



“Onward Technologies Limited  
Q2 FY ‘24 Earnings Conference Call”

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**MANAGEMENT: MR. JIGAR MEHTA – MANAGING DIRECTOR**

**MODERATOR: MS. ASHA GUPTA – EY LLP, INVESTOR RELATIONS**

**Moderator:** Ladies and gentlemen, good day and welcome to Onward Technologies Q2 FY24 Earnings Conference Call. 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 star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand over the conference over to Ms. Gupta from EY Investor Relations. Thank you and over to you, Ms. Gupta.

**Asha Gupta:** Thank you, Malcolm. Good evening to all of you. Welcome to the Q2 FY24 Earnings Call of Onward Technologies Limited. The results and presentation have already been mailed to you and you can also view them on our website at [www.onwardgroup.com](http://www.onwardgroup.com). To take us through the results today and to answer your questions, we have with us Mr. Jigar Mehta, Managing Director of Onward Technologies Limited. He will start the call with a business update and financial performance for the quarter, which will be then followed by Q&A session.

As usual, I would like to remind you, anything that is said on this call that reflects any outlook for the future or which can be construed as forward-looking statements must be viewed in conjunction with risk and uncertainties that we face. These risk and uncertainties are included but not limited to what we have mentioned in the prospectus filed with the SEBI and subsequent annual report that you can find it on our website. Having said that, I will now hand over the call to Mr. Jigar Mehta. Over to you, Jigar.

**Jigar Mehta:** Thank you, Asha. Good evening, everyone, and thank you for joining our Q2 FY24 Earnings Call. It is a pleasure to speak with all of you again. Let me start with the quarter performance and then a business update about where we are going over the next couple of quarters. I am happy to report another consistent quarter of revenue growth of 9.2% Y-o-Y which is at 120 crores in terms of revenue for the quarter. This was predominantly with very focused execution across all the three geographies that we present in and the three industry verticals that we operate in

In terms of our trajectory from the previous quarter, we were able to maintain the double-digit EBITDA and actually improve on that as well with 12.5% EBITDA for Q2, which is growth from the previous one. And we hope to maintain that over the next few quarters. Please note that the 12.5% EBITDA is after one of the largest increments of wage hike that we have done as an organization for the amazing work that our employees and engineers have done over the last several years, especially post the pandemic. It also includes the cost, one-time cost of ESOP, which is now going to become a recurring cost for us going forward. So, 12.5% is net of all of those expenses. Our PAT witnessed a growth of almost 17 times year on year. It's a very small base and not the number. Its percentage-wise looks very big, but it's 17 times year on year and predominantly driven in terms of the industry verticals and the lines of businesses, which is three lines of digital electronics, embedded and mechanical.

All three are growing, but as the investment cycle of what we've done over the last three years, digital continues to be the fastest growing vertical for us across US and India, and we're just entering Europe now, hopefully in a very big way, going into 2024. Moving to H124

performance, our revenues stood at 240 crores, a growth of 17.7%, and EBITDA margin was at 12.3%. The PAT witnessed a growth of 11.5% on a yearly basis. EPS was the highest in our history, operating EPS is at 8.94% and H1-FY24, which is a significant growth of just 0.79 same time last year.

Now, in terms of the visibility and where I see Onward Technologies is going with my management team over the next few quarters, we continue to see very good momentum across the three industry verticals. Our largest vertical, which is industrial equipment and heavy machinery, contributed 52% of our consolidated revenues. And during the quarter, we also signed four large new customers, three in the US and one in Europe. These are some of the largest industrial equipment and heavy machinery companies in the world, where we've been doing projects, pilot projects, site visits, and the customers doing various due diligence.

So, we're very happy to share that we just signed the Master Service Agreement. And we expect all the billing to start predominantly in over the next few months, which is predominantly 2024. In the T&M mobility space, where automotive is the largest vertical, which now accounts for 37% of our revenue. During the quarter, all the necessary project renewals came through, and we also saw amazing visibility from the customer for the next several quarters for us.

Predominantly the automotive onward has been on the mechanical engineering side, and more and more investing towards digital that we're building some good projects and executing some large deals. But now we're also getting access to the embedded electronic space where we have started building up our capabilities and competencies. And I think that's going to be a huge avenue for us in terms of for Europe and US.

From a global OEM perspective, we work with eight out of 11 global OEMs in the world where we are a direct supplier and a registered vendor. So now it's all about building local capabilities, execution capabilities, and ramping up capacity for the various projects that we are bidding for. And the last but not the least is the healthcare vertical which continues to keep growing and now contributes 8% of our consolidated revenue. As mentioned earlier, digital continues to be a focus area of the company where we continue to be in the next two years. We will have at least 50% of our revenues coming from the digital services business. And majority of our revenues today, they're still balanced between geos, international markets in India, we're approximately at about 50%. I think 48, 49% for India and the balance of the global markets. We do believe our global markets will keep accelerating even further. That's where the majority of our investments are going. And we believe that will be closer to 70% in the next two years.

In terms of engagement, this quarter was important. And this is just for the learning from all the questions that you guys had for us over the last several quarters. We have changed our onsite offshore mix in terms of how we share the numbers both internally from our ERP perspective and externally, and now it's more aligned with the industry norms. So, our onsite number is 32% and our offshore number is at 68%. This is just for the Q2.

In terms of active clients, our active client has gone up from 93 to 96. This is the net of number of new clients that we have signed in MSA and also some of the tail accounts that we keep

exiting as per our quarterly and annual internal review process. Our top 25 clients continue to keep growing and now contribute 85% of our revenue and we see very good visibility over the next several years with these customers as we keep building more and more capabilities on AI, ML, data analytics for these customers.

Our focus continues to remain on building deeper client engagement. So, for each customer in US and Europe, we are hiring a lot of local account managers and account delivery managers offshore in India across all the three lines of businesses, which is mechanical, electronic, and digital. We believe all of these investments and the continuous additions of more subject matter experts will actually help us build deeper engagements with our customers.

Global headcount in terms of employee base continues to remain very stable. There are about 2,674 employees today. A very diverse team across the US, which is our biggest market, UK, Germany, Canada, India. In terms of moving forward and talent base, we see a huge investment that Onward will do with the continuous cash generation that we have done in the last nine months. And we expect to invest all of that in hiring more and more subject matters on the digital side and the embedded space in the three verticals that we are talking about.

I'm also glad to inform you guys that we were named a major contender in a recent survey by Everest Group, where we were in the whole electronic space or embedded space, autonomous connected electric share, which is ACES in the India Peak Matrix for 2023. We have recently started participating in all of these reports, survey reports and research reports and we hope to share much more about that in the next several quarters.

To summarize over the last few quarters, post the pandemic, we've been on a path of transformation. We continue to be there as we continue to build a digital and ER&D-led business with a very heavy focus on export, where our goal is to get to 70% of our revenue. This has been backed by shifting focus, from the business that we were doing historically in the India market to the global business, and from pulling away from pure play mechanical engineering services towards digital, electronic, embedded, and mechanical skills.

We remain committed in a very disciplined approach towards cost control while investing strategically in areas that will help fuel our future growth. Our goal continues to remain \$100 million in revenue by 2026, but more significant for us is to operate at a mid-teen, or at least a double-digit mid-teen EBITDA level.

Thank you again, everyone, and your trust in us. We had an amazing quarter, and we continue to remain very positive and optimistic about the future. I will now hand over the floor to the operator to start the Q&A session. Thank you.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Kashyap, who's an individual investor. Please go ahead.

**Sriram:**

Great news on the EBITDA stabilizing at 12.5, that's actually, that's a great news, so congratulations. Just have a few questions. Firstly, I think the results from all the top companies have come in, I say top just companies which are larger in revenue compared to Onward have

also had growth rates in five, six, in fact some of them even at eight. Are we having some specific challenges growing at 9% year-on-year, EBITDA?

**Jigar Mehta:**

Hi Sriram, good evening. So, I'm not aware of the results of other companies, but I can talk about Onward Technologies. This quarter was flat compared to last quarter, but we did grow on a year-on-year basis. And I think for us as a young company and as a young team focus continues to remain based on execution.

I think there were some things which we could have avoided end of the quarter, but my team's focus and discipline continues to remain in terms of, you know, moving from low single digit EBITDA last year to double digit this year. And I'm very happy to share that actually we've been able to announce and share with all of you growth of the EBITDA side. Again, this is after a substantial wage increase that we had as an organization. But we have a focus to get back on the growth side.

**Sriram:**

Okay. Yes, so could we expect better growth going forward? I'm just talking about top line. Or you think this is kind of where it will remain for a few more quarters?

**Jigar Mehta:**

So, we see very good visibility from a demand side from our customers, right, existing customers. A lot of new customers we have recently signed up and we have just completed the contractual paperwork. So, from that perspective, we see good visibility. We have to get better as a team in terms of execution and the whole focus is there. So, we do expect revenue growth coming in terms of the guidelines that are given over the next few years.

**Sriram:**

Okay, so just a related question and then I'll get back into the queue. So, when you say you're renewing contracts, some of them maybe you decided not to pursue and what other contracts are making sense can get renewed. So, what happens, just for my clarity, so these are all not fixed price contracts, these are all T&M. So, you renew a contract, then the client gives you a kind of specific rate for a particular skill, and then there's a demand that comes up and you kind of fulfil. Is that how it works or it's a little different?

**Jigar Mehta:**

So very broad questions Sriram, let me answer it a bit differently and I hope I am able to give you a background about how we are structured as an organization. So, we have existing historical contracts which a lot of them were signed where Onward was predominantly in the mechanical engineering space. That was the pre-pandemic side.

So, all our contracts reflected that because we were investing in building capabilities on both digital and now electronic embedded side. So, when we are a registered supplier with a customer with the OEM, then we were only getting the RFPs for mechanical engineering. So, whenever those contracts come up for renewal, some are one year, annual, every three years, some are five years.

That's where in the prior several quarters is where we are pitching our capabilities and showcasing to the customer all the new investments that we have done in terms of building competencies. And those have led to us moving just from a pure mechanical, where the

customers are now trusting us and they're adding us in other various niche areas where they outsource work. So that's what I mean by contracting units.

**Sriram:** Yes, I think the question I was asking is I think that I think is quite clear and it's actually quite commendable, Jigar. But ultimately when you go fulfil the request, is it going to be a kind of a sheet for the year saying if it's a cloud engineer it's 2,000, 3,000\$ per month for the entry-level engineer, for architect it's 4,000. So you go, you get a demand, and you go fulfil that. Is that how it works or it's like they specifically tell you I need 25 people for this project?

**Jigar Mehta:** A lot of things can happen, but yes, as part of the contract process for us, and again this is very new to us, we're only in this space for the last few years, but for us in the contract process, as part of the MSA process, we do give, and I do believe every company in the world has to give a rate in terms of what they shortlist you for. That's part of becoming eligible for getting RFPs.

And every RFP is different. So, RFP is usually a scope of work, and then based on your estimation of how many hours or how much time it will take, is then you go back and quote for it. That's majority of how our contract are structured.

The market changes because you're signing the contract today, but let's say six months from now, the environment changes for XYZ competency or area of expertise. And customers are usually very open because they eventually want the project to be delivered.

**Sriram:** Okay. So when you say time and material, it's not like a scope of work. So, you say, I put somebody for six months, if you can't complete the work in six months, then it gets extended. Is that how it is?

**Jigar Mehta:** No, there are multiple different ways how a customer at least works with us. So, one is where there's a fixed scope of work, but we go back to the customer and say, instead of doing a fixed price to the deal, we would like to do time and materials. So, if we agree that this project will take, let's say, 50,000 hours, then we agree on that scope and we submit weekly, bi-weekly, monthly time sheets for the number of engineers working on it on-site or offshore. Right?

And there's a fixed dollar value which the customer puts to that. That's one way to do it. The other way to do it is it's pure TNM where the work that we do for the GCC centers in India where the engineers are usually working on site at the client side or they're working remote. That's based on a weekly, monthly time sheets.

**Moderator:** Thank you very much. As a reminder, anyone who wishes to ask a question may press star and one on their touchtone telephones. The next question is from the line of Aditya Chheda from Incred Asset Management.

**Aditya Chheda:** Yes, hello, good evening. So, my question is on the growth strategy. We have noticed how the top 25 customers contribution in the overall revenue has increased in H1 FY'24 versus H1FY'23. So, when we share our vision of \$100 million sales, is our strategy going to be more towards growing our sales in the existing customers or it is going to be a more broad-based growth with new customer additions going ahead?

**Jigar Mehta:** Hi, good evening. So great question. I've shared this earlier. Our dream as an organization, where we believe that will be the right path for us while we transform the entire company, is we will have 10 customers which can generate \$10 million revenue per year, which gets us to \$100 million. Right, that's the dream.

Now to do that, we believe we will need 50 to 75 customers, because you cannot win every battle that way with the customer contract that we built for. Today, we have 25 customers generating about 85% of our revenue, and we see amazing potential to ramp up and grow with them. Please keep in mind, we are talking about the largest OEMs in US and Europe, with the largest outsourcing budgets. So, with \$10 million a budget for each of these companies, it's very insignificant.

But we have to prove our capabilities, we have to become credible, and we have to make sure that we're investing right behind the customer where they want us to be. Which is the new emerging technologies and where all the disruption in the world is. So, that's what the goal is. If you look at our customer base today, we are invoicing close to last quarter was 96 customers. So, we still are working at a very high level of customer base. So, we not only have to simplify that, but also do the farming of our existing customers.

**Aditya Chheda:** Got it. My second question is in terms of margins, in terms of revenue by business. As we have seen that digital is the fastest growing segment for you, and the contribution has rose from 12% to 39%. Is it the right inference that in terms of pecking order of margins, digital would be a higher margin segment, what is ER&D and ITES, or how should we think about margins across these businesses which we have? If you can sort of share us, how the margin profile works by business or by industry, relatively by business? Thanks.

**Jigar Mehta:** On the gross margin level, all the three lines of businesses, digital, mechanical, and embedded electronic, all operate at the same margin level. Quarter-on-quarter it can change based on some of the projects and the maturity of the engagement that we are in.

But from an industry perspective and where we believe in the future we will be at, digital will be the highest in terms of gross margin because that's a scale and competency which is not available or there's a huge gap in demand and supply. So, there's definitely a huge play there. If we are able to scale up capabilities and competencies there and then will be embedded and then mechanical.

**Aditya Chheda:** Sure. My last question is you referred on ESOP cost. Can you quantify that for us? What was that in this quarter and for H1 FY '24?

**Jigar Mehta:** Yes, sure, we have given that break up, but if not, it was about INR1.5 crores this quarter, about a crore more than Q1.

**Aditya Chheda:** Got it, thanks, that's it from my end.

**Jigar Mehta:** Thank you.

**Moderator:** Thank you very much. The next question is from Hiten Boricha from Sequent Investments. Please go ahead.

**Hiten Boricha:** Yes. Thank you. First of all, very good evening, sir. Sir, I have only one question, which is regarding to demand, which we are seeing. So, we have seen a very good growth in the Europe as well as US side. So, just wanted to understand from where this growth is coming, how is the demand shaping up, looking at the current scenario in Europe and US as well. Just want to -- your thoughts on this?

**Jigar Mehta:** Just to give a quick background again, when I say demand is looking very positive for where we are sitting today, and for us it's all about execution and building local execution capabilities across US, Canada, and Europe. The opportunity is, we have just recently won the first contract with these customers.

So, the opportunity for us, what we are seeing, and we're talking about the largest company in the three industry verticals and that's where exciting for us where the demand is coming from. The demand continues to be mainly around digital and electronic embedded.

**Hiten Boricha:** So, sir, just a follow-up on this. When you say we are looking for the largest customer in OEM or digital side, so like what kind of deal size is this? Are we like for say we are currently with the customers whose deal size is let's say 5 million are we shifting to 20- 25 million kind of customers? Sir, what kind of customers are these?

**Jigar Mehta:** I love the numbers that you have in mind, but we are still not there. We are still a very young company.

**Hiten Boricha:** So, this was just like I just want to understand. So, this was just a referral number like from we are moving from where to where?

**Jigar Mehta:** I am very happy to share. We are moving to is from working with Tier 2, Tier 3 suppliers for the last 10 years now working directly with OEMs.

**Hiten Boricha:** Sorry, you were not audible, sorry.

**Management:** Traditionally, if you look at the last 10 years of Onward, we were working with Tier 2, Tier 3 suppliers in the same industry vertical. So, we were doing small projects with these with the Tier 1, Tier 2 suppliers, which are usually auto component players. Now, after all years of hard work and building competencies, credibility and capability, we have now reached a stage where we are being selected directly to work with OEM.

**Hiten Boricha:** Okay.

**Jigar Mehta:** Where you do a huge number of it takes a couple of years, the sale cycle has been very long for us. in the past, now it is accelerating. And hence, let's take an example of the automotive industry. Earlier, if you look at three -four years ago, we were not working with any OEM in the

world. Today, we've been now selected to work with eight OEMs in the world, out of 11. I'm not talking about the start-ups and the electric works. I'm talking about large traditional OEMs.

And in those OEMs, that's where the exciting part was. When they are selecting us today as a new supplier, it's not to replace some other supplier, right? It's to actually, they're showing us a demand thing. Onward has been shortlisted to do this part, we are signing rate cards, we are signing master services agreements, non-disclosure agreements, completing the infra-visits, site visits, a lot of technical workshops, and identifying projects that we can actually bid for and win.

So we have not got to the stage of winning deals yet, in the new clients that we have signed in the last six months. The ones we signed last year and the two years ago are all is what is only showing a bit growth and they will keep growing and the new ones that we have signed is where we see a beautiful visibility for the next few quarters and years and the same applies in the other two industry verticals as well.

**Hiten Boricha:** Understood. So, sir, working with these big guys, won't it impact our DSO days? Will it, the credit period will remain same, or will it go up? Because I guess, these guys need more credit period, right?

**Jigar Mehta:** Actually other way around, if you see our DSO keeps getting better every day, now we are down to 76 days and we do believe, we should, get to 65 days to in the next few quarters

**Jigar Mehta:** We are also improving internal efficiency. It's also structuring our processes towards client processes and making sure it's very well integrated and that's what the learning curve we are going through and for that we've hired exceptional people who have been there done that. It is all about just the engine working together.

**Hiten Boricha:** Okay and sir, my just if you can give any guidance for this year as well as next year, what kind of top line growth or margins growth we are looking at?

**Jigar Mehta:** We don't give guidance on a quarterly or annual basis. The two guidance that I would like to share with you and which we have shared earlier as well is our goal is to become a \$100 million company by FY '26 and we are still positive about that goal, and we are all driven towards making that happen and we see good visibility to that.

In terms of from a short-term perspective, our goal for next quarter or the following next few quarters continues to be to improve our EBITDA margin and keep raising the bar there for ourselves, right, which is by doing utilization efficiency, productivity internally in the company. So those are the two goals how we are structured as an organization, where my entire leadership team is focused on that.

**Hiten Boricha:** Okay. Thank you for answering my questions. Thank you.

**Jigar Mehta:** Thank you.

**Moderator:** Thank you very much. The next question is from Sanjay Sahu from Real Group. Please go ahead.

**Sanjay Sahu:** Hi sir, good evening. So, basically, I have one question. In your TAP program, like, how are you seeing the success rate? And what is the incremental revenue from those candidates which you are training in the coming one year or two years? Like, what will be the revenue contribution from those employees?

**Jigar Mehta:** So, we don't share that data. Let me share with you what TAP means for us and why it was so significant for us last two years and why it will be so important to us in the next five years. So Onward, traditionally, because we are in the midst of transformation, focusing again from the India market to the global market, mechanical to the emerging or latest technologies. We were always doing lateral hiring. We did not have a capacity internally or a very strong L&D function, where we could actually hire the best engineers, the best young minds and train them, mold them into what our clients need. That program actually helped us do that part. So, and that was one of the key reasons when Convergent Finance came on Board as a partner in Onward, we invested substantial time, money, resources behind that.

Now what has happened for that is, that was a, I think that was the best success story for us since in the last few years in terms of to show our customers the commitment that we have the scale to meet their demands.

Now what has happened to TAP internally is, it's not something we talk about every day because it's already ingrained in the system. All our five development centers whether it's Pune, Chennai, Bangalore, Hyderabad or New Bombay now, they all are hiring GETs and PGETs as part of their program. It's very well communicated to the customers that this is a capability that Onward now already has in-house. That they don't have to depend on Onward only for lateral hiring. And that's where we see more-and-more our ability to sign more OEM customers when the sales cycle is getting shorter.

I hope I clarified your point but give you more of a logical thing of how we are looking at TAP for the whole University program that we started.

**Sanjay Sahu:** Okay. I think there is a problem over here. So will be back in queue in the next session.

**Moderator:** Okay, thank you very much. The next question is from Chirag Kachhadiya from Ashika Institutional Equities. Please go ahead.

**Chirag Kachhadiya:** Hi, Jigar. Couple of questions I want to know. Similar to TAP program, is there any other strategy will come forward to reach to \$100 million milestone?

Second, what is utilization rate? And third, the rationale behind the TAP program is similar to many services organizations do. Like they hire a fresher, provide them training and get some cost arbitrage then what the rate in the industry is revealing for the manpower. Is that the rational to enroll a fresher under TAP program and make them work ready or so? Just three broader questions I have. Yes.

**Jigar Mehta:** Yes, hi. So, I'll answer the first question. So, the first part now where we are at in terms of where Onward is at today, I just came back from multiple visits to UK, Germany and US and the most

significant for us is now our customers are getting to a stage where, for example, our global head of the US and Europe just recently moved to our Michigan office.

And his whole goal along when I was touring with him across multiple customers is every customer wants us to now appoint a local account manager for each cluster, for each place that we have signed up. That's a massive investment, let's say we need to appoint at least 20-25 account managers across multiple clients that we have won in US and Europe. So that will be one big investment that we do.

Now to support these account managers that we have, we already have a few, and the new ones that we have to add. And to support them, we have to back them up with very strong delivery capabilities. So, it's just not about capabilities, it's also about our current team can get stretched. So, it's about adding more leaders into various areas and where we have started hiring. So, you will see us hire a lot of very senior, experienced, talented people from the three industry verticals itself.

So those are the two biggest things which will be the future for us for the next 12 months. Because everything else for us is in place, infrastructure costs, this whole TAP, university costs, marketing, recruitment, pre-sales, lead generation, the engine is running very well. Now it's all about making sure for the new customers that we have won, they're able to appoint based on what our conversations with the customers. So massive hiring and massive investment will go there in the next, it's already started, and you guys will start seeing that in the next few quarters and years. So, we're pretty excited about that. So, this is the ability to hire amazing leaders in the space that we are in.

Now to answer the second point, for us TAP program was nothing to do with, it was just an internal transformation that we've been sharing, right? For us it was, from moving from lateral hiring to showing when you hire laterally, and let's say you win a project where you have to staff the project, let's say with 50 people. Onward tradition, we'd always have to go in the market and hire 45 people, and five would be internal. The whole GET, PGET, or upscaling program that we have internally, allowed us to scale on those projects very, very quickly.

Because if I go out in the market to hire 50 people, it'll take me anywhere from 30 days to 120 days. But if out of 50 people, I have 45 already in-house, the customer satisfaction level, our execution starts much faster, and that's what gives us the ability to scale up. So that was the whole background and the logic behind investing so heavily into our own internal training program. I hope I'm answering your questions.

**Chirag Kachhadiya:** And what is utilization rate?

**Jigar Mehta:** So, I will get back to you on that part. I don't think we're sharing that data yet on the utilization rate, but I'm sure my team can get back to you guys.

**Chirag Kachhadiya:** Okay, thank you.

**Jigar Mehta:** Thank you.

**Moderator:** Thank you very much. The next question is from the line of Kashyap, who's an individual investor. Please go ahead.

**Sriram:** Thank you, Sriram here. So, Jigar, just picking up on the question that the previous investor asked. So, the TAP program, I think during COVID or towards the end part of COVID, we had hired batches of 200. I don't think we're doing the same thing now, right? Are we still hiring 200 people per quarter or something like that?

**Jigar Mehta:** So, we hired 300 people, yes, as part of the Phase 1, we hired about 300 people. And today, Sriram, so we are, all our hires in each office, or let me put it simply, each delivery leader today, each delivery manager is hiring these kinds of people. So earlier it was a corporate initiative, now it has become, after six quarters, it's already become a lot more mature as an organization. So, it's each delivery leader of ours is today hiring that across all the three lines of business.

**Sriram:** Okay, understood. Got it. So, Jigar, in terms of, we will have to put skilled or senior account executives to give an onsite coverage for the accountant onsite and further, plus a backend delivery, senior colleagues to support them in the front. So on these plus the increment program we have run, would it come and have a little bit of an impact on the EBITDA going forward or are we still saying we will go beyond 12.5 going forward?

**Jigar Mehta:** Sriram, great question. That's the biggest trick for us, or that's where our biggest execution comes in. In an ideal world, I would hire all of them tomorrow morning. We know who we want to bring onboard. We have an amazing bunch of people, amazing people who would like to join us, but we are balancing that. Our commitment and our focus, we are all in the leadership team in Onward at least are very focused on not only quarterly but annual EBITDA growth as well.

We are happy that three quarters we were able to deliver, improving EBITDA every quarter and we want to continue on that path. We will not go all gun blazing and hire 100 people tomorrow morning. It will be balanced so we keep moving forward. It will be progressive.

**Sriram:** Superb. Superb. That's great. Very encouraging. Not the hiring part of course is encouraging but the fact that there's so much demand is extremely encouraging. So, on the same connected path, the million-dollar club customers that you have has been a little bit static. Maybe it doesn't matter. Sometimes you may have a bunch of 900K customers as well, which is as good as a million dollar. But do you see that as something that is stagnated or are you okay with that?

**Jigar Mehta:** No, I'm completely, we are very balanced. That's not a.

**Sriram:** There are 15 numbers of greater than million-dollar customers.

**Jigar Mehta:** It's not something that we are measuring internally. What we are measuring is out of the 15 customers, how are they growing? Are we able to add value to them? Are we able to be something to them, right? Are we moving up the value chain? And I can see a lot of the customers are much beyond, are growing at a very good pace. So, we have multiple customers who are much, much more than that now. And that's why if you see our top 25 customers are almost at 80% of the revenue.

- Sriram:** Okay, fine. Okay, sure.
- Jigar Mehta:** It's not about 15 becoming 100, that's not the goal. It's about 10 customers going towards \$10 billion. That continues to be the biggest motivation and the drive for everybody in onward.
- Sriram:** Understood, understood, Jigar. I think you stated this a few times in the past as well. Okay, thank you.
- Jigar Mehta:** Thank you.
- Moderator:** Thank you very much. The next question is from Vikas Mistry from Moonshot Ventures. Please go ahead.
- Vikas Mistry:** Okay, okay, sir. I have a couple of questions and pardon me for the slightly longer discussion. Sir, we have capabilities in auto side and every major manufacturer of auto is investing into software-defined vehicles and we are also trying to get some market share, but our larger competitors are taking our wallet share at much higher rate and in SDV, stickiness is very high. Once you get a partner, you tend not to change it for next, maybe foreseeable future. So, what is our strategy to get into it? And I think we are lacking in that. So, what we're trying to do that, that we can have this massive growth leapt into our growth.
- Jigar Mehta:** A great question. My answer is something I tried to address earlier. These companies, the biggest OEMs in the world, are very clear. They already have very well-established suppliers or companies that they partner with, which are some of the large Indian companies. But please keep in mind, they also just recently onboarded onward as well, just in the last one, two, three years. With a very clear goal in our conversations and what they want us to do.
- Right, like I've tried to highlight in the past multiple times, none of the customers ever call us and say, we want you to replace XYZ because you are cheaper or better or something else or you're in a different location in India. When they are bringing us on board as a new supplier, they have a very clear strategy of where Onward technologies fits in. And that's where our energies are going.
- So, we continue to remain and that's what I've shared earlier, that we remain positive in terms of the demand that we see from our existing customers. Right, they're still engaging with us, there are still workshops happening every day as we speak and it's all about execution and drafting up for these customers.
- Just want to highlight one more point that some of you have asked earlier. When we have a capability for let's say, ADAS which we are working on very well for one, two, three OEMs. But for us, we don't, as a young company, we don't have hundreds of people sitting on a bench that can quickly move to the fourth OEM if you've been a project. You have to start from scratch and a completely new location. So, for us, it's about building not only capability, but also capacity where the OEMs will trust us with more and more work. So, it's all about balancing that we do on an annual basis.

- Vikas Mistry:** OK. That's great to hear. Extension of the same question is that sir, can you provide me the breakup of auto segment in terms of how much revenue is from framework, how much is from adaptive driving systems and how much is from internal design?
- Jigar Mehta:** Sure. So, if you see the earnings deck that we have released, that's the data that we share out to everybody. And we don't go very deep into what it is, because obviously, as a young company, we have to protect some information. For our industrial equipment and heavy machinery, which is our largest and one of our mainstays where we have built great customer relations and we continue to get better there, is about 52% of our revenue in Q2. Transportation and mobility, which is predominantly automotive and now rail transportation is 37% and healthcare is 8%.
- Vikas Mistry:** Sorry, sir, so do pardon. let me ask the same question slightly differently. What capabilities you feel that you are having as a company which you feel proud about, and which capabilities do you don't have, and you wish to have?
- Jigar Mehta:** Absolutely. So, we are very good at, and we have been good at for the last decade is on the mechanical engineering side and we are very proud about that and that business continues to grow. Where we don't have or where we want to get better, where our customers are asking us to invest is on the digital and the electronic embedded space. And there are several sub-segments in each of them where we are trying to build competencies. And that's where we two years ago, two and a half years ago, a private equity firm led by Harsha Raghavan, which is Convergent Finance, came on board. So, we could invest into new areas and transform the company to a digital services company by 2026.
- Vikas Mistry:** That's great to hear, Jigar, and very good for the future endeavours and you are doing quite a good job and are traveling all around the world for the clients. We hope better growth in the next quarters to come.
- Jigar Mehta:** Thank you.
- Moderator:** Thank you very much. As there are no further questions from the participants, I now hand the conference over to Mr. Jigar Mehta for closing comments. Please go ahead.
- Jigar Mehta:** Again, thank you. I would like to take this opportunity to thank all of you for joining this call on a Friday evening. As mentioned, we continue to be on a path of transformation and the results are there for all of you to see with double-digit EBITDA margins for the third quarter in a row.
- The demand continues to be strong and while that does not reflect in the top line for this quarter. We do believe that our stated aspiration of hitting the \$100 million target by FY'26 is on course. We have made significant investments in personnel, and it is my belief that Onward Tech is now geared up for the next orbit of growth.
- Should you need any further clarity on any issues, we are available to answer them. And I would request you to contact the Investor Relations team from EY further for this at any time. Have a good evening and happy Dussehra to all of you. Thank you again.



*Onward Technologies Limited*  
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**Moderator:** Thank you very much. On behalf of Onward Technologies, that concludes this conference.  
Thank you for joining us and you may now disconnect your lines.