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To,

BSE Limited **Phiroz Jeejeebhoy Towers,** **Dalal Street, Mumbai – 400023**	**National Stock Exchange of India Ltd.,** **Plot No. C/1 'G' Block** **Bandra – Kurla Complex** **Bandra East, Mumbai 400051**

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, 2024, held on Tuesday, January 21, 2025. The link to access the transcript of the earnings conference call www.onwardgroup.com

Request you to take the same on record.

For **Onward Technologies Limited**

VINAV AGARWAL Digitally signed by VINAV AGARWAL Date: 2025.01.26 22:13:36 +05'30'

Vinav Agarwal
Company Secretary & Compliance Officer
Membership No:- A40751

"Onward Technologies Limited

Q3 FY '25 Earnings Conference Call"

January 21, 2025

MANAGEMENT: **MR. JIGAR MEHTA – MANAGING DIRECTOR – ONWARD TECHNOLOGIES LIMITED**

MODERATOR: **MS. ASHA GUPTA – E&Y (INVESTOR RELATIONS)**

Moderator: Ladies and gentlemen, good day, and welcome to the Onward Technologies Limited Q3 FY '25 Earnings Conference Call. As a reminder, all participant lines will be in 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 LLP, Investor Relations. Thank you, and over to you, ma'am.

Asha Gupta: Thank you, Sejal. Good afternoon to all of you. Welcome to Q3 FY '25 earnings call of Onward Technologies Limited. The results and presentation have already been mailed to you, and you can view them on our website, 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 a Q&A session.

As usual, I would like to remind you that anything that is said on this call that reflects any outlook for the future which can be construed as forward-looking statements must be viewed in conjunction with the risks and uncertainties that we face. These risks and uncertainties are included but not limited to what we have mentioned in the prospectus filed with SEBI and subsequent annual report that you can find in 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 afternoon, and welcome everyone. Thank you for joining our Q3 FY '25 earnings call. It's a pleasure always to connect with all of you every quarter. I hope you had a chance to review our results and presentation of Q3, which we released a few hours ago post the Board meeting this morning.

Let me begin by providing an overview of the performance of the last 90 days and highlighting the progress that we have made. Q3 despite being a weak quarter with a lot of holidays in India, North America and Europe and, of course, a big impact of furloughs. Our top line remained stable at INR 123.4 crores, reflecting a growth of 8.2% year-on-year basis and our EBITDA was at 9.1% for the quarter.

We started the quarter with clear growth visibility. Until December 15, most of our clients had very limited furloughs planned, which was in line with what we had already budgeted learning from the experience of the previous financial year. But this time, we saw the impact higher with few large clients ashut down for three to four weeks. So that did have a small impact on us. Otherwise, our numbers could have been much higher in terms of both revenue and bottom line.

For 9 months, our revenue stood at INR 364 crores, a growth of about 2.8% year-on-year basis and our EBITDA stood at 8.5% for the year. We continue to believe that we will meet guidance for the year of revenue of INR 490 crores to INR 510 crores for this financial year and EBITDA margin of 9% to 11%, and we have good visibility going into Q4. And this continues to be again from our existing clients.

Just to recap a bit about where Onward Tech is today starting 2025 is we have 80-odd clients that we work with which are all headquartered in North America and Europe. We invoice with them in 3 or 4 currencies. One is dollar, second is GBP in UK, Euros in Germany and across Europe and INR in India.

So even if a North American customer has a captive center in India, we will work with their capital center or their GCC in India and the invoicing would be INR, but the company would still be US headquartered. We continue to remain focused on three verticals. Industrial equipment and heavy machinery (IEHM) is our largest and continues to grow for us Transportation and mobility (T&M), where automotive is our main vertical, again, continues to grow for us. And we've seen a beautiful transition from 2024 where we had significant number of Tier 1 customers to large OEMs. Today, majority of the large OEMs, we are on the direct supplier list and are working hard to differentiate and create value for everyone.

Just to give a quick perspective about what that means in 2025 is, each client will have a dedicated account sales manager or ASM, which will be locally based in US/Europe/India. So traditionally, about three years ago, we spoke about hiring a lot of people in US and Europe. Those are all the salespeople. We transferred a significant number of people to US and Europe who had gone to establish our offices, establish our presence, establish our credibility, showcase our delivery competencies to our customers and prospects back then. Now all of them are returning back to India, taking up various other roles. And we are now hiring specialist account sales managers (ASMs), which are seasoned, been there, done that for larger companies, larger revenue numbers in US and Europe. So again, very interesting phase for us we are entering especially in the automotive vertical. Third is our healthcare vertical, which we started last April. I think it's making decent progress. I think we can do much more. And we will continue to see very high growth percentage there because it's a very low base. In a short span of nine months, we have won some remarkable brands as customers. Now it's all about being relevant to them with building niche capabilities.

Now coming back to our numbers, our top 5 clients and top 10 clients continue to remain stable. They are growing and we hope to add a lot more momentum with them in 2025. We have already signed client extensions with majority of them. And we believe that there is a lot more work which will come our way from these customers. And we have been building the capacity for them.

Recruitment team, which was something that we were working on for the last several years, is now becoming solid and more robust. We have 65 strong in-house TAG team. We used to have 100 back in the day when we were hiring a lot of different kinds of people all over the world. Now the model has changed. We have 65 specialist recruiters in our team as well, staffing our various projects. So, our dependency on external firms is limited.

And in terms of infrastructure, very exciting things are happening. We upgraded a lot of our offices last year in 2024 in anticipation of what the big move for us in 2025 will be. So as we speak, we are in the final stages of signing a large office in Chennai, which will be the largest design center in India. And we hope to consolidate substantial portion of our delivery capabilities for industrial vertical and automotive vertical in Chennai, starting Q2 of next year. So again, looking forward to that. That gives us an opportunity to set up labs, centers of excellence, and a lot of other stuff that we can do for our customers. And what's also very important here, again, from an investment perspective is, this is not going to be additional cost. So, the cost is already there. We have a lot of small centers all over the country, which will consolidate into the Chennai facility. So that gives us the breadth and depth to showcase like a customer experience center, and even for everybody on this call, so you guys can actually see what we do for our customers

Now, in terms of outlook, as I said, for Q4, we remain positive. We have a lot of hard work coming our way. Teams are excited to be back in office in 2025, and we are definitely ready to make an impact. As mentioned in our previous calls, our strategy remains focused on discipline execution for our existing customers, leveraging our core strengths in mechanical engineering, in embedded electronics, and building capabilities continuously on the software digital side. And we are pursuing strategic investments to unlock future opportunities.

Thank you, again for all your support and trust in us. I will now hand over the call to the operator to start the Q&A session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Jyoti Singh from Arihant Capital Markets Limited.

Jyoti Singh: Thank you for the opportunity. Sir, my question is on the active clients side we have seen decline. So, if you can comment on that and what are expectations from Q4, as you have mentioned, we remain strong for Q4?

Jigar Mehta: So our clients are not declining. I mean, it's declining from a mathematical perspective. If you look at the ER&D industry and what our vision has been for the last three years and what for the next three to five years is we continue to believe that we need 10 customers where each can get to $10 million per year, which can deliver $100 million, or match 20 customers at $5 million revenue per year. So, we are strategically continuously focusing on customers that can grow. So that's where our strategy lies.

We want to spend all our energies towards the large customers who value us where we have the ability to deliver for them, the most competitive, most cost efficient, and of course, very high quality deliverables. So that's what we are doing. So, as I've said before, we would like to consolidate even further. I think 80 is a very large number for an engineering company. It's very different than IT services or pure play BPO, where large number of customers add more deal momentum. For us being relevant to few customers is very important. And then spreading out geographically with them globally is the right strategy. So that's what we're going for. And the visibility that we have shared is based on our customers' feedback for Q4, the guidance that they've given to us, and the RFQs that are coming out, and the RFQs that are already out. So, we remain hopeful that we can execute and deliver on what our customers are expecting from us.

Moderator: The next question is from the line of Mihir Manohar from Carnelian Asset Management.

Mihir Manohar: Thanks for giving the opportunity. Jigar, you mentioned that from 15th December onwards, there was a furlough impact for you, and that was higher than what it was previously estimated.

So, I mean, if you can quantify if the furlough would not have been there, what would have been the revenue in the quarter on a broader basis? And also, if the furlough is there for three to four weeks, then should we see furlough extending even in January, or half of January, how should we see the furlough impact for the next part of the year?

Jigar Mehta: Sure. So, it's hard to quantify the furlough impact. But if you look at it from a pure rupee perspective, the number is, I think, approximately INR 3 crores, INR 3.5 crores, that we did not see it coming. This is over and above what we had budgeted, apples-to-apples from the same time last year. So, we did lose approx. INR 3 crores, which went away straight from the top line and the bottom line.

But at the same time, we won a lot of other things as well, right, last minute where customers had a lot of peaks or loads, and our teams could ramp up towards that. So that's the impact. Did it extend to January? Yes, it did. I think about Jan 6th.

Mihir Manohar: Sure. So, it's not that extended for kind of a thing for January, right? It's only in the first week.

Jigar Mehta: No, just the first week. And I think that's across the industry for what I understand.

Mihir Manohar: Understood. Sure. The second thing was on the healthcare side. Healthcare is going to be a focus. Last time, interaction was there. Now this quarter, healthcare has come down for us, and given the now new administration, which is there in U.S., so how should we see your healthcare strategy from here on, on the overall business side?

Jigar Mehta: Healthcare is a very exciting space for us. It's a very new space. We've built a good team. I've shared before, my cousin, Pratish, is leading this. He's based out of Chicago. And I think it's only going to gain from strength to strength. Our strategy is very clear, one is we are only going to work with the top companies the biggest brands in the world. And as a sales organization, historically, we have been successful in leveraging our expertise and connects from other verticals to win some of the biggest companies in healthcare. I mean, quarterly is very short term as we are focused on building a great business model focused on USA market initially and then expanding to Europe. But on an annual basis, I think we'll keep growing exponentially much faster than the other verticals. And we see clear visibility for that as we speak.

Mihir Manohar: Does the change in administration now, I mean, Trump is there as the President in U.S. So, does the change in administration impact the funding of the sector? And so consequently, would there be an impact for us on this vertical?

Jigar Mehta: Again, it's only been 12 hours or less than 24 hours. But what I can gather from our experience and what our customers have told us; I think it's only going to be positive for us in India overall.

Mihir Manohar: Sure. Understood. Correct. One more thing was just on the revenue growth side. I remember last quarter you had called out that you would expect growth on the revenue side worth of INR 120 crores. This quarter also, I mean, if we adjust the furlough, then yes, there is a growth. Should we see this kind of growth rate continuing for the next four or five quarters? Basis the visibility or basis the interactions that you're having with your customers. Is that a fair and a reasonable expectation on that side?

Jigar Mehta: Absolutely. I've hired 2,500 people on my payroll to do that. So it's just not me. I have 2,500 employees working very hard globally to deliver growth. And to remain relevant in our business and our industry, we have to deliver. 'm optimistic that the next 3 years will be better than the previous 3 years as the foundation is much stronger today.

Mihir Manohar: The question is more with reference to the deals which is there in the books and the interaction that you will be having for ramping up those deals. So, keeping that in mind, do you see this growth continuing?

Jigar Mehta: I think so. We see good visibility as we speak, Mihir. I'm currently in Paris meeting customers. And everything looks positive from that perspective. There is slowdown, there are some challenges. But for a company of our size, the visibility continues to remain very strong.

Mihir Manohar: Sure. And just last question on the ESOP side. I mean, this proxy advisory firm, there is a press release that you have given a clarification. If you can provide some details, some clarity over here as to what is the size of the pool? And when will that vest? And what are the preconditions to vest that? And who all are the beneficiaries of that pool? That would be really helpful.

Jigar Mehta: I don't have all the specifics, Mihir. I can give you a quick background about the new ESOP scheme. So, first the new ESOP scheme and all new allotments is linked the market price. It's a % discount on that. And that was actually based on the advice and feedback given to us by all our investors in the past and of course guided by the Board.

Number two, it has not been allotted to anybody so far it is a new scheme to replace some of our old schemes then we were allotting ESOPs to employees at INR 10 per share or INR 20 per share, irrespective of the market price. Now it is a discount of the market price. So, it's a huge change in terms of upgrading the current policies where we are.

And third, in terms of the proxy advisory firms, they wanted to add the terminology performance based. And absolutely, the whole company is based on performance and merit only. Nobody is given ESOPs. We pay very well, and we are very proud that we are a well-paying company. Our attrition continues to go down every day. So, it's more about performance only and they wanted that in written and we have given that.

Mihir Manohar: Understood. And just lastly, I mean, how many employees are completely covered in this new scheme?

Jigar Mehta: As of today, zero. But all 2,500. We have three performance parameters as an organization. We have company performance, where maybe the top 40 or 50 people are measured on. Then we have a respective regional business unit performance, which is a much larger pool, maybe about 30% or 40% of our workforce. And then there are individual contributors. So, everybody is eligible.

In the past, we have our security guards, to our admin people, to HR, to recruiters, besides, of course, the delivery and salespeople getting ESOPs. And that's how we have built a beautiful company and that's what we are very proud of.

Mihir Manohar: Understood. That's it from my side.

Moderator: Thank you. The next question is from the line of Shiv Pratap from Thermopads Private Limited. Please go ahead.

Shiv Pratap: My first question is about the revenue guidance you have given for FY '26 of around INR 600 crores. So are we going to achieve that? And regarding the EBITDA margin, so from next quarter onwards, can we see double digit EBITDA margin?

Jigar Mehta: So, on the first question, we have given a guidance for next year and that guidance continues to remain strong, and we are very positive towards that. And the guidance is based on our existing customers and the visibility they have shared with us last quarter. And in terms of Q4, absolutely, as I said in my opening remarks, we are working very hard to deliver the projections that we had shared in the last earnings call, which is revenue of INR 490 crores to INR 510 crores and 9% to 11% EBITDA margin.

Shiv Pratap: So digital was the fastest growing segment for us. But from last few quarters, that has dropped significantly to around 20%. And now we are seeing improvement in that. So, can we see that it's again contributing to around 40% of the total revenue going ahead?

Jigar Mehta: Absolutely. I think very soon what's going to happen is, we are waiting for 1 or 2 more quarters and overall, we will start breaking up the company a bit differently. Instead of giving three categories of digital, embedded and mechanical, we will give only two categories, which is software and mechanical or old school manufacturing engineering, which is not using the cloud or any of the AI tools in line with how the industry is sharing numbers. So software continues to be where the biggest demand is and we're continuously building capabilities bench towards that.

Shiv Pratap: So digital is our high margin business, right?

Jigar Mehta: It used to be. That's why I clarified before as well. If you remember last year or 2 years back, the digital used to be the high margin business for everybody in the industry. Today, when you work with the biggest companies in the world, the margin profile continues to remain the same. Where the high margin is in terms of niche skills versus generic skills. So, if you're building something for the future, that's where the high margins are.

Shiv Pratap: Okay. And can I know the current order book structure, like ratio of repeat revenue versus project-based business? So, you earlier said that project-based business will be higher. So, can I get a kind of idea about the ratio?

Jigar Mehta: I don't have the exact details. I think you're leading to TCV or ACV. I think our IR managers Ernst & Young can share that with you. If you could email them your questions, I'm sure they can answer all the specific details, the breakups.

Moderator: Thank you. The next question is from the line of Varun Kulkarni from Incred AMC. Please go ahead.

Varun Kulkarni: I have three questions. The first one being, I think you've already answered that, but I would like some reassurance on that front. So, if I were to look at the average of the 3 quarters, the EBITDA margin stands at around 8.4%. So for that, I'm assuming you'd have to deliver an EBITDA margin of say 11% to 12%. A, how confident are we on that? B, my second question would be, you mentioned that your strategy is to have 10 clients and who would each contribute USD 10 million. So, is there no concentration risk in terms of that? Because wouldn't it be better to have a diversified clientele? And C, I remember attending one of your calls in which you had said that you would want to increase your revenue by geography in the US region. So historically speaking, that number seems to be dipping. We are at 37% if I'm not wrong this year and the India region continues to grow. So, what are your thoughts on that?

Jigar Mehta: Thanks for the questions. I'll go point by point. So, on the first question, your maths, I guess that's the right math and we are optimistic, and we are working very hard to deliver those numbers. So far, the visibility looks good for Q4, especially there's no furloughs and very limited number of holidays, and there are 62 working days.

On the second question in terms of concentration, so when I say 10 customers, it doesn't mean Onward Tech only have 10 customers. What we are simply saying is, let's say if you have 80 customers, you cannot win all 80 battles. We are now competing against 6 or 7 of the largest engineering companies in the world. The beautiful part for us and everybody else in the industry is the industry is growing. Industry is only growing. And the India advantage is going to be even bigger and larger in the next 3 to 5 years. So, I continue to remain very optimistic towards that and directly being a sales guy on the road. So that's what I see every day. So what we are saying is 10 customers out of 80, if we win those, that's where the real growth engine is. And what I do every day is I want to make sure my best people, my top performing people are focusing on the top 10 customers.

And the third point I clarified in my opening remarks, so all our customers are US and Europe. So, what's happening is, a significant portion of our customers in US are opening GCCs in India, already have or already has large GCCs in India. So that's why I clarified.

So, when you are seeing revenue as we report in our IR deck, dollar revenue comes in the US bucket but there could be US customers in India, which is a GCC, which is in the INR bucket. So again, I just want to make sure I clarify that. And we are happy with all of them because now the numbers are not changing. Earlier it was a challenge. The companies didn't want to work with GCCs. We love working with GCCs and I think it's a very fair play in terms of what they have done, especially over the last 12 months.

Varun Kulkarni: Understood. Thank you. That’s it from my side.

Moderator: Thank you. The next question is from the line of Dhvani Shah from TCG AMC. Please go ahead.

Dhvani Shah: Thank you for this opportunity. Sorry, this is my first time attending this call. So, in case the questions are not up to the mark. But one thing I want to understand that the range that you've given in terms of your guidance implies that the Q4 could be 2% to 18%. I just want to understand the puts and takes. I understand the optimism built in with your conversations with the client, but maybe you could specify in terms of the verticals or what do you think would lead to growth?

Jigar Mehta: Our visibility is based on the pipeline our existing clients have shared with us. So even today we have a significant portion of people who have been trained in 2024, maybe in Q1 or Q2 and Q3, and now ready to get onto projects.

Number two, we have a very strong talent acquisition team whose job is to attract the best talent to staff our delivery organisation.

Number three, every year in Q3, Q4, end of the year, there's the bottom 5% performers impact that comes through as well. So, we hire a significant portion of people in Q1 to accelerate the year, some perform, some are not that lucky to meet the performance standards. We remove the bottom 5%. So that adds to the cost, adds to the margin as well. So, a lot of balancing stuff that happens in Q4 for us. I think this time my HR organization has done a fabulous job to do it structurally from July timeline, proper performance reviews, trainings, career paths. And I think that gives us a much better visibility. But fundamentally, net-net is the three verticals. It's the existing clients, a significant portion of our 80 clients, not all of them, are looking at ramping up in Q4. And I think we are at the right place. We have to just execute.

Dhvani Shah: Understood. And just one more question. The entire industry has been mentioning about the slowdown in the auto industry. I understand size is on your side in terms of smaller companies, but can you let me know if there are any kind of client competitions that could hinder your Q4 and maybe that's why there is the lower band, which implies a 2% growth?

Jigar Mehta: Sure. So, I think your first point is very valid. I think 3 of the largest automotive engineering companies, their scale is much bigger. So, they're talking very different stuff and maybe they might have projects which are winding down, but new projects will start. As I said, the industry is only growing from an India perspective.

On the second question, so I'm currently in Europe, as I was saying earlier. I met a customer yesterday. We have multiple meetings in the next few days. Again, the visibility continues to be very strong. All the customers have huge cost pressures. Majority of the automotive OEMs have anywhere from 30 to 300 suppliers, Onward Tech not being one of them. And they are engaging with us because they genuinely believe that we can deliver, and the references other clients are giving them is really adding a lot of depth towards our meetings. So, our meetings traditionally used to be sales meetings, today are very focused on RFQs, today are very focused on value. And I think that's where the confidence comes in for me and my team. So there's going to be vendor consolidation in automotive industry. There's going to be huge pressures. There's going to be a lot of factories shut down across US and Europe. And majority of their work delivery wise has to be in India.

I was so happy to see that companies in Europe now have asked their engineers to work 8am to 8pm, five days a week, which was maybe unheard of one year ago. Today people are working and I'm seeing offices with high energy, high motivation and so much positive energy that things are changing around us and that gives Onward Tech a great visibility as well.

Dhvani Shah: Understood. Thank you so much for the opportunity.

Moderator: Thank you. The next question is from the line of Krish Kothari from Shinobi Capital. Please go ahead.

Krish Kothari: I actually have a question that is sort of an extension to the previous one. In specific to the auto sector, if there is some sort of downturn, that's going on right now. In your conversations with clients, how do you manoeuvre your positioning of Onward Tech to showcase how valuable you are to them at such a time?

Jigar Mehta: So fundamentally, there's two points. One is when you're saying there's a slowdown in automotive, it's not applicable to all the companies. If you look at the automotive industry, even today, there's a 50% slowdown for companies which are in the EV space. And there's a 50% slowdown in companies who are going through strikes or leadership changes. But, So, most of the companies that you meet, OEMs out there have average of 10,000 engineers to 25,000 engineers. That's a broad figure. Traditional automotive OEM will have that many engineers. Out of that, 70% they do in-house, and 30% is what they outsource.

Onward Tech plays in the 30% outsourcing space, which is worth hundreds of millions of dollars, if not billions. So what we are talking about is very small. So there's a slowdown, 10,000 engineers becomes 9,500. I hope I'm giving you statistics. 10,000 doesn't become 5,000. The work continues. It is just that they are working on the new hybrid models and new EV models and new versions or upgrades slows down. Onward technologies regardless, is not playing in that space today. We are not competing for those large multimillion dollars or hundreds of millions of dollars of transformation projects. We are still working on small projects. So, for us, we don't get affected by that big slowdown that everybody talks about. Where my team gets affected, when our delivery team is not able to execute for visa reason, finding the best talent, and learning / adapting to the OEM processes.

Krish Kothari: I got the point you're making. My other question was actually from a 3 to 5-year perspective. I'm trying to gauge the scope for operating leverage within the business. And I'm trying to understand that the incremental, say, if you go from INR 500 crores to INR 800 crores top line, is that possible with very marginal increases in headcount? I mean, just put more bluntly, do you think your revenue per employee will increase significantly over the next 3 to 5 years?

Jigar Mehta: That's what we are working towards. That's what we clarified before as well, when I spoke about the whole US strategy or approach. Traditionally, about 90%-95% of the market for us is US. Whether we are invoicing dollar, euro, pound or rupees doesn't matter, but US-based companies who have a very matured outsourcing model. Europe is picking up in a big way. And a lot of the other engineering service providers are doing a fabulous job there. We are not that heavily invested in Europe, but we continue to make inroads and we are doing a decent job. Our business has been growing every year.

So, for us, I think you will see us being around this headcount, 2,500 or 2,000 or 3,000 people range, and we're going more and more deeper and moving up the value chain with our customers. It's not about adding 2,500 more people to get to double up the revenue.

So, revenue per person, gross margin per person, everything will increase. I said the same thing 3 years ago when we were 2,500 people, I think half the revenue. We had the same headcount and double the revenue now. So, I think you will see that continuously as far as we keep investing in training and upscaling our engineers.

Krish Kothari: Understood. Thank you

Moderator: Thank you. The next question is from the line of Vikas Mistri from Moonshot Ventures. Please go ahead.

Vikas Mistri: Jigar, in the last conference call, from the last 2 years, our strategy has been to build the US. And now, from your opinion, it seems like that you're comfortable with GCCs. Is there a dichotomy in the strategy, where we are targeting customers from the US? Now, they are asking us to just stay in GCC in India and the bill rates will be much lower than US?

Jigar Mehta: So, there are two points. One is, there are two types of GCC models. One was a GCC model when we are working with, again, the Tier 1, Tier 2 suppliers, that was a very different model because it was a very transactional model. When I say transactional, it is you're working, doing a great job 11 months in the year. And the 11th month, they will send back 50% of the staff to your office. It was a very different model, very cost-based model. And that's why we never enjoyed working with GCCs. And I think most companies didn't enjoy working with GCCs. I'm talking about the larger, let's say, the top 6, 7 engineering companies. Today, if you see, it's a very mature GCC model. It's not like a grocery store, you come and go. It's actually you are an extension of the client's R&D department. There's a lot of respect. There's a lot of training. And the GCC is also very clear. It's a highly integrated model and we highly enjoy working with them. We are learning a lot. They are spending a substantial amount of time and money on training our engineers or the whole industry as a whole in India. And I think it's a win-win situation. So the GCC attrition rate, which used to be about 30%, 40%, 50% just a few years ago, I think it's down to single lower digits for everybody now. So that's the first part.

The second part on the US side, US continues to be our focus. That's where our investment goes. And we will continue to invest big in US every year. So substantial portion of our budgets goes to U.S. and we are making progress. It's not at the speed I would like. Obviously, we are growing at low single digits this year. But we want to grow in U.S. and we do believe Onward Tech's future growth continues to be if you are successful in the U.S.

Vikas Mistri: Okay. So, Jigar, extensive of that question is, what is the bill rate differential if similar client tends to give business in U.S. and similar client tends to give business as a part of GCC?

Jigar Mehta: I don't know if I can share those kind of numbers in this forum. You can reach out to E&Y and maybe they can share all the public information out there.

Vikas Mistri: Sure. Okay. My final question is that you said that we are in competition with 5, 6 companies what gives you comfort that you will be moving up the value chain, what capabilities you have developed in maybe last 1 year, that gives you more comfort that you will win over more customers and try to give more value addition as compared to all other companies. Though your share is lesser, but capabilities are much more necessary. So my question pertains to the capability point of view?

Jigar Mehta: Sure. So what I clarified was the industry is growing. So we are not competing with the larger players. It's not possible to compete, when they have that level of delivery debt or huge investment in labs and centers of excellence. What we have done is we are now working with the same customers where the large ER&D service companies are playing, right? Where they had been dominant for the last 10, 20 years. We have a new company out there. So for us, it's just a privilege to be there. The beautiful part I've always shared before, we are in an industry which is growing the Indian outsourcing industry is growing. We don't see a slowdown there. And customers have never asked us to complete other Indian companies. As I said, I'm in Europe right now. They are asking us to compete local European companies, which are 5x or 7x more expensive. And that's where we want to play. That's where we're building capabilities. So for example, if a customer gives us an opportunity, okay, there's another Indian company in South India are doing this. Can you make it cheaper? We usually walk away from the deal. I've always said that. But as they say, this is what other French company is doing, or the German companies doing or an American company is doing, can you build capabilities for us there, and we see a huge visibility where we can ramp up 100, 200, 300 engineers, that's where Onward Tech will invest.

Vikas Mistri: That's understandable. But in term of the question was not that you're competing with the Indian counterparts. We already know that Indian ER&D industry continues to grow market share from other competition. The question point is that what capability you have, let's take SDV, in SDV what capability you have that will give you further market share to be gained out? I mean let's assume in healthcare, what capability you have built it out? Would you find that, that will be much, much better from your perspective?

Jigar Mehta: So, I highly recommend, why don't you plan a visit to one of our facilities in Pune, Chennai, Bangalore that will give you… this is again a wrong forum for me to share information because, obviously, all our projects are based on customers and we signed very strict agreements with them.

But very happy to showcase all ability that we have built for our customers, ODCs that we have built for our customers. Our new office in Chennai will be launched, which will house more than 1,000 engineers. That will show you the kind of depth and breadth of capability that we have built. E&Y can again organize that, we have a lot of people visiting all the time.

Moderator: Thank you. The next question is from the line of Sriram Rajan, who is an Individual Investor. Please go ahead.

Sriram Rajan: Hi, Jigar. Thanks for these wonderful updates. I think, I just picked on the last question that the previous gentleman was asking. Just to keep your capabilities aside, but in terms of skills, are there some niche skills that you are building capabilities proactively on?

Jigar Mehta: We are not building anything new, which our customers are not asking us, right? So we have not got to the stage today. We need to get to 15%, 18% EBITDA margins to invest 3% to 4%

back in very future case. Today, we are in a very focused execution mode that I shared a year ago. And I think for the next 1 to 3 years, we will be in execution mode just to sort of get the company back on double-digit growth and double-digit EBITDA. That's the first vision. So we have actually proactively cut down drastically compared to 3 years ago post the pandemic where we invested in building a lot of new skills on bench, particularly.

Sriram Rajan: Understood. I think that's the nice thing to do. Jigar, in terms of, I think somebody else asked this question that the guidance for FY '26 remains at INR 600 crores. Based on what you see today and the EBITDA that you said in the previous conference call of last quarter, was that it would be better than the closing EBITDA for FY '25? And does that still hold good for us to bake in the forecast?

Jigar Mehta: Yes, absolutely. That's what we are working towards. And as I said, I already shared some of the points as well. Another big point also, which my team just pointed out was a substantial part of our investment in automation also has been completed. We took a lot of our internal systems that were outsourced with other very high-end expensive things which were not catered to the ER&D industry. We have built our own OTL apps that all integration is going on beautifully and that cost also comes down drastically, I think from March itself. So yes, I think double digit is what we should be playing at where Onward Tech should be at. I think sky is the limit for us as we can get our execution capability.

Sriram Rajan: Just a last question, Jigar. I think maybe somebody asked this question, but I just thought I'd specifically ask it. Given the fact that and I had a chat with the E&Y team maybe 3, 4 quarters ago on this topic. I think we're facing the impact in the market today. The impact of automatic code getting generated through Generative AI. So we have also built some utilities for that. So, we're able to see knock out of 20% of the actual engineers who do the coding. So when you look at the digital side of the business, if there's a modernization project upgrading from a particular version of Java to the next version, just taking us to modernization. Actually, Robo is able to do it, and just need somebody to make sure it's all okay at the end, just the final pieces. Is that coming in and impacting us? Do you see that in some way impacting Onward Tech?

Jigar Mehta: Not so far, Sriram. We haven't seen that. But is Onward engineers working on stuff like that for various projects? Probably at customer sites, not in our offices. In our premises, customers more and more asking us not to use any kind of AI, including the meetings that I am having in Europe right now.

For the enterprise level, you're not seeing that. They're seeing it on the IT side in the CI organization, not in the engineering research and development organization yet. And I'm sure it has to comment. The benefits are so many. I think one moment one company starts everybody else we follow the track.

Sriram Rajan: That's it for me, Jigar. Wishing you the very best. Thank you.

Moderator: Thank you. The next follow-up question is from the line of Dhvani Shah from TCG AMC. Please go ahead.

Dhvani Shah: Just one clarification. You said you have a portion of your revenues, which are legacy revenue. Could you just let us know what's the percentage of that legacy revenue?

Jigar Mehta: It's 0%.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.

Jigar Mehta: Thank you, everybody, for joining us today. Just to summarize, we are coming off 2 years of single-digit revenue growth. We have a lot of work to do as an organization, and we are doing that. We have a beautiful team working very hard and we're constantly making the right steps or corrective steps to make sure that we build a high-performing organization.

And we are privileged to work with some of the best customers and companies in the world in the 3 verticals that we are focused on. And as I said, sky is the limit in terms of what we can do with them. And a lot of work is going on in the background, and we remain committed in terms of building a great organization. So thank you again and have a great evening.

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

Note: *This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings.*