Onward Technologies Limited

BSE: 517536, NSE: ONWARDTEC

Q2 and H1 FY20 Earnings Presentation

CREATING A **STRONGER**

FUTURE **TOGETHER**


Onward®
TECHNOLOGIES LIMITED
// About Us
www.onwardgroup.com

Onward Technologies: At a Glance

- Established in the Year **1991**
- One of the Pioneers in **Engineering Design Services** and **IT Consulting** from India

ISO 9001:2015
ISO 27001:2013

TISAX

Legacy

Founder of Onward Technologies, **Mr. Harish Mehta**, co-founded **NASSCOM**, the leading trade association of Indian IT and BPO Industry

Flexible Business Model

Engineering excellence centre

Customised solutions

Onsite consultancy

Execution Capabilities

8,500+ Projects Delivered

50 Million Hours of engineering work

Client Pedigree

Fortune 1,000 companies

Employee Strength

+2,500 employees

~50% Mechanical engineers

Key Financial Metrics

5 year Revenue CAGR: 9%

5 year PAT CAGR: 167%

FY19 ROE: 18.3%, ROCE: 20.8%

Mission, Vision and Core Values

Mission

Onward delights the customers by relentlessly **driving technological advancements and innovation** that become essential to stay ahead of the competition at affordable cost.

Vision

To achieve **sustained leadership position in providing superior engineering services to global manufacturing companies** cutting their time-to-market, with substantial cost savings.

Core Values

Onward has 4 core values, **Trust, Confidentiality, Accountability, Integrity** that are embedded in its DNA, providing quality service to its customers or employees.

Business Snapshot

What we do

Engineering Services
+
IT Services
→ Digital Transformation

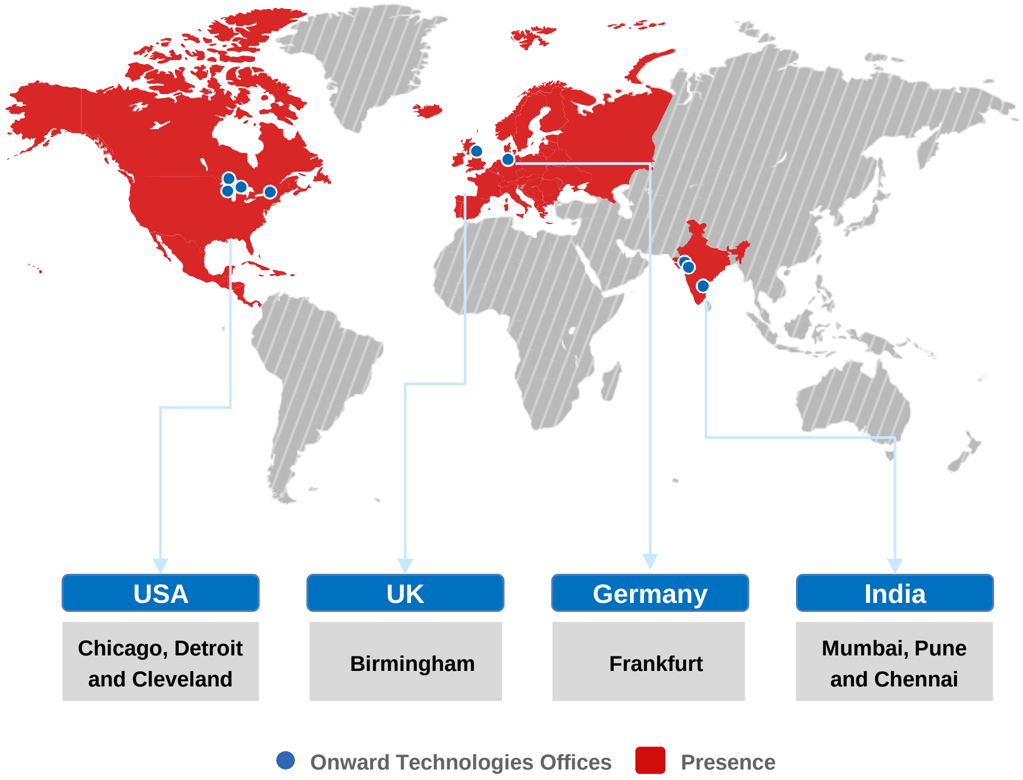
Industries we serve

- Automotive
- Aerospace
- Off - Highway
- Industrial
- Auto Electric
- Heavy Engg.
- Locomotive
- Consumer & Healthcare

Growth Opportunities

- Product Lifecycle Management (PLM)
- Internet of Things (IoT)
- Analytics
- Artificial Intelligence (AI)
- Robotic Process Automation (RPA)
- Machine Learning

Global Footprint



INFRASTRUCTURE

- Secure Environment
- Over 100,000+ sq. ft. of Design & Delivery Centers
- Business Continuity and Back-up Redundancy
- Strong Ecosystem for Scanning, Prototyping, Testing and Manufacturing Support
- Dedicated Line for Data Transfer
- Video Conferencing Facility

Pune Office

Key Clientele

A leading American
Heavy Equipment
Manufacturer

A leading
German Auto
Carmaker

A leading
British
Equipment
Manufacturer

A leading
Global Pharma
Company

A Global
Digital Leader
and Supplier to
Heavy Industries

A major Swiss
Manufacturer of
Escalators and
Elevators

A leading Manufacturer
of Engines and
Generators for
Automobile Sector

A leading
British Luxury
Carmaker

12 offices worldwide, 15+ excellence centres catering to Fortune 1000 companies

Board of Directors

HARISH MEHTA

EXECUTIVE CHAIRMAN

JIGAR MEHTA

MANAGING DIRECTOR

PRANAY VAKIL

DIRECTOR

NANDKUMAR PRADHAN

DIRECTOR

PRACHI MEHTA

DIRECTOR

RAHUL RATHI

DIRECTOR

PARISH MEGHANI

DIRECTOR

Management Team

Jigar Mehta
Experience: ~17 years
Education: B.B.A. (Boston University)

Managing Director

Vignesh Kumar
Experience: ~25 years
Education: B.E., M.B.A.

EVP and Head - EDS

Satish Ramanan
Experience: ~31 years
Education: M.Com., M.B.A.

SVP and Head – IT Services

Pratish Mehta
Experience: ~14 years
Education: B.E. (Electronics and Telecom.)

SVP – US Operations

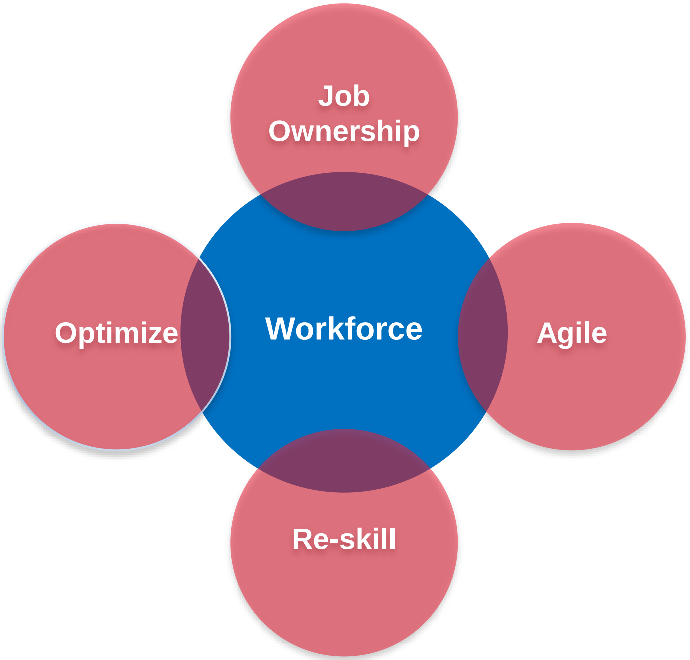
CA Devanand Ramandasani
Experience: ~15 years
Education: Chartered Accountant

Chief Financial Officer

Sujata Singh
Experience: ~21 years
Education: M.B.A.

SVP and Global Head - HR

Investing in Talent



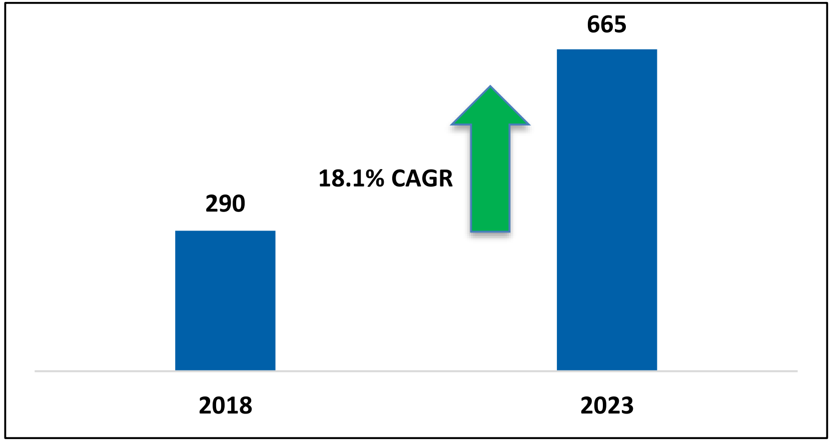
- ✓ Focus on bringing on board **top experts** with **diverse and rich experience across domains**
- ✓ **Business heads and team members to take ownership** of deliverables
- ✓ **Agile workforce** to meet dynamic needs of clients
- ✓ **Re-skill** to tap into **lucrative business** opportunities
- ✓ **Optimize teams** to build a lean and productive organization

Onward TECHNOLOGIES LIMITED

// Industry Trends

Digital Transformation Market

Digital Transformation Market Size (USD Bn.)



Technology

Robotics

IoT

3D Printing

Advanced Human Machine Interface (HMI)

Big Data and Analytics

Machine Learning and AI

End User Industry

Automotive

Aerospace and Defence

Pharmaceuticals

Consumer

Healthcare

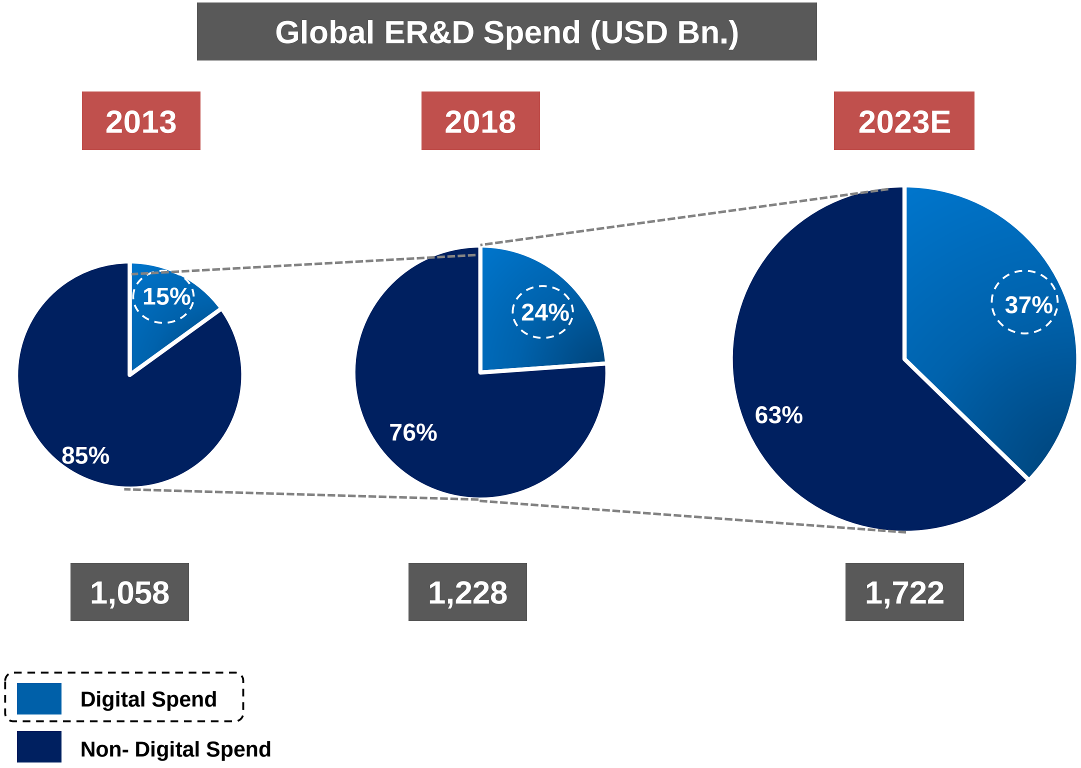
Electrical and Electronics

Digitalizing business operations >> **Addressing evolving customer preferences** >> **Higher Operational Efficiency**

Key Drivers >> Rise in **Mobile** devices and **Apps**, Higher **IoT** penetration, **Cloud** services, Need to **improve operational performance** to gain competitive benefits

Source: "Digital Transformation Market by Technology, Deployment type, Business Function, Vertical (Retail, Education), and Region - Global Forecast to 2023",published by MarketsandMarkets

Global Engineering R&D Spend Landscape



Digital Engineering spend drivers:

- Customer Experience led **Software Platform** deals
- **Digital Product Development** (Connected Asset Management/Predictive maintenance)
- **IoT** Platform Engineering and Integration
- **API** Economy
- **Legacy migration** and modernization
- Operations/Product Support (**Analytics, V&V**, etc.)

Digital Engineering Spend to account for ~37% of ER&D spend by 2023

Source: Zinnov Z1000 database, Zinnov Research &Analysis

Onward® TECHNOLOGIES LIMITED

// Business Overview

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Our Offerings

Engineering Services

- New Product Development
- Value Engineering
- Manufacturing Engineering
- CAE Simulation
- Sustenance Engineering
- Electrical and Electronics
- Technical Publication
- Product Lifecycle Management
- Embedded Systems (ADAS, DIS, Autosar)

+

IT Services

- Enterprise SW/Application Development and Maintenance
- Embedded Products and Systems (HW, SW, Realtime)
- Data Management & Analytics (DW/BI, Big Data, Open Source)
- Data Science & Transformation Technologies (AI/ML, IoT, Cloud, RPA)
- Enterprise Managed Services (Platforms, Infra, Apps, DB)

Objective >>> Leverage Core Engineering + Advanced IT Capabilities >>> Digital Transformation for Clients

Core Engineering Capabilities

1 Auto-embedded/ Electronics

- Navigation & Connectivity
- HMI, Head-Unit & Infotainment
- Lighting, Seat, Keyless entry
- EMS/BMS
- EV-Motor/Gen./ Trans. Control
- ABS, ESP, ESC, Suspension/ Steering, EPAS

2 Product Design

- Project Scoping
- Benchmarking
- Concept design engineering
- Design Feasibility
- Prototyping
- Manufacturing drawing

3 Manufacturing

- BIW Fixture design
- Weld Fixture design
- Line Automation
- SPM design
- Robotics Engineering
- Industrial Engineering
- Process Optimization

4 FEA/CFD

- Meshing
- Structural & Thermal FEA
- Durability & Fatigue
- Crash Analysis
- NVH Analysis
- CFD Analysis

5 Technical Publications

- Technical Authoring
- Illustrations
- Animation
- App development
- Translations

6 Should costing and VAVE

- Product Costing
- Part Redesign
- Weight Optimization
- Alternate Material
- Process Re-Engineering
- Reverse Engineering
- Standardization

IT Services Capabilities

1 App Development & Maintenance

- Developing New Applications
- Full Fledged ERP for the Primary
- Agricultural Society (PACS)
- ERP for Textile Industry
- Web Centric Application for Financial Services
- Point of Sales
- Production Management System
- Custom Software development

2 Enterprise Manged Services

- Microsoft
- Oracle
- AP
- Open Source
- Infosys - Finacle

- Customer Relationship
- Management (CRM)
- Supply Chain Management (SCM)
- Data Warehousing
- Business Intelligence Services

3 Embedded Products and Systems

- Hardware Engineering
- Firmware & S/W Engineering
- New Product Development
- Obsolescence Management
- Engineering
- S/W - Health Monitoring System

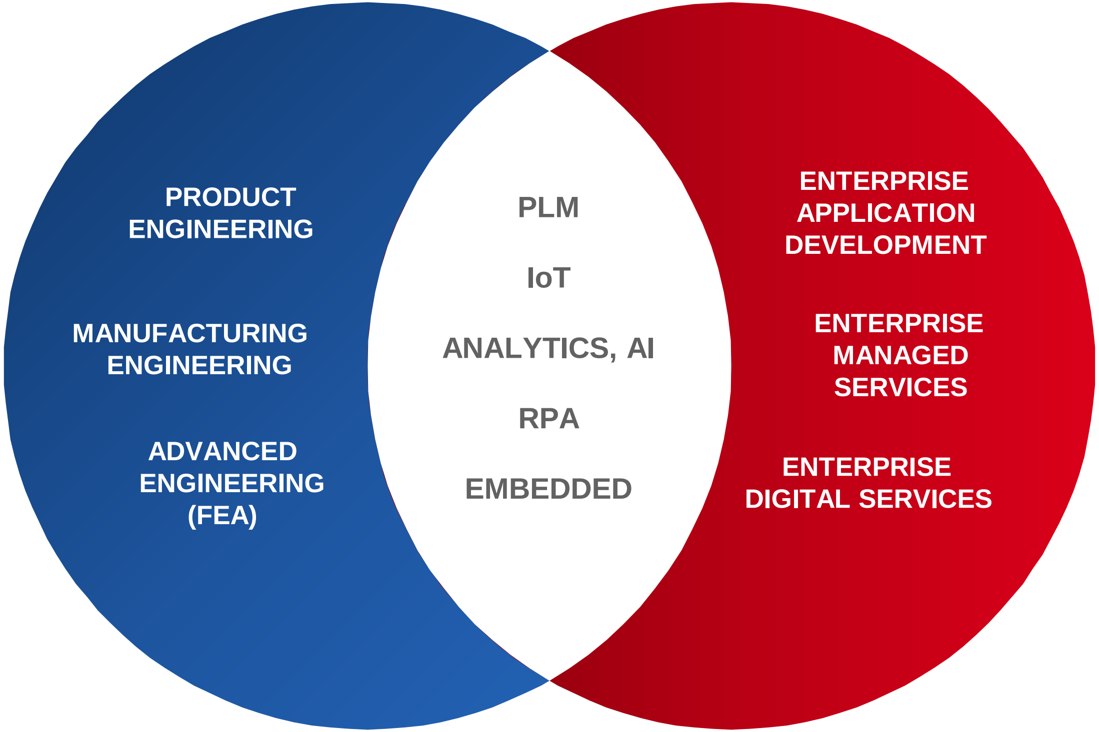
4 Social Mobility Analytics Cloud (SMAC)

- Infrastructure Management Services
- Consulting
- Cloud
- Software Development /
- Mobile Apps Development
- Software Testing
- Big Data Analytics

5 Digital Transformation (Internet of Things)

- Connected Products
- Connected Healthcare
- Digital Manufacturing
- Remote Monitoring
- Smart Cities

Digital Platform for Clients



Convergence of Engineering and IT Capabilities >> Transformational Digital Solutions across the spectrum

// Strategy and Outlook

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Growth Drivers

New Capabilities

- Focus on newly established capabilities in **Digital Transformation, Industrial IoT, and Industry 4.0**
- Build capabilities in **sector agnostic** practices

Higher Revenues

- **Increase wallet share** of **existing clients**
- **70%** revenues from **Top 20** clients. Balance from new deals
- Technical **collaborations & partnerships**
- M&A – **capability acquisition strategy**

Margin Expansion

- **Higher margin paying practices** in EDS and Digital ER&D suite
- Strict focus on further **improvement of bottom line**

International Business

- **Increase share** of **overseas business** from well established US, UK, and Germany offices
- **Robust pipeline** for new deals with **Global 1000 companies**

Onward Technologies: Key Differentiators

Right size organization to provide **Stability** as well as **responsiveness** with executive attention

Proven expertise in delivering Engineering Services and IT Solutions to

Global 1000

companies

A capable leadership to

guide | mentor

provide maturity

and ensure success

Ability to **ramp-up on-demand across the globe** on a short notice

Exclusive focus on design thinking, **digital transformation** and **product engineering**

Flexible business and engagement model to provide **agility** and **cost effectiveness**

TECHNOLOGIES LIMITED

// Quarterly Highlights

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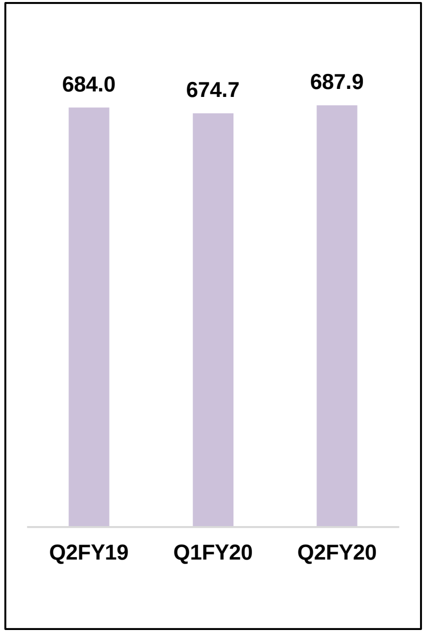
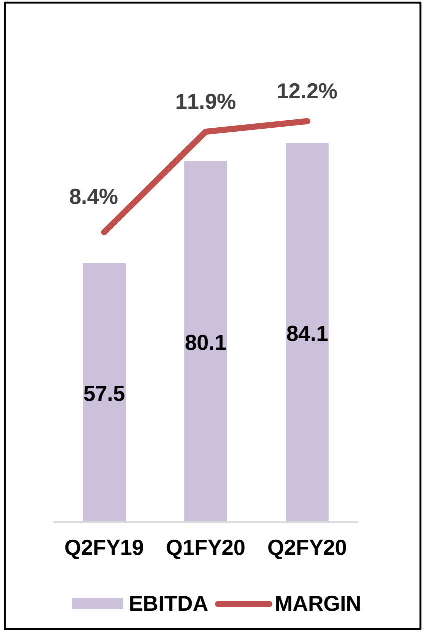
Consolidated Financial Summary – Q2 FY20

Onward TECHNOLOGIES LIMITED

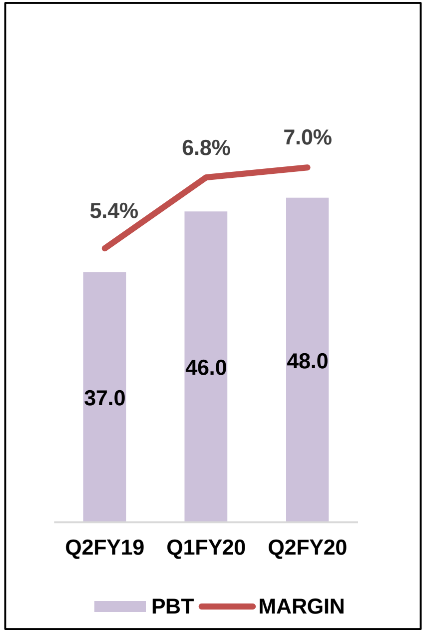
Operating Revenue



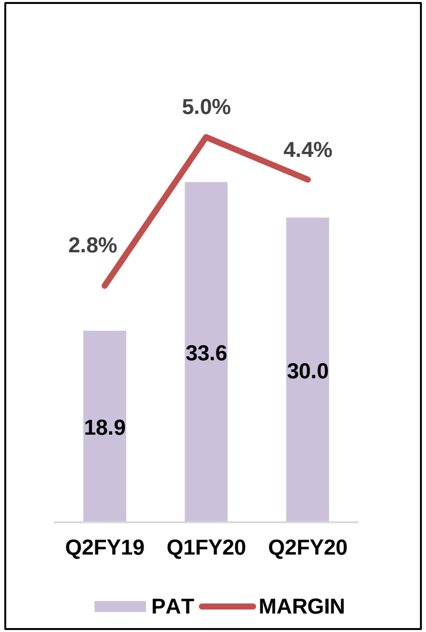
EBITDA*



PBT



PAT



In Rs. Million

Focus on Improving Profitability >>> PBT up ~30% and PAT up ~59% Year on Year (YoY) in Q2FY20

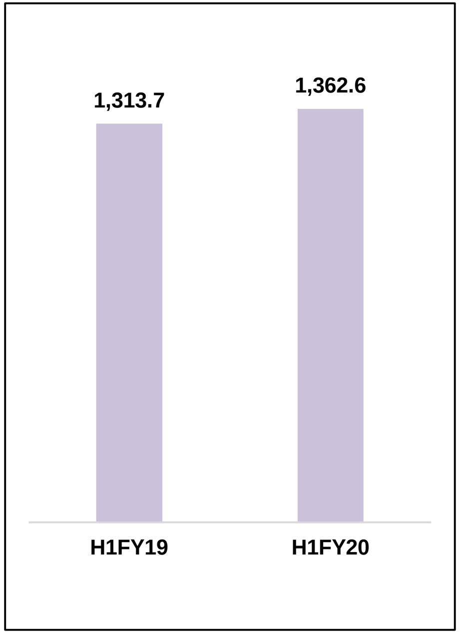
*EBITDA = PBT + Interest + Depreciation – Other Income

Note: Post transition to INDAS 116, Depreciation and Tax Expense for this quarter is not comparable to previous periods. Refer note on slide number 25

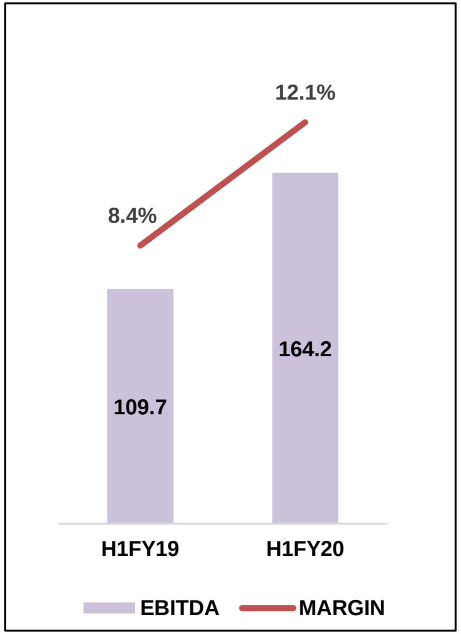
Consolidated Financial Summary – H1 FY20

Onward TECHNOLOGIES LIMITED

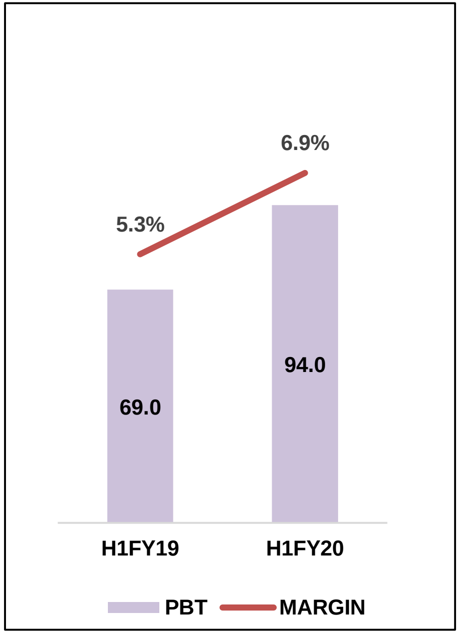
Operating Revenue



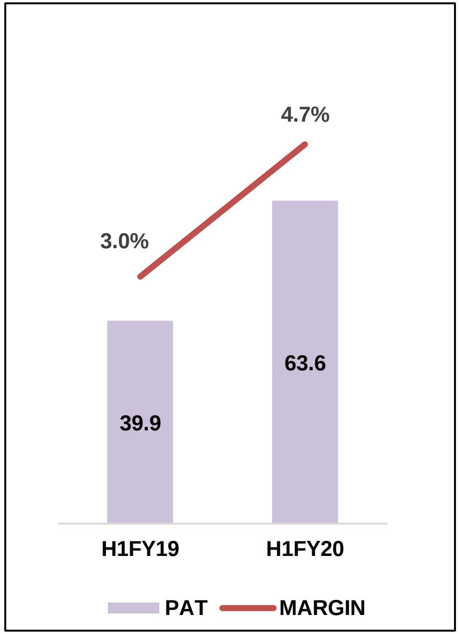
EBITDA*



PBT



PAT



In Rs. Million

Focus on Improving Profitability >>> PBT up ~36% and PAT up ~59% Year on Year (YoY) in H1FY20

*EBITDA = PBT + Interest + Depreciation – Other Income

Consolidated Profit and Loss Statement

Details (Rs. Mn.)	Q2 FY20	Q2 FY19	YoY	H1 FY20	H1 FY19	YoY
Income from operations	**687.9**	**684.0**	**0.6%**	**1,362.6**	**1,313.7**	**3.7%**
Purchase of traded goods	0.1	25.4		2.8	41.7	
Employee Benefit Expenses	514.8	472.8		1,017.7	925.2	
Other Expenses	88.8	128.3		177.8	237.1	
EBITDA	**84.1**	**57.5**	**46.3%**	**164.2**	**109.7**	**49.7%**
EBITDA Margin (%)	***12.2%***	***8.4%***	***383 bps***	***12.1%***	***8.4%***	***370 bps***
Depreciation and Amortisation	28.7	14.8		57.6	28.8	
EBIT	**55.5**	**42.7**	**29.7%**	**106.6**	**80.9**	**31.7%**
EBIT Margin (%)	***8.1%***	***6.2%***	***181 bps***	***7.8%***	***6.2%***	***166 bps***
Finance Costs	9.0	6.0		18.4	13.2	
Other Income	1.6	0.2		5.8	1.2	
Profit Before Tax (PBT)	**48.0**	**37.0**	**29.8%**	**94.0**	**69.0**	**36.2%**
PBT Margin (%)	***7.0%***	***5.4%***	***157 bps***	***6.9%***	***5.3%***	***165 bps***
Tax Expenses	18.0	18.1		30.4	29.1	
Effective Tax Rate (%)	37.4%	48.9%		32.4%	42.1%	
Net Profit	**30.0**	**18.9**	**59.0%**	**63.6**	**39.9**	**59.2%**
Net Profit Margin (%)	***4.4%***	***2.8%***	***161 bps***	***4.7%***	***3.0%***	***163 bps***
Basic EPS (Rs.)	1.9	1.2	56.7%	4.0	2.6	56.5%

Note: Due to transition to INDAS 116 the nature of expenses in respect of operating leases has changed from "lease rent" to "depreciation cost" and "finance cost" for the right to use assets and for interest accrued on lease liability respectively, and therefore these expenses for the current period are not comparable to the previous periods disclosed.

Consolidated Balance Sheet Statement

ASSETS (Rs. Mn.)	H1FY20	FY19	EQUITY AND LIABILITIES (Rs. Mn.)	H1FY20	FY19
Non-current assets			**Equity**		
PP&E	86.2	97.8	Share Capital	159.8	158.0
Intangible Assets	53.4	56.6	Other equity	495.2	452.1
Intangible Assets under Development	0.0	1.8	**Sub total - Shareholders' fund**	**655.0**	**610.2**
Right of use asset	187.8	-	**Non-current liabilities**		
Financial Assets			Financial Liabilities		
Loans	31.1	28.6	Borrowings	-	6.5
Deferred Tax Assets	18.2	17.0	Lease liabilities	129.2	-
Income Tax Assets	158.2	158.1	Employee Benefit Obligations	26.3	22.7
Other Non-current Assets	4.5	6.2	Deferred Tax Liabilities	5.7	5.2
Sub total - Non current assets	**539.4**	**366.1**	**Sub total - Non current liabilities**	**161.1**	**34.4**
Current Assets			**Current liabilities**		
Financial Assets			Financial Liabilities		
Trade Receivables	463.9	489.1	Borrowings	127.1	154.5
Cash and Cash Equivalents	46.5	43.4	Trade Payables		
Bank Balances other than above	12.8	8.3	a) Total Outstanding Dues of Micro Enterprises and Small Enterprises	6.9	4.4
Contract Assets	137.3	85.5	b) Total Outstanding Dues of Creditors other than above (a)	56.3	56.2
Other Financial Assets	4.2	10.6	c) Other Financial Liabilities	5.1	26.6
Income Tax Assets	0.2	19.4	d) Lease liabilities	60.0	-
Other Current Assets	47.7	44.2	Employee Benefit Obligations	19.9	20.9
			Income Tax Liabilities	1.4	-
			Contract Liabilities	-	0.6
			Other Current Liabilities	159.0	158.7
Sub total - Current assets	**712.6**	**700.6**	**Sub total - Current liabilities**	**435.9**	**422.0**
TOTAL	**1,252.0**	**1,066.6**	**TOTAL**	**1252.0**	**1066.6**

// Financial Overview

FY19 Consolidated Financials Snapshot

FY19

Revenue	Rs 2,595.0 mn
EBITDA	Rs 208.9 mn
EBITDA Margin	*8.1%*
PAT	Rs 101.3 mn
PAT Margin	*3.9%*

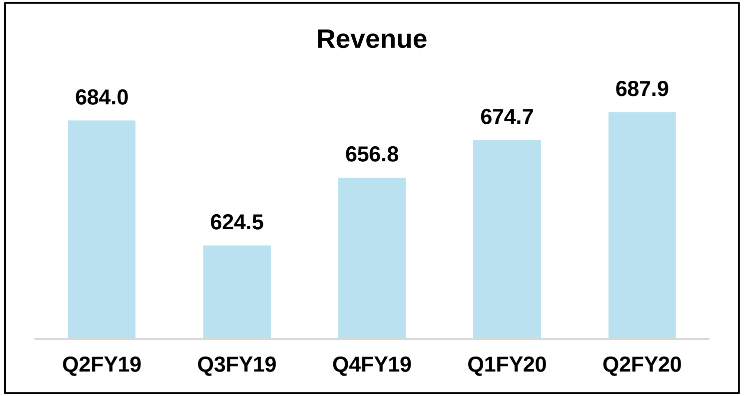
Long-term debt free

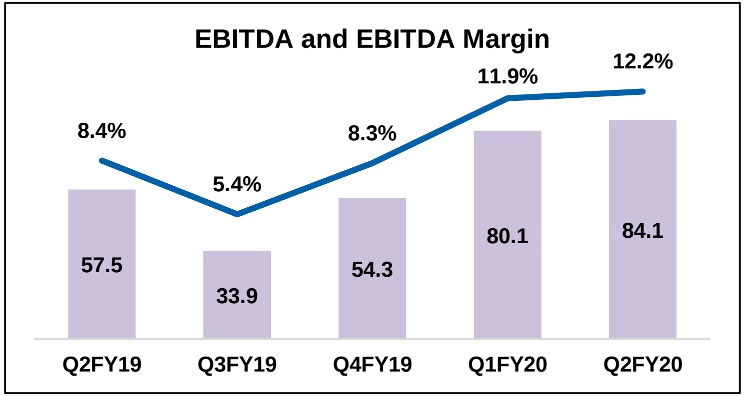
DSO: 62 days Improving Trajectory

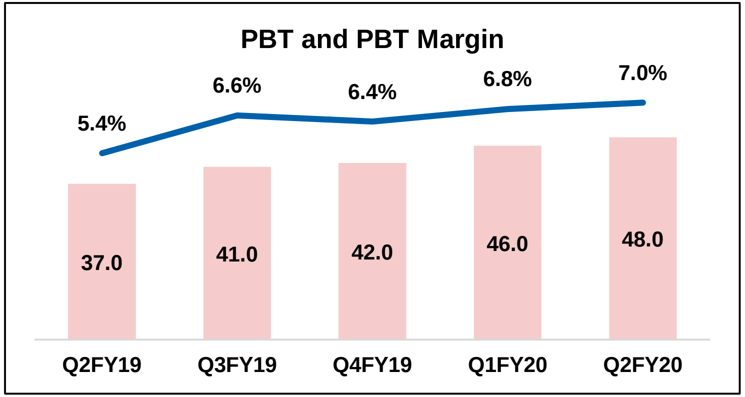
Leverage Fixed Costs

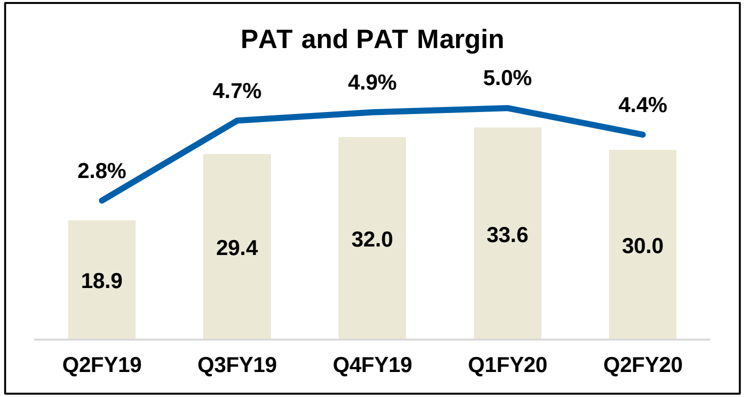
Dividend Rs. 1.5
(up 50% YoY)

Quarterly Consolidated Financials Trend



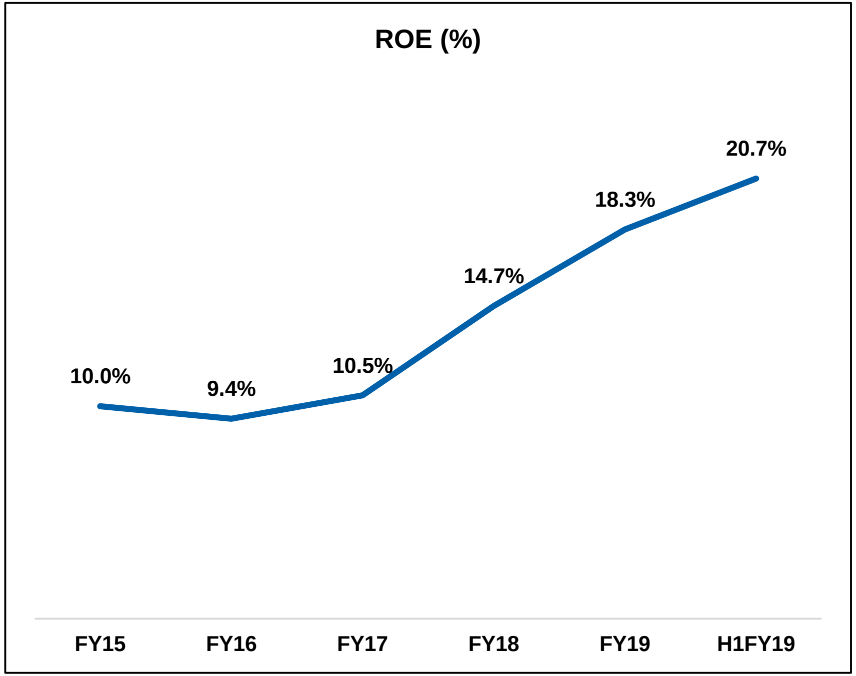


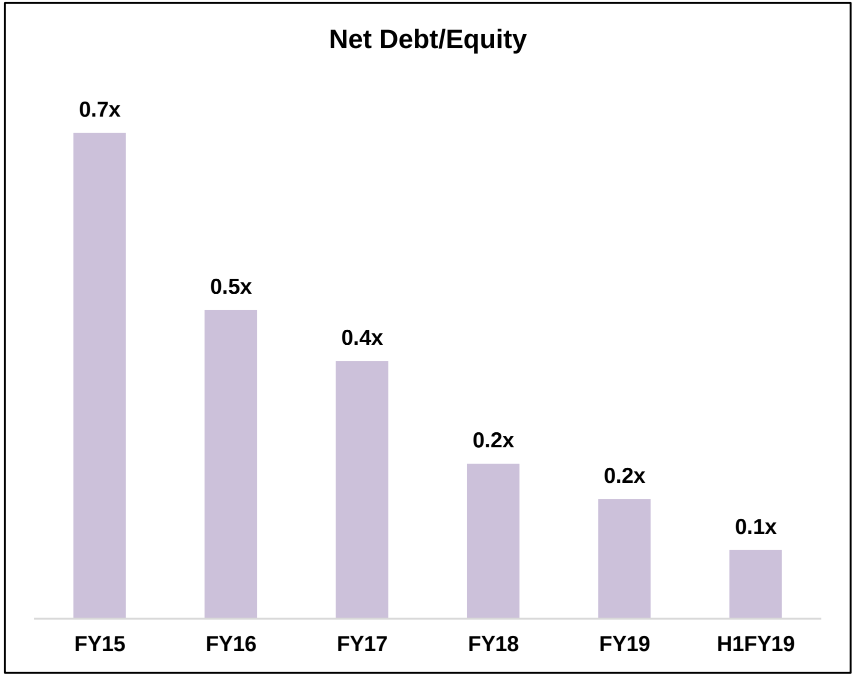




In Rs. Million

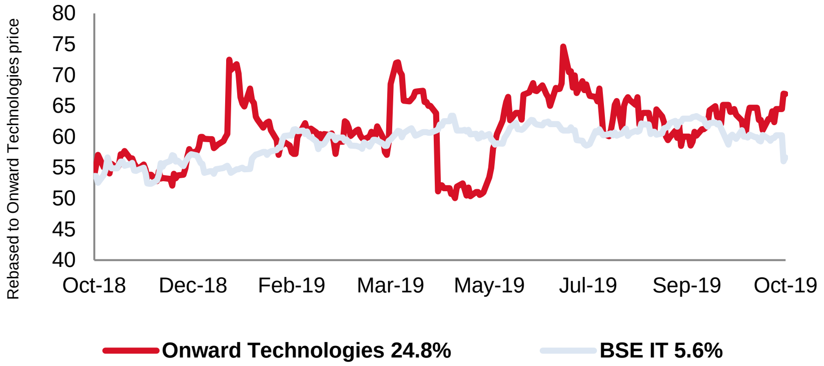
Annual Consolidated Key Metrics Trend





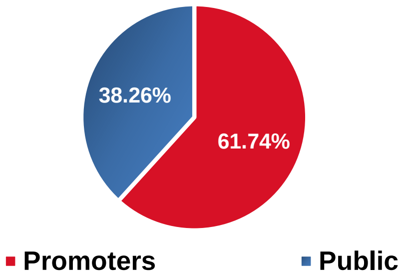
Investor Snapshot

Last One Year Share Price Performance

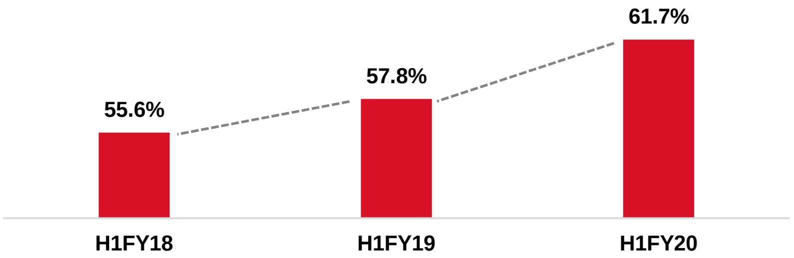


Market Data	As on 23.10.2019 (BSE)
Market Capitalisation	Rs. 1,069.7 mn
Market Capitalisation Free Float (~38%)	Rs. 409.3 mn
Price	Rs. 67.0
No. of shares outstanding	15.98 mn
52 week High – Low (Current Price % of high)	Rs. 79.0 - 45.6 (~85%)
FY19 P/E Multiple (x)	10.6x
Promoter Pledge	Nil

Shareholding Pattern (%)



Promoter Shareholding Trend (%)



Disclaimer

This presentation contains statements that contain "forward looking statements" including, but without limitation, statements relating to the implementation of strategic initiatives, and other statements relating to Onward Technologies future business developments and economic performance. While these forward-looking statements indicate our assessment and future expectations concerning the development of our business, a number of risks, uncertainties and other unknown factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to, general market, macro-economic, governmental and regulatory trends, movements in currency exchange and interest rates, competitive pressures, technological developments, changes in the financial conditions of third parties dealing with us, legislative developments, and other key factors that could affect our business and financial performance. Onward Technologies undertakes no obligation to publicly revise any forward-looking statements to reflect future / likely events or circumstances.

// THANK YOU

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Onward Technologies Limited is a global player in Mechanical engineering design and IT consulting services. Onward offers a range of engineering design services including product design, engineering analysis, engineering documentation and maintenance, and manufacturing solutions, and training for automotive, off highway, aerospace, industrial equipment and consumer goods. The Company has its footprints with operations in India, North America, Germany & UK. Its global design & delivery centers are present in Pune, Chennai, Mumbai & Bangalore. OTL has grown to 2000+ employees globally servicing Fortune 1000 companies.

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