across the world.

We only work directly with the end customer so there are no intermediaries. There is nobody in between and we have with the sales cycle that we used to be very, very long and one of the biggest strengths of the company today is we have taken the last 5 years to build up the entire credibility with all these customers at various pilot projects not only in India but offshore in India but also in the respective countries where they operate.

Over the last six years, we have had a consistent track record of paying dividend, and we could also increase our dividend by 100% last year to Rs. 3 per share. And we believe we are in a strong financial position today being debt free to continue with that going forward. In terms of the quarter, again, a big congratulations, I think some of you guys might have been in my earlier calls. It was actually just literally a few weeks back when we announced the private equity investment from Convergent Finance into Onward Technologies.

So, we discussed a lot of the points that back then, but we ended up closing the numbers much better because a lot of things came our way by end of June but net-net we delivered 24% year-on-year revenue growth, which is about 4% more than what we are internally budgeted. We continue to hire extensively across all our offices and strengthen all our departments, digital and embedded being the primary focus areas which are extremely high growth for us in our existing clientele are. All three geographies we are strengthening as we speak, so we are investing much faster for the future than the present.

So again, the big focus being on top line growth. Post the Covid era, which we are hoping in 2022 we will get back to normal and we are gearing up also and investing into new verticals, which we discussed last time. One is the healthcare and pharma industry & second is the high-tech industry.

In all of these areas, all the four verticals have been very exciting. We are moving away from small, small projects and gigs that we were doing before which is on the fixed price side to time, and material (T & M) and long-term contracts. And we have won multiple contracts recently which are multiyear engagements with some of the biggest Fortune 500 companies in the world. So, it is very exciting time for us right now. It has given us a very strong visibility for the future, and it is simply now down to execution while we all continue to work remotely.

Now I hand over the call to our CFO – Mr. Devanand Ramandasani to give you the financial highlights. Over to you, Dev.

**Devanand Ramandasani:** Thank you, Jigar and good afternoon everyone who has joined this call and thank you Apurva from the PhillipCapital who made this happen and arranged this joint call with us. Let me take you through the financial insights of this quarter at consolidated basis.

I will start with the financial remark is that this quarter is the one of the set paths for the future growth and our total income from Rs. 68 crores of the previous year Quarter 4 to we reach to the Rs. 85 crores, which includes the operational income from Rs. 66 crores to Rs. 69 crores. Our full year PBT of the last year was Rs. 9.8 crores, which currently a quarter is PBT has reached to the Rs. 11 crores.

Similarly, the eventual net effect of that, my PAT of the last year full year was Rs. 7.33 crores, which we stood in the current quarter is Rs. 9.8 crores. Resultant impact on my EPS from the 4.52 to the 6.03 this quarter. My cash balance is very healthy and last year March 21, was Rs. 29 crores. Today we are sitting on the Rs. 55 crores plus. There is certain amount which in the form of an equity or investment from our partner yet to come.

And we believe at the end of the year it will be more than Rs. 100 crores on that and we have the loan liability showing in the borrowings in the last year, which currently is a zero only. We are on the good track on the double-digit growth year-on-year basis in terms of EBITDA or in terms of top line growth and there are few of one-off items, which we have taken care of in this current quarter. Therefore, our EBITDA looks like a lower. However, it is very much under control to set path of the double-digit growth on that.

These are the few items, which I would like to share with you. Now I request Vignesh Kumar to take you through some key operational highlights for the quarter and future growth outlook. Over to you, Vignesh.

**Vignesh Kumar:** Thanks, Devanand Ji. Good afternoon ladies and gentlemen. It is an honor to speak to all of you. From R2 part concept to prototype we help customers develop products faster better cost effectively, especially in the digital space. We work with several global OEMs. The transportation and mobility of highway equipments, health care and high-tech segment. Today I am going to share three successful wins in the recent past. One, with world's largest off highway equipment manufacturer we already have a 300 plus team supporting this customer in the

complete product lifecycle and especially in the digital space, which is the new area where more and more organizations are investing.

We are supporting them in the space of IoT, machine learning and data Analytics. We recently got selected as a strategic partner for long term engagement with this customer. We also have won significant order from a leading German auto OEM and this contract is to build a team of 150 digital professionals as soon as possible. The third story I wanted to share with you is in a different industry. A global lighting OEM has decided to partner with Onward Tech, a multiyear deal for a dedicated offshore center for mechanical digital and embedded domain-based skills.

This offshore center is going to be set up in Pune and at the earliest we will have a 40-member team working for this customer. So, this is the rainy season and all sales people love when there is a rain of orders and I can assure you that there is a rain of orders in Onward's order book.

Thank you so much for giving me an opportunity to speak to all of you and over to Jigar if you want to give some concluding remarks.

**Jigar Mehta:** Thank you Dev and Vignesh. Again, we are open for Q&A now.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mayank Babla from Dalal & Broacha. Please go ahead.

**Mayank Babla:** My question is around the EBITDA margins. So, what extends the volatility in these EBITDA margins? So, I am just looking at the historical financial statements, where EBITDA margins are 11% and 8% and then 12% in FY19 and 3.3% in FY18 and in this quarter suddenly the EBITDA is negative. So, could you shed some light on that and give us a sustainable level of margins that we can record going ahead?

**Jigar Mehta:** Sure, this is Jigar Mehta here. Let me give it a shot and then I will have Dev come in as well to give you more breakups. So, again just please keep in mind a couple of things. Onward Tech as a historical company was focused on the Indian domestic market,

India customers was the biggest focus areas. Over the last few years, we are investing very heavily in Europe and USA. Right, so the EBITDA margins goes up and down based on that, based on the various investments we are doing. Even while we speak, we plan to hire at least 100 odd people more in Europe and US. So substantial outflow and for us people are our biggest assets, so all the money goes in salaries.

So, that is predominantly what it is. On the operating margin level, in terms of customer deals that we take, they are as good as any other company out there from both Indian and global perspective, because obviously we work with all the biggest brands in the world where the rate card is the same for most companies.

So, from that perspective, there is no difference. It is more about we investing much, much heavily. In Q1 perse we have taken a conservative view and hence, the numbers show low. They can talk about some of the one-time entries they are taking, which we believe also will be beneficial for us as we keep going forward. Dev, over to you.

**Devanand Ramandasani:** Yes, so I just would like to answer you in a little bit different way on that. You know that we are the service-oriented company and our biggest strength is that our employees. So, always the company has to take a call in the chicken and egg story kind of thing. So, whether investment make first or that we will take the revenue first on that. So, company has taken conscious call to investment on these employees and expand the capabilities on that.

So, what we did during the last few quarters, the company is likely to attract a lot of best talents of the industry in the organizations. And because of that our employee cost is continuously increasing as well as we are expanding our footprint next to our client. So, all investment made are client centric and eventually we will give the results in coming quarters as well. And from the delivery side presales delay or sales side everybody everywhere we are bringing the experts of industries.

We are creating the offices and labs everything is required for that to deliver the services. We are making the investment. So, this is the one of the key reasons where our EBITDA movement is there and you know that there are certain aspects where some investment made on the same commitment basis on the client and the government authorities and something is that which has the timing effect on that. So, because of that the investment made in the one quarter and where is the benefits and of that is coming in the next quarter so therefore you will see some volatility.

However, we are sure that we could deliver double-digit EBITDA in coming quarters on that. I hope I clarified your query?

**Mayank Babla:** Yes, you did. Thank you. And sir, one more query is sir, between standalone and consol around Rs. 19 crores revenue difference is there. So, could you explain if is there an angle or this is relating to the inorganic contribution or something else?

**Devanand Ramandasani:** No, it is the organic, so standalone means we have the Indian company. We have a subsidiary in Germany and USA as well so their contribution is a part of as a consolidated result. And US is the one of the significant contributors on this.

**Moderator:** Thank you. The next question is from the line of Abhishek Jain from Arihant Capital. Please go ahead.

**Abhishek Jain:** Sir, I want to understand how we see ourselves in next 2, 3 years because I just started looking at the company and what kind of work, which segment, we are doing right now in automobile and mobility? I just have gone through the website thing, so if you can throw some light on which are our key focus areas and how exactly you see, which are the clients in Europe, you are talking

about Europe and other stuff, other areas so which are the clients you are working on so if you can throw some light on this?

**Jigar Mehta:** So how do we see us, I think there are multiple questions so I will try to answer it a bit more just to break it down, put some structure in it. So, you said, how do we see ourselves going forward. Abhishek, the way we are positioned ourselves right now is we are aiming to grow double digit both on the top line and bottom-line year-on-year for the next few years. Based on the customers that we have already won and we have made in pipeline, which is getting built up every day, we believe we will be able to easily maintain and sustain that and hopefully outperform the industry as well as we keep building up the base.

In terms of the second question about what kind of services we provide. Again so, Abhishek, we are a young company, right. We are a company which has moved away from a lot of old business latest through the ER&D business over the last several years and investing very heavily over the last few years in particular. Our goal and our vision are to be an extended arm of our clients' R&D department.

So, once when we start working with the manufacturing company, let us say in the transportation or in the automotive space, we provide all the services to the customer in that particular area right. So, whether it is mechanical engineering, whether it is Autonomous Driving (ADAS), whether it is Telematics, whether it is Infotainment, our team is doing some amazing work for a customer in UK for a luxury carmaker designing the entire interiors, trims, bumper. So, we do everything as Vignesh mentioned at the start of the presentation. To clarify, we don't do any manufacturing but just provide services till the prototype stage.

**Moderator:** Thank you. The next question is from the line of Dhiral Shah from PhillipCapital. Please go ahead.

**Dhiral Shah:** Sir, what is our order book growth in the current quarter?

**Jigar Mehta:** Dev, do you want to take that?

**Devanand Ramandasani:** Yes, so order book is very attractive and you know that we follow the strategic customer account mechanism. So, our strategy customer growth is in the double digit. I cannot give the exact number percentage, but we have the order books which are very healthy. And which will eventually get converted into the double-digit growth on that. So, we have a healthy growth pipeline.

**Dhiral Shah:** Okay, and sir, with this fund-raising plan of almost Rs. 70 crores so where are we going to utilize this fund?

**Devanand Ramandasani:** Jigar, you wanted to tell or should I?

**Jigar Mehta:** No, Dev, please give it a shot.

**Devanand Ramandasani:** Yes so, we have the two aspects which we wanted to that one is the organic and second is inorganic. Organic in the sense that we will expand investment in to develop our in-house capabilities which includes hiring the top talented people, streaming the delivery team, setting up exclusively labs for the emerging technologies, and inorganic, we are looking for the right size and the right companies on the way which comes through stuff and help us to scale up very fast. So, these are the two key parameters where we are looking for the utilization of the funds.

**Moderator:** Thank you. The next question is from the line of VP Rajesh from Banyan Capital. Please go ahead.

**VP Rajesh:** So Vignesh, can I have little more color on the three deals you described? In terms of the competitors to one against and if you could give a little more detail on the type of you know the amount of the contract if you will, and the type of work that you will be doing for that, that would be helpful.

**Vignesh Kumar:** So, you have asked me lots of questions, three questions. Most of them are confidential information. We cannot share much about that. But I can just assure you rather than the traditional mechanical engineering services place where we were very active almost all the deals that we have won are in the latest technologies area, which is IoT, digital twin, machine learning and embedded systems.

These are the areas where our expansions have happened and these are the areas where also we are getting more and more requirements from customers in Europe, UK and USA. Competitors are all companies similar to us who operate in this space.

Every customer has a set of partners like Onward Tech supporting them. So, when the RSQs are floated by the customer we have to compete with them and show that we are technically as capable and confident to deliver those projects. Over several years we have built that confidence with these customers and they are introducing us to newer departments, newer areas to allow us to serve them much better.

That is why when I said the complete product life cycle, we are trying to help the customer in every aspect of product development, when they are trying to launch new products. I hope I could answer the questions. I cannot name the order values here as well as the name of competitors in this call.

**VP Rajesh:** No problem and a bigger question is, should we assume that all the three?

**Vignesh Kumar:** I could not hear your question clearly, can you again repeat please?

**VP Rajesh:** So, my follow-up question Vignesh, was that all these three customers are they what we have strategic customers?



**Vignesh Kumar:** Yes, so actually last few years we have been working in a very systematic manner to build a set of strategic accounts in all the key geographies we are operating out of and the dream is to develop convert all these strategic accounts each of these strategic accounts to 10 million accounts, you know, each account.

The account has potential to deliver much, much bigger revenues but we have kept a target of 10 million dollars per account and we are on the right track to reach these accounts. There are close to 20 such accounts, which currently we treat as strategic accounts across the globe.

**VP Rajesh:** Perfect and then there is a couple of questions on the number side. You said you will have Rs. 100 crores kind of balance by the end of the year. So, does that guidance include the income tax refund that you are expecting is around Rs. 30 crores, Rs. 40 crores?

**Vignesh Kumar:** No, I have not included that one income tax refunds on this.

**VP Rajesh:** Okay, but you are expecting that to come through this year, right or?

**Vignesh Kumar:** Yes, we are expecting but what number which I stated in the beginning of the call which I have not considered on that. Reason being the amount collected from the government can be dragged from the quarter-on-quarter and you know that how the governments are functioning on that. So that is that is the confidence level we have but the government functionary works on its own sweet time, so therefore we have not considered. If that comes in then it will be always be added on top of this, the number on that.

**VP Rajesh:** Okay, and the funding of Rs. 70 crores, have you assumed that entirely in that Rs. 100 crores or would be the first portion of that?

**Vignesh Kumar:** No, we assume that entire funds will come through in this financial year only.

**VP Rajesh:** Understood and on the EBITDA margins, when you give a guidance of double digit, so should we expect that each quarter like this year perma basis it is around 4.4%. So, each quarter you expect it to trend up, that is what should we expect that?

**Vignesh Kumar:** Sir, it is a little bit too early to give the right guidance on that, but we have a proper plan and monitoring system where there we track our year-on-year growth. And at this point of time, I can give that assign to you that definitely it is better than the previous. Yes, number 1. Number 2, we are aiming for to the reach from the single digit to double digit. How and how much it will be there definitely time will tell, but as per our current tracking system we are on the same path on the double-digit growth.

**Moderator:** Thank you. The next question is from the line of Anurag Roonwal from Moneybee Investment Advisors. Please go ahead.

**Anurag Roonwal:** So sir, I basically wanted to understand when we talk about ER&D when we sort of see our peers, they have margins are of upwards of 25%. So, I understand they are sort of more mature in this industry. So, when we are sort of targeting 50% revenue from ER&D and 50% from digital in FY25. Would that be the time for us to see those kinds of margins or is it that we would be requiring more expertise in this area and it is going to take a few years for us to reach those kinds of levels? If you can throw some light on this?

**Jigar Mehta:** Sure, I can take that. This is Jigar here. So again, let me clarify that the service technology services industry if you remove the top five companies, they all operate between 12% and 17% EBITDA margin. Not I do not believe I have seen companies at 25% unless they are older headquartered outside from Europe or USA. From pure play Indian technology services companies, those are the average number. Our goal is starting this year as I said, we believe we will be in double digit in terms of EBITDA.

I think last year we were not there and this year we will be a substantial portion of that will be carried forward going in like we believe we will be in double digit going forward and yes in 2000 couple of years from now we will be as good as anybody else because we will not be continuously investing at a very, very high pace. Our global foundation and structure will be ready.

**Moderator:** Thank you. The next question is from the line of Swechha Jain from ANS Wealth. Please go ahead.

**Swechha Jain:** So, I have couple of questions. So, the first question is, you know if I look at the presentation in one of the slides, we have put our target for FY25 from the segment digital transformation to 50% from current 2% and we have shown that that moving forward we just have two segments right. The ICS is 26% currently but in 2025 it would be just digital formation ER&D. So, I want to understand how would this transformation happen in the sense from ITS the current customers we are aiming to migrate them on the digital transformation side or it is a totally new set of customers that we would be looking out to acquiring?

**Jigar Mehta:** Hi, this is Jigar here. Let me give it a shot. So, what we are saying in our perspective is so majority of our growth and revenues coming from our existing clients, right. So, the whole shift towards digital will come from our existing clients and existing contracts. And if you see the notes from our last earnings presentation and including the presentation that we had with the Convergent Finance team was, we clarified that all the old businesses there Onward Tech had to exit, we have already exited, right.

So now the entire business today will continue and will grow, right. So, all our customers are in a growth phase and we believe all of them will add value towards our goal of double-digit growth both top line and bottom line.

Now all the new deal sector that Onward Tech is participating in or even the customer is spending on is 100% only digital. Right, there is no old school IT deals anymore, at least where we are concerned from our customers.

So, all the additional revenue that we are adding on the growth side will either be on the engineering side or will be on the digital side. So, we have just balanced it out and we believe will be there.

**Swechha Jain:**

Sir, my second question is if you could throw some light on our hiring plans because if I am not mistaken, I heard you were mentioning we are going to hire aggressively in US and Europe right. If you could just throw some sense around it as to you know what kind of hiring, we have planned there in terms of numbers and something around that, sir?

**Jigar Mehta:**

Sure absolutely. So let me clarify some points. So, let me say at the end of June, we are at 2,121 full time employees, The majority of them being based in India as a traditional offshore model. Majority of our customers are headquartered in Europe and USA. So, our customers expect us to be present in those countries, not just on the offshore play. In the last 18 months because of COVID and travel restrictions, we have been supporting them remotely from India.

The moment that opens up, a large portion of that will move onsite or in the respective territory where our customers are headquartered, whether it is Germany, Netherlands, London. Like UK is opened up now so we have lot of people traveling in the next few weeks and months. Germany is opening up so lot of people are traveling. Lot of our key senior people on the delivery side will move to Germany so that whole model will start developing for us.

Now on the new hiring side and I said for Onward Tech outside India we are a bit different kind of we are exactly opposite with some of the larger peers that we have. The larger peers built up that beautiful base outside India and then enter the India market. Onward Tech is exactly opposite where we built up our base in the India market and now entering Europe and USA.

So, we had a much, much harder sell in the last few years which would now be getting successful and you can see the numbers. That is how we could deliver EPS of 6 and we are now hiring. We have won the anchor client and now we are hiring account managers, engagement managers, delivery managers on the digital and embedded all the four revenue streams that we spoke about in those markets supporting the customer.

Right, so a simple goal that internally we track between me, Vignesh and Pratish Mehta, He is the Executive Vice President based in Chicago, is a minimum 100 people outside India on the leadership, sales and delivery side, non-billable in the next few quarters. I think there are about 20, 23 right now as of today.

**Swechha Jain:**

Okay, so 100 people is what we are looking to hire?

**Jigar Mehta:** Minimum and that is where we did the fundraise. That is where we want to go after aggressive push supporting our existing customers. But please keep in mind we have no presence in those markets, so we are literally building grounds up and trying to catch up on a lot of this stuff.

**Swechha Jain:** And sir, just few numbers that I wanted to clarify. I believe the current cash that was mentioned in the commentary as on 30<sup>th</sup> June is Rs. 55 crores on our books?

**Jigar Mehta:** Correct.

**Swechha Jain:** And sir, just last question, if I can squeeze in. Any further one offs are we expecting both on the income or the expense side in the coming quarters like next 2, 3 quarters?

**Jigar Mehta:** Swechha, I hope there is one off every day.

**Swechha Jain:** On the income side?

**Jigar Mehta:** Not that, not just that is a serious answer also, but again, let me clarify this one off part right, and I think we do not do a good job on that part. When we say this one off so called that we have booked in Q1, it is not actually a one off because while the revenue is showing in other income, our entire expenses were shown in normal operating expenses last year. Right, so it is not a profit that we have made by that. The Rs. 15 odd crores that we are seeing as a one-off other income in the other income which takes our revenue Rs. 25 crores the same Rs. 15 crores already spent last year in payroll which went in normal expenses.

So, if you add that in our last year's numbers, Company's EBITDA would look as good as anybody in the region or in the market. Right, so it is not a one off when me and Dev look at it and my leadership team, we do not look at it as a one off neither as my board. But yes, from accounting perspective I think it comes off as a one-off. So, similar like this our teams are as I said, we are a young team and everybody we have suffered a lot as I said in the Covid, so anything that we see which is benefit from the various governments or the countries including some customers where we see schemes which are value addition to our Onward Tech balance sheet or for our cash flows. We are very aggressively spending time on it so we can take full advantage and support of that. I hope I clarified?

**Swechha Jain:** Yes, thank you.

**Moderator:** Thank you. The next question is from the line of Atul Mehra, an individual investor. Please go ahead.

**Atul Mehra:** Yes, I just wanted to know that the guidance that you have been giving since the time, Harsha came on board you have been saying you will grow in double digits. But it is a very generic statement. Can you please give us a little more precise on because large companies are going at 15% so should we expect a company like Onward Tech to grow at (+20%)?

And also, because the environment is so strong right now and also with the employee strength of 2,000 plus employees should not the revenue be northwards of Rs. 800 crores or am I missing something because normally companies with this kind of employee strength do that kind of revenue or should we expect it to touch Rs. 500 crores to Rs. 600 crores soon?

**Jigar Mehta:**

Hi, this is Jigar here. I am not sure if I understood the question. It is very broad based but let me clarify some stuff. The double-digit growth in top line we have been saying that for last one year Harsha and Convergent team joined us only last month. Right and again, we are all trying to get to know each other, and it has been phenomenal start to our partnership and their investment and I am sure in the next few years, it is not a short-term gain for us, it is a long-term trend.

They own substantial equity now in the company, so we will build a beautiful business going together. So that is the first part. In terms of double-digit growth, sorry, in terms of what we have mentioned is we will grow double digit which Onward Tech has never done before. Again, when we give projections, we are not talking, we are not comparing ourselves with anybody out there.

We are just talking about what we believe as a team we can do and which we feel confident of sharing with investors and analysts like yourselves. So, now we can deliver on our commitment, so we are comfortable delivering double digit both in terms of top line and bottom line. Once the engine starts working and we are out of this COVID era working remotely, we do believe we will be ready and that is where Convergent team came in as well along with our board that we should start beating the normal industry average growth rate.

And the last point in terms of clarification on head count, I think you are absolutely right. If Onward Tech was a pureplay export revenue or an export services company, then our revenue would be northwards of \$100 million today. But as I clarified earlier, we were focused on the Indian market.

Where even today 90% to 95% plus of our staff is based, so most of our revenue is in rupees and now increasing in dollar and euro, which is where we have been investing for the last few years.

So, once that engine picks up that the build rate per person and all those statistics will change for us as well, and hopefully it will be as good as anybody out there in the industry.

**Moderator:**

Thank you. The next question is from the line of Sriram Rajan, an individual investor. Please go ahead.

**Sriram Rajan:**

Wonderful performance very encouraging and super energizing and a great. Most of the questions that I intend to ask have been covered already and in fact, the last question kind of leads to the question I was wanting to ask.

So, the question to the Onward Tech team is that like the previous investor just ask saying the revenue per employee for Onward Tech is in the ballpark of Rs. 11 lakhs to Rs. 12 lakhs per annum, revenue generated which is revenue by number of employees, which is perhaps less than 50% of some of the other industry peers may be much, much larger peers and perhaps they had the advantage of starting in US and moving back to India.

The question is, is there any plan in terms of launching any platforms or products to replicate and break the need of having to put people to grow revenue is there some idea in that is in the direction for ER&D?

And the connected question is a following that is ER&D is about Rs. 170 crores for last year and it should touch about Rs. 250 crores by 25, assuming 10% growth, perhaps will do even more. At which point digital will also be about Rs. 250 crores, are there any specific similar product approach or a platform approach to grow the digital business make it replicable and scalable very fast for your clients because your revenue from top clients is going to shift to about 70%? So, my questions are on the area of platforms and you focus on that in that direction from Onward?

**Jigar Mehta:** Hi, this is Jigar here. Again, great questions. Just to keep things simple for this call as of today the amazing opportunity that we have in front of us, we believe we will continue to be a pureplay technology services company exactly as we are right now with some of the multi-year engagements that we have signed with our customer. It could be all multi-year allocations. So, no plans today to get into the platform and product side.

But I do believe once we cross the first threshold, our first milestone of \$100 million of revenue, which we believe will happen soon, we will definitely evaluate the point as it is very attractive way forward.

**Moderator:** Thank you. The next question is from the line of Vineet Jain, an individual investor. Please go ahead.

**Vineet Jain:** One question, which I have is, could we see the sustainability on the quarter-on-quarter basis as well given we have lined up new order book? Most of them would have started obviously, but we do not know when it would conclude So what is the way you keep billing because that is what would add to the top line? So, one question on that.

**Jigar Mehta:** Sure Dev, you want to take that?

**Devanand Ramandasani:** Yes. So Vineet, as we mentioned that the sequential quarter and the year-on-year growth we are projecting and we settle our base that it will grow. So, to increase our growth account, we find out that there are couple of accounts where most of our order book is very stringent. And we are seeing the good traction and because of the COVID most of the clients are investing heavily in India, especially the offshore per business.

So, basis on the green shoot which we are seeing in the quarter one and the last year's quarter four, we are very positive that this growth momentum will continue in coming quarters as well.

**Vineet Jain:** Okay, one more question I had on the differentiating ways like how we can compare with the peers because they already have a good platform. They have their own Ips. So, what are we trying to do in that way?

**Devanand Ramandasani:** Your question is partly correct. The reason being the conventional mode of the business like the IT business or engineering business, which predominantly the old technology but the new emerging technology most of the player are at par like digital twin which Vignesh has talked about that. This is a very new and very latest technology where most of the companies are equally. So, we are on the same race and just to tell you that what OEM which we are working with that we have reached that level we want the confidence level of the organization and any tender or RFQ comes to the share with amongst the all top player along with us.

So, we are equally caliber to deliver on the emerging technology, so this is the USP which we have or the trust which we have gained over a period and we are very confident that we can equally deliver like biggies are able to deliver on that.

**Vineet Jain:** Yes, because I see the opportunity size is very huge?

**Devanand Ramandasani:** Yes, since the opportunity sides are very huge so everybody will have equal share to grab this and you know the India is one of the bases for the world, the especially in IT and engineering. So, everybody even gets the pie of their business. So, we are confident that we will grab this opportunity in coming quarters.

**Moderator:** Thank you. The next question is from the line of Viral Bansali, an individual investor. Please go ahead.

**Viral Bansali:** Yes, my question is to Mr. Jigar. Well, there is a very similar company to yours in the space, which is Axiscades, which is a part from the offerings that you have like the recent offerings of IoT and the digital and the heavy engineering in the automotive they are also into aerospace. So how does Onward compare with Axiscades?

**Jigar Mehta:** This is Jigar. So, we obviously know about this company, but again, please keep in mind, me and my team are structured a bit differently. We do not compare or compete with any of these companies. Sometimes we do not even know what they are doing. Because our only single-minded goal for this team that I have built is to beat the previous quarter, right.

I just want to clarify first part. On the industry vertical part that you mentioned about Axiscades, again, they do a lot of different stuff. They are in defence, they are in aerospace and we are not in any of those segments.

We are a pureplay technology services company focused on the engineering research and development space. Two verticals, transportation and mobility and industrial automation, industrial equipment and heavy machinery. So, we are not in aerospace. We are not in defence, we are not in manufacturing. We are not getting into off sets neither are we getting into JVs in any of those things.

**Viral Bansali:** Yes, my question basically, Jigar, is I was going through the detailed shareholding of Axiscades and I found some shares owned by Onward. So, just a hypothetical question that came to my mind that this could be a marriage of equals. Are we thinking on those lines?

**Jigar Mehta:** I have not thought about it, but again very, very open to every possibility. If you guys think it adds value to Onward I am sure there is some opportunity there.

**Viral Bansali:** Certainly, because it will add a few more verticals to Onward's offerings as well and also get a very capable because Axiscades basically struggles on the management front whereas Onward has got one of the best management. Of course, who else can drive a company better than a NASSCOM founder? So, I mean, I was just thinking on those lines.

**Jigar Mehta:** Thanks for your positivity. I am sure my team will be pleased to hear that, that we can run a complete double our size.

**Viral Bansali:** No, it will be a merger kind of not an acquisition maybe. I was just thinking because I just I was just going through the detailed shareholding pattern on Axiscades and I saw Onward holding in it, so that is why?

**Jigar Mehta:** Thank you for the thoughts.

**Moderator:** Thank you. The next question is from the line of Sriram Rajan, an individual investor. Please go ahead.

**Sriram Rajan:** The question, which I should have asked in the previous occasion itself was with regards to the digital transformation since you are dealing with all the big players in the industrial machinery space in auto, many of them come with the legacy debt and technology debt of the past. Would you have plans to modernize them with legacy app modernization, mainframe migrations, is that part of the digital transformation solutions you are pitching in?

**Jigar Mehta:** Vignesh, do you want to take that?

**Vignesh Kumar:** Yes. So, every customer, every strategic customer of ours is reinventing themselves and trying to do things better, correct? And today digital transformation is not a luxury, it is a necessity or it is a must for every company.



Now, many of these companies have lot of legacy systems which are not even talking to each other. And that is a great opportunity for companies like Onward Tech, because customer needs somebody to help them move from these legacy systems. Newer systems are also at least if they want to continue with some of those legacy systems, ensure that they talk to each other and they are able to get extract information in a single digital dashboard. So, Onward Tech is helping these customers in those projects. And that is where a lot of revenue opportunities are there for us going forward.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Apurva Shah for closing comments.

**Apurva Shah:** Yes, Jigar before we close, I would request you to throw some light on how does the revenue visibility is improving probably Vignesh has mentioned in his opening remarks that we have identified 20 odd accounts where we can reach up to \$20 million size in maybe near future. So where are we and when can we see few accounts reaching that \$10 million number per se maybe FY23-24 any thoughts that will be really useful for all the participants?

**Jigar Mehta:** Sure Apurva. So again, this one let me summarize again guys, thank you so much for joining today. I hope we could clarify a lot of the points. And again, if you have additional questions, please feel free to reach out to my team or especially our IR partners Valorem team. Coming back to the point about what Apurva mentioned, in terms of revenue wise and visibility 20 is just a number Vignesh gave us an example of our number which is actually a bit higher than that now. And the whole direction and all our hirings channelized towards that.

So, for example we have 7 odd clients last year, which have generated more than \$1 million and some are much more than that. This year we believe that number will be in double digits. So, we will cross 10. I think will be close to 11 or 12 and next year's run rate which is already on order booking wise, I think will be close to 17 or 18.

We have good visibility. Now it is all about execution. The reason we are not sharing very very confidently today, it is predominantly because of this remote environment. Because lot of it needs a lot of our people to travel to global locations, which we are not able to do right now. So, from that perspective, we do believe that will happen at a very, very fast pace and once things open up and we had through with couple of months of trouble, I think I can give you much more confidently how soon we can get there.

As an organization, how we are structured is coming back on the revenue growth and revenue focus. Our first milestone as a team is \$100 million Company. Most of the people majority of the people at the leadership level who have been hired come with that level of prior experience, so they have been there, done that in other organizations in their careers.

So here now it is all about execution. What is unknown to them and to me is again the whole Covid and the remote side of working. So, we all are learning to adapt and grow from there. Q1 was a success much better than we expected and I believe going forward you will see a lot more depth and lot more detail from us from especially the two industry verticals and our large clients. And the last point, how soon do we believe at least the first client will contribute \$10 million, I think it can be as early as next year.

**Apurva Shah:**

Great to hear that Jigar Bhai. So, all the very best to you and your entire Onward's team and wish your best of luck for the future. Thank you very much for your valuable time and for all the logged in participants. Thank you very much for your time.

**Jigar Mehta:**

Thank you everyone.

**Moderator:**

Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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