

Date: January 24, 2024

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<b>BSE Limited</b> Corporate Relations Department P J Towers, Dalal Street Mumbai 400 001	<b>National Stock Exchange of India Ltd.,</b> Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051.
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**Ref:** Scrip Code - **BSE:** 517536 **NSE:** ONWARDTEC

**Sub: Intimation under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Investor’s Conference**

Dear Sir,

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose the transcript of Analyst and Investor Conference Call for the quarter and nine months ended December 31, 2023 held on Friday, January 19, 2024. The link to access the transcript of the earnings conference call is [Q3 FY 2023-24 Earnings Call Transcript.pdf \(onwardgroup.com\)](#)

Request you to take the same on record.

**For Onward Technologies Limited**

**Jigar Mehta**  
**Managing Director**  
**DIN:- 06829197**



“Onward Technologies Limited  
Q3 FY ‘24 Earnings Conference Call”

January 19, 2024



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

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

**Moderator:** Ladies and gentlemen, good day, and welcome to the Onward Technologies Limited Q3 FY '24 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 then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Asha Gupta from E&Y, Investor Relations. Thank you, and over to you, Ms. Asha.

**Asha Gupta:** Thank you, Manav. Good evening to all of you. Welcome to the Q3 FY '24 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 the 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 the risks 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 again for joining our Q3 FY '24 earnings call. It is my pleasure to speak with all of you again.

Before we delve into our quarter details, I would like to take a couple of minutes and share the amazing journey that we had over the last 12 months. 2023 was a historic year for us and I want to highlight some of the key strategic decisions that we made and provide insights into some of our future plans.

So, in 2023, we simplified our business model into 3 industry verticals, which is Industrial Equipment and Heavy Machinery, Transportation and Mobility, and Healthcare business and across 3 main horizontals, which is Digital services, Embedded Electronics services, and Mechanical Engineering services. If you go back 12 months, we were getting into a situation where we were narrowing down on the 3 verticals, which we believe could be very robust, fast-growing, and futuristic verticals for us. And that has led to the entire 3x3 matrix for us, which is what I would like to talk a bit more about.

In addition to this, we also prioritized our markets, mainly in the U.S., which is about 39% - 40% of our revenues today. Europe, which continues to grow from single digit to about 14% today, and GCC market in India where we are extremely focused on.

We also took the year where we transitioned out of all non-strategic clients across the board. To put things in perspective, we were at 250 clients around the pandemic. Now we are down to 88 clients as of this quarter, which gives us a very clear execution strategy around large, focused strategic clients. The strategic move actually had a lot more impact on our business that we believe is very long term in nature, which will enable a well sustaining business model, quarter-on-quarter, year-on-year over the next few years.

We streamlined our internal operations by implementing and going live on ERP on Microsoft Dynamics, our CRM which is Salesforce, and tons of other internal HRMS, ATS, PSA tools which will make the organization a scalable enterprise. Over the next few days and weeks, we will be in the final stage of connecting all the APIs, which will connect all our internal systems.

In terms of customer acquisition, we onboarded 3 large clients in Q1, 6 in Q2, and 4 in the last quarter in Q3. Now I'm going to take a minute to identify what the strategic clients for us looks like. A strategic client for us is a customer which has the potential to grow in North America, Europe, and India, where we believe we can at least generate \$10 million per year. Which means customers' R&D budget is at least \$0.5 billion to \$1 billion plus every year. So, there is enough opportunity for Onward Technologies with the right competencies and capabilities to mine and farm these accounts, which can actually help us grow in this business. And that is what has led to our transformation over the last 5 years.

In addition to this, the financial year large number of our key people moved into strategic positions and locations across North America, Europe, and in India. And we also continue to hire across all the 3 horizontals and the 3 verticals, which is what our customers are appreciating more and more and more, and that led to from single-digit EBITDA margin in 2022 to double-digit that we delivered in 2023. And I think the future is looking brighter as we move forward the next several years. We are very committed to our stated goal by FY '26. We know after the last couple of quarters, we have an uphill task but we do believe the customer roster that we have, which is some of the best customers, best OEMs in the world, and it's an amazing management team. We are continuously getting stronger as a delivery organization and we have sufficient comfort and confidence that we believe we are on the right track towards the guidance that we have given in the past.

With a more financial war chest, and we'll talk a bit more about it, we have shared that in our earnings deck we have now INR 87 crores cash in hand, we keep increasing as we see the momentum over the next few quarters. We believe we are self-sufficient to invest back in setting up centers of excellence, labs, where our customers want us to be with several opportunities of collaboration and growth.

In terms of infrastructure, as we speak, our team moved into a beautiful new office in London a couple of weeks back on Jan 8. We are moving into a new office in Chicago in the next few weeks. We are moving into a new office in Pune in Baner, and we are moving into a beautiful new office in Bangalore. All of these offices, we are moving from a single building to tech parks to where our customers would want us to be. And this will help us increase our offshore coverage

and our offshore presence where we can deliver more confidently meeting all the necessary data security standards of our OEM customers.

Now coming back to the 9 months of this financial year and then the quarter. On the 9 months revenue, our revenue was INR 354 crores, which was a growth of 10.8% on a year-on-year basis, and EBITDA margin at 11%. Profit after tax witnessed a growth of 6.4x on a year-on-year basis to INR 27.2 crores. Our EPS was the highest at 11.90 in the first 9 months compared to just 1.87 the same time last year.

The cash generation is evident about what we've achieved, the investment that we made in the last few years, and the results that we saw this year. We believe that what we are trying to do now in the next few years, looks a little more exciting.

Coming back to Q3, our revenue witnessed a decline of 5.1% quarter-on-quarter, INR 114 crores, this was primarily linked to the furloughs and holiday season in the last 2 weeks of December. We were on the right track, but I think that impact was substantial for us where 25-plus clients of ours, declared complete shutdown and furloughs, and which had a onetime impact of INR 6.18 crores. If you add that, the numbers would look very different.

In terms of industry footprint, our Industrial equipment & Heavy Machinery contributed 51% of our revenues, Transportation and Mobility vertical, which is mainly automotive and rail transportation contributed to 38%. That was one of our fastest growing in Q3, and Healthcare continue to maintain momentum and is at about 8% of our revenue.

We won several new clients, where we completed the signing of the master services agreement, and now we're going into 2024; to mine and farm those accounts much better. Digital Services continued to gain traction, and now it's about 40% plus of our revenues in Q3.

And we believe all the 3 verticals, whether it's Digital, Embedded Electronics, and Mechanical going into 2024 looks very exciting, while we remain committed that our Digital will get to 50%, I think the other 2 LOBs are also seeing amazing traction as we move on into Q4 and Q1 of next year.

In terms of the revenue of engagement, our on-site - offshore ratio continued to remain very similar, 30% to 70%. And we believe that trend will continue for the next couple of quarters. As I mentioned earlier, total cash and bank balance improved drastically compared to a year ago from INR 25 crores to INR 87 crores today in 12 months. And we still see a lot of runway with our DSO continually getting better. If you remember, we were close to 100 days a year ago, and now we're down to 72 days. So, it's continued improvement. Continuing progress is what we are chasing and very happy to see the progress on this side. In terms of client roster, we have 88 amazing active clients across North America, Europe, and India, and 13 of that now contribute more than \$1 million, few are about \$3 million inching toward \$5 million. And very soon, we will have a customer or two crossing the \$10 million milestone as well.

Our top 25 customers continue to keep growing and now contributing 85% of our revenue, and we see a huge leeway with that in terms of how we mine and farm the accounts much better. It's about cross-selling and upselling all our new capabilities.

In terms of our head count, we are at 2,604 employees as of December 31, 2023, with a much higher revenue base compared to 2,973 same time last year, 12 months ago. And the exit or the decrease in the headcount is predominantly driven by the transitioning out of our domestic or India-based ITS business.

We have 13 offices, two in the U.S., one in Canada, three in Europe, and five cities in India, and we continue to make sure we become a strategic employer for the next 3 years. So, if you see our planning, and that's what we have given in terms of upgrading all our infrastructure in line with what we are hearing from our customers.

And my last point, I'm very happy and delighted with all the hard work been done over the last several years. One of our key achievements in the quarter for us was the entry of marquee investors into our cap table, and very excited to see their confidence in our business model, our management team, and what we are going after. So again, welcoming them in the journey, and we look forward to welcoming more institutions to be part of our journey as well.

To conclude, we are optimistic about the future growth opportunities. Our commitment to profitable growth, focused industry verticals and strategic geographical presence remains untiring. We appreciate your continued support.

And 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. We have our first question from the line of Bala Murali Krishna from Oman Investment Advisors. Please go ahead.

**Bala Murali Krishna:** This quarter, we have a revenue decline because of the worker strike. There is a difference of around INR 8 crores for revenue recognition. So possibly the EBITDA margin to be excluded one-off in this quarter.

**Jigar Mehta:** Yes. Hi, Bala. Jigar here. I think your question was if there were no furloughs, what would be the EBITDA margin?

**Bala Murali Krishna:** Yes.

**Jigar Mehta:** Okay. So again, the impact of the furloughs, the exact rupee value of INR 6.1 crores. So, you can just add that because at that same time, we had full salaries for our employees. So that was the one-time impact.

**Bala Murali Krishna:** And secondly, on this going forward down the line in two, three years, so how will we see this transportation and the mobility sector to contribute revenue. Like the percentage of revenue, how much it could be going forward I'd say two-three years down the line?

**Jigar Mehta:** I am not sure if I understood the question clearly, but what would be our revenue three years down the line?

**Bala Murali Krishna:** Yes. In this ER&D segment, especially.

**Jigar Mehta:** So, for the first nine months of this year, our revenue is INR 354 crores. And we believe on the milestone what we are pursuing, what we are focused on, is how do we get to, or we deliver \$100 million by FY'26. So that's the milestone that we are chasing. That's the milestone that drives us, that we are passionate about and we believe that is still something that we can achieve. The entire focus of mine and our entire management team and the rest of the team is on execution. The potential is there. And why we feel good is, we have the customers, and we have the employees. So, two of the biggest challenges, what a growing young company like us has is that, and I think we have overcome that. Now we are at a stage where it's all about execution. So can we execute seamlessly. And that's where the next couple of years, the next couple of quarters for us are important.

**Moderator:** Thank you. We have our next question from the line of Nitish from ChrysCapital. Please go ahead.

**Nitish:** I have a couple of questions. The first one on growth. So just wanted to ask what gives the company confidence that growth will come back. And just another one that has the new account billing started?

**Jigar Mehta:** So, Nitish, coming back on the growth side, the question is what is the confidence of the growth? So, we feel good where we are, right, growth is outcome of what we do for our customers. There are two types of growth in services business, as you know, there's one where you are constantly adding new customers to grow the revenue.

For us, we are constantly identifying the customers out of the 88 that we have, which are those 10 customers which can get to \$10 million a year, and we are investing behind them, right? And that's why we are seeing amazing momentum with several of our customers in terms of moving up the value chain from \$1 billion to \$3 billion, \$3 billion to \$5 billion to \$10 billion. So instead of being everything to everybody, we're trying to be something to somebody, right? That's the whole logic of what we are trying to do, number one.

Number two, our future for the next 3 to 5 years is about our existing customers. So today, we do not have a lot of sales hunters in the market, right? All of them we have transitioned that budget into account management, into farming, into more subject matter experts, into more domain experts because we are trying to go deep into our current customer engagements.

Just to give an example, we have supported a customer, let's say, for data analytics for digital services. We are also trying to sell to them autonomous driving or even if it's an automotive customer, you're selling ADAS capabilities there. We're selling infotainment capabilities to them. We are selling telematics capability to them. We won a large project for V&V, Validation and Verification. Now the same customer, we are also selling mechanical product engineering services.

So, it's all about selling all the three service lines to our existing customers. That's what the focus is. And the opportunities and the avenues to growth are enormous. So, we are not seeing any challenge there. So that's addressing the first question on the growth side. And your second question was?

**Nitish:** Has the billing for new account started?

**Jigar Mehta:** So, billings from new account has not started. So, invoicing for the clients that we started in Q1 has already started. And all of them are ramping up slowly. And I think all of them will get towards \$1 million, \$3 million, \$5 million. And we are trying to keep executing well towards \$10 million a year.

Just to clarify, Nitish. For us, when you said billings started, I'm not counting less than \$100,000, right? I'm counting, when do they go to my top 25 clients. So, there could be some projects we might do here and there for them. We could do some complex work for them somewhere or just a small, fixed price project we could do for them.

Now those transactional work, I'm not accounting towards \$10 million of milestone goal that we have. What I'm focusing on, is when do these customers get to the top 25, and we have a large number of them, which has potential to get there. And that's why the focus is on execution.

**Nitish:** Okay. Got it. Thank you so much. That's all from my side.

**Moderator:** Thank you, sir. We will have our next question from the line of Vikas Mistry from Moonshot Ventures. Please go ahead.

**Vikas Mistry:** Sir, I have a couple of questions. First is that how many patents till now we have put forward.

**Jigar Mehta:** Yes, hi. So, we don't file patents. First line of our contract, first page of the contracts is any work that Onward Tech engineers or delivery managers or subject matter experts do for a client, the patents are 100% owned by the client. And that's one of the key reasons is we show the flexibility in terms of to the customer as a young company.

**Vikas Mistry:** Okay.

**Jigar Mehta:** Onward employees could have patents from the earlier careers or education. But as a company, we do not file patents.

**Vikas Mistry:** Okay. Okay. My next question is that do you think that you have built up litigation. All top management is all ready for the scale up you are thinking, or you intend to hire some more senior people from other organizations.

**Jigar Mehta:** So, we have an amazing team which has got us here. The majority of them or all of them have been with me on my business team since I took over the company. And they're doing a fabulous job and continuously challenging them with new territories and new roles and scale.

In addition, around them, we are adding a lot of depth. So, we have not even got started there. While we have hired a lot of people in the last three years post the pandemic because we also want to add a lot of people in all the three verticals and all the three horizontals.

Because please keep in mind, let's say, if you have 75 customers. I'm just giving an example. There are 75 customers. So, actually, we need that level of depth to cover these customers. Today, maybe we have 20% or 30% of them. Right.

So, you will see us continuously adding a lot of talent that will complement all of us in the organization across the three horizontals and the three verticals.

**Vikas Mistry:**

My question was limited to only the top management hires so that they can bring some more business and depth on it. Okay. My next question is that what is the kind of revenue ramp up you see in a typical client you get on Q1, let's say, first year? And how, when the day comes and suddenly these clients start giving you more additional work from your past experience, can you give me the cohort analysis of that?

**Jigar Mehta:**

Sure. Sure, I can tell you what I've seen, I'll just take last 12 months as an example. We see usually a customer for us takes anywhere from 9 months to 12 months to get to the first million, right? That's the real milestone for us. Now that doesn't happen most likely, we don't end up investing much more behind that engagement, right? Please keep in mind, we don't have to win every war or every battle, out of 88, we have to win 10.

So, it's all about prioritizing where we can be a valuable supplier, partner to the customer. So that's the first journey. Once you get to the first million, then it is about sustaining it, let's say, at least six months, one year. And then get to three and five, I think it's very straightforward. So, you can easily get in the third or fourth year to \$3 million to \$5 million.

**Vikas Mistry:**

Okay. Sir, my final question is that when you see that our revenue bifurcation from time material to contract-wise, when you see these 15 materials into the contract side? Or it will remain the same as it is as of now?

**Jigar Mehta:**

So, I've shared this earlier, I think I get this question every quarter. I personally prefer time and material, because we are still a very young company in a very large ER&D industry, a very mature industry. So, our biggest strength continues to be to provide the flexibility, the agility to our customers, and that's why our customers like us. And I think we continue to do that part.

And some customer engagements where we have reached certain level of maturity where we have an ODC for them, we are setting up another dedicated center for them or a lab for them. Those areas we can get into fixed price projects. So, we are seeing that happen as well with some of our larger customers, the customers where we have a relationship for more than five years.

So, in the near term, T&M will continue. In the long term we hope to start bidding for large multimillion dollar, that's always a dream, large multi-million dollars fixed price projects. A lot of our delivery leaders have a lot of experience executing large projects.

**Vikas Mistry:** The backdrop of discussion Jigar was that we are seeing that Gen AI and other AI /ML will start cannibalizing some of the work, which you do on digital side. Do you think that any such path on your side because if you try to put time in material, then that will get cannibalized.

**Jigar Mehta:** Excellent question. It's something where we have to move towards. We are not spending a lot of time on our investments towards that today. That's what we would like to do.

**Moderator:** Okay. Thanks Jigar, thanks a lot.

**Jigar Mehta:** Thank you.

**Moderator:** Thank you, sir. We will have our next question from the line of Lokesh Sharma, Family fund.

**Lokesh Sharma:** So overall, I think this is a holler of quarter especially in light of stake sell done by promoters and your PE partners. So, I can't understand why has our growth slowed down so much considering we are a \$60 million company. So what steps are we taking to start growth again? And will there be any impact on margins.

**Jigar Mehta:** Our growth has slowed down. Growth has definitely slowed down compared to 2022 because the focus was on more value-added business and more quality business. The Q3 impact took us by surprise as well, predominantly because it just happened last one week or 10 days of December, where customers announced furloughs or shutdowns or vacations.

I don't know what happens in other companies, but this happened to Onward Tech, and it's very new to us. It's something we are learning to, and I think we will be much better prepared for in the next few years. I think that was the first question. In terms of the second question, in terms of growth coming back, we see exciting opportunities and growth coming into both in 2024 and in 2025.

I don't think we are starting a quarter saying that we're not going to grow. I think we're starting the quarter saying we want to grow and there are few things, which are catching us by surprise. And while we don't want to compromise margins, that's one of the reasons why we feel very good about what we've achieved last year. Now coming into 2024, I don't think we will be compromising either top line or bottom-line growth.

Objective is to build a high-quality business around high-quality clients with extremely high-quality talent. That's what the goal is. And we remain passionately focused on it every day when we come into office.

**Lokesh Sharma:** Okay. And secondly, looking at your LinkedIn page, we have done a lot of senior-level hiring in the healthcare space. So, what is our plan around that? And when can it start contributing materiality to our revenue.

**Jigar Mehta:** So great observation. I don't think we've done a lot of senior hiring only in healthcare. Healthcare is just one vertical for us or the smallest, newest vertical for us. We have three verticals. We are hiring people in all the three verticals based on the size and scale of the vertical. So, for example,

if it's an industrial equipment vertical, we are hiring a lot of people there, so let's say that's 50% of our revenues and 50% of our contribution and 50% of Onward investment goes there.

So, we're not necessarily in a situation where we take away the resources from industrial and put in some other vertical just to clarify that. So, we're investing in all three. You will see in the next couple of days, weeks, a huge number of people joining our transportation and mobility vertical. So, all the three verticals are something we are very excited about, and we grow all three of them.

Some things are seasonal, some vertical we grow in this quarter and some vertical we grow in the other quarter. But we like all the three verticals. And we do not have a preference one, two, three years from now -- three years down the line, which one is the biggest or which one is the fastest growing. We want to invest behind all three. And we are seeing amazing traction and a set sales funnel as we speak.

**Lokesh Sharma:** Okay. And you have given a guidance of \$100 million for financial year '26. So, what is the sanctity of that now considering the billing has not started yet. So, what is the sanctity of that now?

**Jigar Mehta:** I said this earlier. I'm not sure if you missed that, but as I said, that's our goal, right? We set up the goal in 2020 or 2021 when our strategic business was hardly \$10 million. So, it was a dream that we said, okay, what is the right goal for us to come out of the pandemic, to come out of sitting at home. And we came up with a goal. We are already much ahead of halfway through the journey.

And we have to keep executing towards the balance. As I said, the clients are there. The team is in place. It's all about execution and in some cases, getting lucky. Otherwise, I don't think there is much complications or science in it. It's all about Onward team and the team that I have put in place, we are able to execute. So, we are very committed and driven towards the goal. We're not changing it every day just because of one quarter or one year.

**Lokesh Sharma:** Thank you, Jigar.

**Moderator:** Thank you, sir. We have our next question from the line of Sriram, an Investor. Please go ahead.

**Sriram:** Hey, thank you. Jigar, Sriram, here. Just the same question, because I think you've answered it. But in terms of the sequential decline, the revenues also declined year-on-year when the furlough must have been applicable last year as well. So, any other reason other than furlough that the revenue declined even on year-on-year basis?

**Jigar Mehta:** Sriram hi, good evening. Not really, the furlough happens usually in December for the last two years, and I think we discussed this in the past. When the customers usually in US and Europe go on holiday, they want their suppliers in India to do it.

So usually, last two years, at least for us, December or end of December during Christmas and end year holidays, the customer had shutdowns on holiday period, but we were still working.

And in some cases, we were actually working overtime, so which has a direct impact on both top line and bottom line.

This year was very different. A lot of customers, a lot of companies in US, at least where we work with, literally started shutting down from December 10 to December 15. And it's a new learning for us. The feedback given to us was I believe that's such a phenomenal year. It was more about giving their employees, their management team, their factories, time to just enjoy the moment, regroup and come back fresh for the next year. Of course, there was some costs, some pressure to the year ending in US and Europe. But that's predominantly where we are at and how we are taking the situation what we have learned from our customers because it's not just one customer or two, as being broad-based.

**Sriram:** And the EBITDA decline has been even sharper than the revenue decline by slightly huge margin. So that's simply because of this revenue is the only cost for the EBITDA or something else?

**Jigar Mehta:** There's only one single thing. Otherwise, actually, we had the highest EBITDA in Q3 compared to the previous quarters, if you just add the number.

**Sriram:** Okay. So that's increasing. You referred to this a couple of times in this call itself, Jigar. So, \$100 million translates to about INR 10 crores a quarter, which I think should perhaps kick in from April 2025 on a quarterly basis, rather than INR 38 crores, INR 40 crores it's not going to catch up, right? These are businesses that take time to ramp up.

So, this \$115 million, \$120 million, would you have a glide part quarter-wise as all that will ramp up to over 200 plus in year also from now?

**Sriram:** Right for \$100 million about, INR 800 crores. So, that's about INR 200 crores a quarter, approximately. And we are now at about INR 115 crores, INR 120 crores So question was do you have a glide path, how do you get from INR 120 crores to INR 200 crores per quarter revenue in a year's time?

**Jigar Mehta:** It's a great question, and that's something that we are working on. We had a same planning session last few days, our global teams are here in Bombay as we speak. It's more about existing clients, mining them effectively and farming them effectively, right, or it's about going back to our customers, which have come with huge inquiries for us, existing customers and investing behind them.

The same conversation we had two years ago, we are constantly trying to bring new customers and exit customer with a very fast pace. Now we are not exiting anything. It's more about focusing on existing customers asking us to invest in so many new places, right, towards technology areas or it's just new regions. Recently a customer in Germany asked us to invest in U.S. Or a new customer in the U.S. has asked us to invest in the U.K. or help them build teams or executive project in the U.K.

We didn't have all these capabilities earlier. Now with the global structure in place, our global U.S. and Europe head is now based in Michigan. My Europe head is in London. So, we have a good strong management team outside India, the right cities and right places. Now it's all about, as I said, going deep into the customer engagement. I think if you are able to do that in U.S. and Europe, we can be successful.

**Sriram:**

Okay. Jigar, I think that was my broad question. It's just that this INR 115 crores, I know it's a tough year, it's not been easy for most in IT sector, but being in the INR 115, 120 crores range, if you really had to hit that INR 200 crores then I think sequentially quarter-wise there's got to be an INR 15 crores, INR 20 crores bump-up. I think that was a point. And also, since it's all T&M contracts, you will end up having to ramp up 400, 500 resources as well. It's not fixed price on our IP base billing, right? So, is that something do we have the runway to do it in a year's time?

**Jigar Mehta:**

So, to clarify, again, it's not been a tough year. I think it's been the best year in my career in my history. And I think that applies to all my team members. This is the best in year I had in terms of all the parameters that we can dream of and if I can have another one year or two years like this, I think it will be a dream. Keep in mind, this year also we exited a large number of tail clients, right? So, if you remove all that, numbers would look very different.

But bottom-line, cash generation, DSO, quality of customer, quality of employees has just been phenomenal. So going back in terms of next year, absolutely, so we have to ramp up. And we have a beautiful, that's why I said earlier, it's all about executing, hiring 400 or even 1,000 people a year is not a challenge. We have very capable people, who can do that.

It's more about investing in the right areas, which are scalable, and which are sustainable year-on-year to the next several years. So, we don't want to go and invest in a year, which is going to die out two years later. That's the old Onward Tech. We want to focus on areas which can be value addition to our customers when they also appreciate what we are trying to do with them, and we go global with them.

Now the entire growth has to come only from the India market it's definitely a challenge because when you're just doing volume and then you're talking about thousands of people. And that's not the objective. We believe our 50% revenue from the international market has to move towards 70%. Then if you add the number of head count becomes very marginal and very achievable for the next several quarter perspectives.

**Sriram:**

I understand. So, thanks, Jigar. Thanks for this transparency and I wish you a great into 2024.

**Jigar Mehta:**

Thank you.

**Moderator:**

Thank you, sir. We have our next question from the line of Gouri Mishra from Narotam Sekhsaria Family Office. Please go ahead.

- Gouri Mishra:** Actually, when I put the question, it was for the \$100 million revenue projection. But now you've explained that in detail already. I have a query; we don't see any effective tax rate trend for us. Why is it changing every quarter?
- Jigar Mehta:** Yes. Great question. Actually, I asked my CFO the same thing and let our finance team get back to you. I'm not an expert in taxation.
- Gouri Mishra:** It is fluctuating way too much, minus 19%, 36%, 40%, 19%, 31%. So, there is no trend at all. I mean...
- Jigar Mehta:** No, we will make sure we have an answer from you both from our statutory auditor, which is KPMG BSR and from our CFO. Asha, if you can please take a note and get back to them in the next 24 hours or by Monday morning.
- Asha Gupta:** Sure, Jigar. Noted.
- Gouri Mishra:** Yes. And this might sound repeated question because this \$100 million everyone has been asking. I understand that there is luck, which is going to play a factor when you're already capable of hiring and you are looking into mining the right clients at the right pace. How confident are you on probability is that it will not slip.
- There might be obviously difficult to you, do we see any slippages happening in our target of that \$100 million by FY'26 end. Just trying to figure out how is the global market shaping? How confident are you that we would achieve that?
- Jigar Mehta:** So Gouri, I'll say, I don't wake up every morning thinking about \$100 million. I wake up every morning thinking I'm going to build a beautiful company. As I said, the \$100 million, which we announced as a goal, we feel very positive that we can achieve that number. A year ago, we were way ahead of where we thought we would be.
- Today, we are a bit behind. I think it's all about putting things in perspective, right? It's about can we grow year-on-year towards that goal. You're talking about a small base. We're talking about all the right investments done with beautiful team, great infrastructure, great customer feedback, we're getting into all the quadrants. So, we have all the stuff in place. Now it's all about executing. So as of today, it's very positive.
- Gouri Mishra:** And congratulations you've started new offices across the globe.
- Jigar Mehta:** Not started, just upgrading offices.
- Gouri Mishra:** Okay. But would taking in new heads in different places have impacted more on your margins because there have been furloughs in this quarter. How much of that addition to your global heads at different places would have impacted. Is there a percentage kind of idea you can give us?
- Jigar Mehta:** Not much. Again, these are not big expenses. Please keep in mind, we're not looking at daily, weekly, quarterly numbers. We're looking at annually even from 4% to 11% in one year average

if you look at 2022-2023. So, it's been a phenomenal year from that perspective. Quality of clients has changed. Quality of my team has changed, and we have to make sure that we are constantly upgrading and investing behind our people and our customers. These are very natural things in a growing company.

I think you would understand, appreciate that. These are not very, very big numbers. It's more about doing it. It's the timing, which is what matters to us and what matters to our clients and to our employees. We upgrade all these offices because our customers came back and said, if you were looking at serious offshore work, you have to be in tech parks.

It cannot be an isolated building somewhere. It's a basic hygiene factor, like I call it more hygiene and luxury. And we are investing in the right places and very happy where we are at right now, adding a lot of people. In some locations, we're running short of space. In some locations, we have a lot of extra space. So, it's constantly balancing out which our management team does every six months.

**Gouri Mishra:** Okay. All right. All the best. We hope that you reach that \$100 million in FY'26.

**Jigar Mehta:** Just one milestone. We have a long road to go.

**Gouri Mishra:** No, that's the first milestone. And then the next milestone will come.

**Jigar Mehta:** Thank you.

**Moderator:** Thank you. We will have a next question from the line of Pratap Maliwal from Mount Infra Finance. Please go ahead.

**Pratap Maliwal:** Just wanted to ask since you've talked about that we've had some furlough impact in Q3, which is to be expected, of course. So just wanted to say that since you've kind of seen it in the last few weeks of December. So, what is the status now? Has that normalized? Or are we seeing an extended effect into Q4 as well, which can kind of curtail the growth even in the next quarter?

**Jigar Mehta:** Again, a great question. This is only for the holiday season. Everybody is back in office. We started winning projects. Everything is back in full action. Customers are even more excited than they were last year. So, it's looking very positive as we speak again. But I'm not looking at day to day, I'm saying from 2024 perspective, it is looking very exciting for us. here on where we are seeing it. And really, our whole management team was here last few days in Bombay from all over the world. Just the confidence and the positivity that they all shared was refreshing.

**Pratap Maliwal:** Okay. Great. Thanks for that. Now just one thing, since you pointed out that we are not so much actively chasing after new clients, your focus is more towards mining our plans. So just in this regard I noticed that fall in the number of \$1 million clients from 15 to 13. Is there anything to call out here?

**Jigar Mehta:** It could have dropped to 950,000. They are just technical things, not something we look into every day. If you see the number of revenues from top 25 clients continues to remain, I think,

about between 80% and 90%. That's the key parameter, right? Those are key customers that believe in our story because of these are customers that are backing us and those are the customers that we're continuously investing behind. This 13, 14, 15, 16, I think it just up and down a quarter based on the actual definite number in the ERP.

**Pratap Maliwal:** Okay. Understood. And just one final question around the hiring outlook. Now I think in our previous call, we've called out that our business model is one where since we are a young company relatively new. So, we don't actively hire people and then look for projects. It's more that we get contracts and then we kind of hire in response to it. So, I just wanted to reconcile that we've had almost a 10% fall Y-o-Y on our headcount. So, what is the hiring outlook going ahead?

**Jigar Mehta:** So let me simplify the answer. The reduction in headcount Y-o-Y is because of exiting the domestic IT business clients. It's not specific numbers, I'm sure our team Ernst & Young can share the numbers. But just to give a specific number, just to see how broad based this theory is this. Let's say, if you have 2,900 people, we must have exited business for maybe about 700 or 800 people, which would have brought us down to 2,200- 2,300.

And we have also added about 400 people in our core business, which brings us to 2,600. I'm just giving you broad numbers, but they can give you the specifics. So, if you go into 2024, we believe we will be at similar headcount plus/minus. That's a below 2,700, 2,800 by end of this year. I'm just estimating based on what we are seeing.

But all the new hires happening in US and Europe, some hires happening in India, and we continue to exit large tail accounts. So, for example, you're exiting one client at some point, we already decided that we're going to exit that client is about 100, 120 people, engineers working on it or stuff like that.

**Pratap Maliwal:** Okay. So just to clarify, sir, you said in CY '24, you gave a hiring outlook, you gave a number, just missed out on that, sorry?

**Jigar Mehta:** We have not given any outlook quarterly or annually about hiring or about revenues or margins. What we've always said is we are building a beautiful company, ER&D company, who is not competing with anybody else, in a market which is growing in a market where customers are looking for new partners, predominantly because of the disruption that came in the digital side.

And if Onward Tech can build a deal engine behind that, we can build a beautiful \$100 million company. So that was my dream that continues to be my dream as we speak as well.

**Pratap Maliwal:** Okay. Thank you. Thanks for taking my question and best of luck for the quarters to come.

**Jigar Mehta:** Thank you.

**Moderator:** Thank you, sir. We have our next question from the line of Mr. Prolin, an Individual Investor. Please go ahead.

**Prolin:**

Hi, Jigar thank you for giving me this opportunity. So, I want to clarify a few things, right? Firstly, as you said this year has been great for you based on all the parameters. But again, for the last four quarters, even if I include the furlough impact of December quarter, you have been at a revenue run rate of INR 120 crores. So, what you may mean by a great year, is it the quality of revenue which you are attributing, too. And can you touch a little bit more on that aspect? What I understand is that you are exiting in India business, which was not your focus area. So maybe in the future, if this drag is going to continue for a few more quarters, it would be great if in the presentation, you could break up the revenue stream between your focus area and the one which you are in a way exiting. So, if you can just give the colour as to how this quality of revenue has improved or that's better every quarter that would help.

**Jigar Mehta:**

Our customer profile has transformed beautifully towards where we wanted to go in all the three verticals. So today, in the three verticals, we are working with the top OEMs in each of these three verticals.

And in each of these verticals; each of these OEMs have multibillion dollar R&D budgets. As background, Onward Tech traditionally for the previous two decades was playing; where we were the largest supplier in a customer's R&D budget. So, if the R&D budget is only INR 20 crores, Onward Tech potential was INR 5 crores from it. Today, we are not trying to be the largest supplier or get majority share of customers outsourcing budget.

Number two, on the PAT side, if you see the numbers, we have gone from 1.3% to 7.7% in one year. I believe this number is 540% year-on-year in growth. And same for EBITDA and PBT and all other financial parameters. If you see the business profile of the company as well. Same time last year, we had about more than, I think, 14%, 15% of our revenues came from the domestic IT business, which is a historical legacy business of the company, which had 1,000-plus employees, which is now down to 100 people only, which we are exiting in Q4.

So that's what I mean by the quality of business. Now if you look at what is domestic IT business, why did we exit that? They were not loss-making clients. These are very good clients. But we're invoicing at \$3, \$4, \$5, \$6 an hour compared to the average \$16, \$18, \$25 an hour is where we are investing people.

And on the international business, it was a transaction, project business, where we would execute and deliver complex projects. So, people who knew Onward Tech or had a chance to visit our offices, our manufacturing engineering business this was a large team 4-5 years ago; where our bigger customers used to be Tier 3, Tier 2, Tier 1 suppliers in Mexico, in Europe regulating robotic works, jigs fixture, tooling business, etc

The entire business we exited in December 2023, which is 2 weeks -3 weeks ago. We exited the projects business, but the capability expands where we're supporting now OEMs directly.

Now we are working with OEM through the year and hopefully for the next 5 to 10 years. And all of this is the outcome of the cash on hand, just to close the conversation. We've gone from

INR 35 crores cash on hand to INR 87 crores cash on hand in 1 year. And hopefully, we can keep building on this.

**Prolin:**

Fair point, Jigar. So actually, you know what I mean when you talk about these OEMs, right? I mean I'm just looking at your 2 years back conference call transcript as well. And that time also we had 6 of the largest 10 global OEMs as our customers in the transportation and mobility segment, within industrial and heavy machinery, we had 5 out of top 8 heavy engineers in OEM, right, in some time.

So, what I understand from your answer is that within those clients as well, the quality of work that we are doing is improving, right? I mean, is that understanding, correct? And then what you also touched upon are two things, right? In the call, you mentioned that you don't want to sacrifice on margin. And most of your revenue is coming from existing customers?

So, are we letting go of some of these business opportunities, new opportunities, which are coming at lower margin? And that's why this INR 120 crores of quarterly run rate is slightly sticky and maybe from March onwards, given that the drag of the I mean, some of these businesses which we are exiting, will no longer be there. So, from there on, we will be able to finally get out of this INR 120 crores range. Is that a fair way to look at it?

**Jigar Mehta:**

That's one way to look at it, yes. There are so many things that can change in the business. I'll tell you how I look at the business. We had these customers rightfully as we said 2 years ago sometimes 4 years back as well some customers. The difference was we were doing only mechanical work for them or only, let's say, some support work for them and application support.

Today, we are working on actually new product development for them or we're setting up ODC for them or we are engaged in projects which are on the embedded side where we did not even have a capability or capacity few years ago.

And last is all these customers that I'm talking about, please keep in mind, our biggest selling point today, what we are selling to the customers is digital services. And that's where that has gone from zero a couple of years ago to about 30% - 40% plus now. So that's what we are selling. We're not necessarily selling mechanical services or embedded services to customers. We are selling digital services.

And once we are convincing the customers, then we are going back into other areas. So, everything has changed from a company perspective. So, if you look at from an outside in, it looks a bit similar to as you rightly said. Inside out, we're a whole new company with a completely different way of looking at stuff.

**Prolin:**

So, we have been in investment phase right in terms of we have been recruiting business heads. We have been recruiting some of the client-facing people also for quite some time now, right, at least for the last 2 years is what I understand. So can you, at the top of the business, when you look at the base business, right, and the growing part of the business, right, in some sense. How do you ensure that the base business or whatever you have already invested in is giving you enough ROI, right, in some time. And based on the inputs that you get from the existing part of

the business; how do you fine-tune the kind of investment that you want to make in the future? I just want to understand from your lens, right, inside out, how do you look at this, the core part of the business, which is getting into stability and the other part of business, which is continuously growing, right, in some time. So, if you can just give us some sense as to how you look at that would be very helpful?

**Jigar Mehta:**

Sure. This is to simplify it. Let's take US as an example, right? My head of US was here the last couple of days. We have let's say, 15 large OEMs or 15 customers, which each needs committed investment from us. Today, my sales team is supporting it and my delivery organization from offshore. That's not enough. What these customers, which are the largest OEMs is now they would like us to appoint our account manager in that location where the customer is placed, number one.

So, you look at from a pure cost perspective, that's \$100,000 or \$200,000 investment straight. Then at some point in time, they would like us to be very clear, which line of business we are selling, digital, mechanical and embedded. And that's a decision that we have to make based on what the customer is telling us.

Third, we have to open a project office most likely in that place because customers are not looking only at offshore arbitrage, because the customer might or might not have a captive center in India. What they're looking for is a young serious company, which is debt-free with a very strong corporate governance, who they would like to partner for the next 5 to 10 years because please keep in mind OEMs don't have suppliers just by the fly, they add after a lot of due diligence, it is a huge cost to them.

And the last point is once, let's say, that \$0.5 million to \$1 million investment is committed from our side, it's the whole mechanism that the whole company can support this customer to scale. So, if all these parameters fall into place, that's where we come in. That's where we say yes. Let's say, right now, I've said yes to four customers where we will start the investment as early as February 1<sup>st</sup>, as soon as the team goes back to US. We'll invest heavily behind these four customers instead of investing behind 15.

**Prolin:**

Understood. Right. Right. We are narrowing down our focus very clear. Thanks a lot Jigar for those answers.

**Jigar Mehta:**

Thank you.

**Moderator:**

That was the last question for today's conference. I now hand the conference over to Mr. Jigar Mehta for closing comments.

**Jigar Mehta:**

Thank you again, everybody, for joining in today. I know it's Friday evening. Really appreciate your time, and I hope some of the Q&A helped on the opening remarks. If there are any further questions, please reach out to our IR manager, Ernst & Young, and we'd be very happy to address them next week. Thank you again and have a great weekend.



*Onward Technologies Limited*  
*January 19, 2024*

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