Date: July 21, 2023

To,

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

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 ended June 30, 2023 held on Monday, July 17, 2023. The link to access the transcript of the earnings conference call is onwardgroup.com/investors/investors-reports/202324-q1-earnings-call-transcript.pdf

Request you to take the same on record.

For **Onward Technologies Limited**

Digitally signed by JIGAR HARISH MEHTA
Date: 2023.07.21 20:31:36 +05'30'

Jigar Mehta
Managing Director
DIN: -06829197

"Onward Technologies Limited
Q1 FY '24 Earnings Conference Call"
July 17, 2023

MANAGEMENT: MR. JIGAR MEHTA – MANAGING DIRECTOR

MODERATOR: MS. ASHA GUPTA – E&Y LLP, INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day and welcome to the Onward Technologies Q1 FY '24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be no 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 ma'am.

Asha Gupta: Thank you Lizann. Good evening to all of you. Welcome to the Q1 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 the website at www.onwardgroup.com. To take us through the results today and answer your questions, we have with us Mr. Jigar Mehta, Managing Director of Onward Technologies Limited. He will start the call with the financial performance and business update for the quarter, which will be then followed by the Q&A session.

I would like to remind you that anything that is said on this call that reflects any outlook for the future or which can be construed as forward-looking statement must be viewed in conjunction with the risk and uncertainties that we face. This risk and uncertainties are included but not limited to what we have mentioned in the prospectus filed with the SEBI and subsequent annual report that you can find it on our website.

Having said that, I will now hand over the call to Mr. Jigar Mehta. Over to you, Jigar.

Jigar Mehta: Thank you, Asha. Good evening, everyone, and thank you for joining our Q1 FY '24 Earnings Call today. It is a pleasure to speak with all of you again. Let me start with our quarter Q1 performance and then I'll give a quick update about the business.

I am very pleased to report that we have started the fiscal year 2024 with a strong revenue growth of 27.7% on a year-on-year basis. We continue to execute very well, demonstrated in our double-digit EBITDA margin, which is now at 12.1%. And we did have an exponential growth of that to INR10 crores plus in Q1FY24, which was at INR1.2 crores at the same time last year, in the last financial year.

We had a small dip in terms of revenue quarter-on-quarter, which is to do with the large number of client exits that we did in the India BU, which also resulted in a headcount reduction. This happened in Q4 and a bit of start of Q1. This has reduced our headcount, it reduced our high volume, which was there in the India BU, which was the INR billing that we do. And that's where there's a small dip. Otherwise, it was a phenomenal quarter from our inter-operational efficiency perspective.

The quarter also shows and demonstrates in spite of so many external macroeconomic factors, we have strong long-term relationship with our customers and we have an amazing team which is in place for the last several years and we continue to add a lot more to it that which I'll also talk about later in the conversation.

Our goal is to gradually get close to being an aspirational brand, improving our margins continuously and at the same time having a strong run rate for FY ‘24 and FY ‘25. We continue to see momentum so as you are aware we are focused on three industry verticals. Our first and the largest is industrial equipment and heavy machinery, which now contributes 53% of our revenues. Our second largest is our transportation and mobility vertical, which contributed 35% of our revenues in Q1. And the healthcare and life sciences vertical, which contributed 9% of our top line. We see beautiful traction across all three.

There's also been a continued effort, we invested a lot of capital over the last two years post COVID, in building up our digital services, competencies and capabilities. I'm very happy to see that this quarter we've seen a massive jump, which is now at 37% of our revenue, compared to 8% same time in Q1 of last quarter in the last financial year.

I would also like to reiterate that our goal in the digital business as we see moving forward over the next couple of quarters until 2026 is that we will go as high as 50% of the overall revenues of the company and the balance 50% will be mechanical engineering and embedded engineering with complete exit in the next few months from our ITS business in India.

We are now spread across and have done some consolidation of offices in the same cities. We now have 13 offices across six countries and our revenue mix continues to remain healthy. U.S. and Canada contributed 39% of our revenues, Europe contributed 12%, and India, which is our revenues from global MNCs, but INR billing contributed 49% in Q1.

We continue to spend a lot of our time in terms of strategizing in terms of high-quality clients. This quarter we had 98 clients that we invoiced in Q4 of last year which we brought down to close to 80-85 and we added several clients this year taking our now active clients to 93 out of which 15 contributed more than a million dollars each in terms of revenue.

I'm also delighted to share that our growth from our top 25 clients continues to grow well and now it's 85% of our revenue, which shows the potential both from our existing clients and the long-term mature relationship that we have as we are building up the value chain, which is moving from pure play mechanical engineering services to digital services. And at the same time, large number of new clients that we have won post COVID, which are all at a stage which can have exponential growth over the next few years.

All the new clients are in the digital services space and that's what gives us the confidence that we will hit the benchmark of 50% that we've been talking about. We are also continuing to focus deep plan engagements in mining both our top five clients and top 10 clients as well and investing a lot more in terms of centers of excellence, capability centers, in labs, embedded labs in particular, digital labs and we see a lot of opportunity as we keep expanding our services in the U.S. and Europe.

Our team strength is at 2,646 end of Q1 which is spread across about 90% plus in India and the balance is spread between U.S., UK, Germany, Canada and the Netherlands. We see an exciting opportunity there in terms of rationalizing again as we keep growing and keep adding more and more depth, we do believe our headcount is not going to be very significant as we transition large number of India BU towards the global business model, mainly export, which also will give us a huge leverage in terms of margin expansion.

In terms of hiring, we continue to hire large number of people. While we had the ITM business in India and about 200 people exited end of March, early April, we also added a lot of people in all three. One is on leadership. We continue to hire a lot of people from a domain perspective, which we did in our automotive business, industrial equipment domain, healthcare vertical, and recently appointed a new leader for our transportation.

We also added a new CFO, which we spoke about last quarter, to continue to strengthen the international business unit, the India business unit, and the G&A functions. Number two, we had a very active successful TAP program, which is the Talent Acceleration Initiative that we did last year, which with 300 engineers that was extremely successful. That entire talent, that entire program is now matured, and everybody has been deployed on projects.

Our customers appreciated that a lot. So, we're going to launch Phase 2 of our TAP very soon. It's already started in small pieces in Pune, Bangalore and Chennai centers, but we will add a lot more depth as soon as we see some better factors out there in the market.

As a summary, we've been on a path of transformation for the last few years, and even more so aggressively post COVID, but as we pivot the company from India business to global business, focus on export and pure play services, from pure play revenue from mechanical engineering, more and more towards digital and embedded skills. This is leading to very mature, very good growth and visibility for us.

Our customers have been appreciating that and we are confident that we are on the right track towards our journey of USD100 million in revenue with double digit margin. I also would like to share while I open it up for questions-and-answers that we have released the Q1 press release. We have also shared the Q1 earnings deck with all the ratios.

We will also be releasing over the next couple of days the new investor deck, which will give you a lot more insight about the transformation journey over the last three years, and where we are going over the next few years.

So again, thank you everyone for all your trust in us. I will now hand over the floor to the operator to start the Q&A session. Thank you very much.

Moderator: Thank you. The first question is on the line of Sugandhi Sud from InCred Asset Management. Please go ahead.

Sugandhi Sud: Congratulations on the very strong traction and thanks for taking my question. So, if you could quantify the impact of the client rationalization that you've done in the Indian business unit. If I look at your top 25, it seems to have grown at a very strong cliff of around 49%. So if you could quantify the impact and give us some kind of outlook on how it can be expected. Of course, you've given us a FY '25 out-looking, you have reiterated that as well.

Also, I noticed that you are gaining good traction on the automotive client edition. So it's eight clients now, and FY '22, this was six clients. So, what is our wallet share here in these clients? And how many USD, million, one plus arrangements do we have? And what's the expectation in automotive? Yes, those are my two questions.

Jigar Mehta: . So, on the first part was on the India business unit. So India business unit for us is two businesses that we have. So, India business is global MNCs, large companies with capital centers in India which we invoice in INR. So that's how we have defined it.

So, the first part, we have two businesses there. One is the business that we did on the ER&D space and the digital space. And the second business that we had is this historic business from erstwhile onward E-Services, which was 100% subsidiary, which is the ITS business. So every year, we evaluate the businesses which are coming to a natural end, is where we gradually exit and all those engineers, team members, projects, which are working on those projects get transitioned to the customer payroll or to the customer's new preferred supplier.

So that's what we have done in a very big way every year for the last few years and now that revenue, if you look at the earnings deck, is down to only 2% of our revenue. So 2% of our revenue comes from ITS, we will exit in the next few quarters. And we'll bring that down to zero. I believe that was your first question.

Sugandhi Sud: So largely the impact is visible in the ITES business, but even if I look at the reporting number for ER&D, it has slowed down somewhat. So is there any, is there any rationalization that's happened within the ER&D business also? And you know, indirect relationships that we have with captives, , the relationships that we have with captives?

Jigar Mehta: So, look at it from two different perspectives. So, if you look at our revenues from India BU, which is where you see the category revenue by geography. Our revenue last quarter versus this quarter continues to remain same. While we exited ITS revenue substantially in India, which came down from 8% to 2%, so actually our revenue has gone up substantially in the ER&D space from the India geography perspective.

And on the second part, on the ER&D revenue which came down is because the digital revenue is where we were pivoting towards, we did multiple pilot projects last year, and all of them started showing a lot more traction from February of last year. And that's where the majority of the billing came in Q1, and that's where you see a massive growth on the digital side. We had ready-made supply engine of the ready-made supply in terms of capacity. Then we invested in the TAP initiative and the program, so all of them got matured or got absorbed in those client projects. So, we could invoice quickly.

On your second question on automotive. So automotive is something which has been our biggest strength. It's a vertical that we've been part of for a long time, there is a lot of domain experience, which predominantly happened on the mechanical engineering side. Over the last few years, we've been investing on embedded electronics, which includes ADAS, Autosar, and numerous other areas. They're all showing very good traction. So, over the last one quarter, the two large companies, one North American, one European, we became a preferred supplier.

There is no invoicing in the new customers yet, but you will see our goal, and we believe they'll become our largest client in the next few quarters or years. They are the biggest companies out there. They come strictly through very strong references from the existing customers of ours, and that's how we've been growing. So we have out of 11, 8 where we are registered direct supplier. Now we have to build capacity, capability, and obviously offices close to their head office, so where the R&D centers are to mine and engage with the client more effectively.

Jigar Mehta: Similarly, in this quarter we have on-boarded people focused on rail transportation as well, so that will become a very strong focus area for us in Europe and US. And the fourth part is, if you see the revenue by industry, we had a substantial portion of our revenue same time last year, 11% coming from others category. Now that has been dropped almost as low as 3%, which we will exit completely, and we see a massive opportunity on the healthcare side. And that's where we actually on-boarded a lot more SMEs this quarter and we continue to do that over the next few quarters as well.

Sugandhi Sud: Well thanks, thanks for that. That’s from me.

Jigar Mehta: Thank you.

Moderator: Thank you. The next question is on the line of Ketan Chalkar from Evaluate Research. Please go ahead.

Ketan Chalkar: Yes, sir, congratulations on excellent set of results. And my question is regarding the contribution from the digital segment. So your digital segment is now contributing almost 37% to the revenues. So, I wanted to ask a question about it that, what is the maximum percentage you're trying to actually look in this particular segment? As well as the next question is that what kind of revenue growth do you see in the future? The overall revenue growth and the margin? Thank you.

Jigar Mehta: Yes, hi. Good evening. So, on the digital side, we shared this earlier, we believe we can be at a good balance of 50%- 50%. The opportunity to grow digital much faster and much more continuously substantially high because of the environment and such. But we do believe there is equal opportunity for us both on the ER&D and the digital side. So, we would like it to be balanced at 50%- 50%. If something goes much faster, which has a much big potential and it's sustainable and recurring, we are very open to that. But 50% is what we believe we will be at, when we started this investment about two and a half years ago.

And on the second question, on the future potentials, we are not sharing quarterly numbers, but what we do believe we are focusing on and which we have shared in the last two quarters as well in our earnings calls, that we are instead of focusing on very strong top-line growth, we are focusing on balance growth, which will deliver double digit EBITDA margin. We're happy to share that, we've delivered two quarters in a row, and our goal is to maintain that and keep improving and growing on top of that.

Ketan Chalkar: Okay.

Jigar Mehta: Thank you.

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

VP Rajesh: Thanks for the opportunity and huge congratulations, Jigar. Fantastic results. First question is about the 100 million target for financial '25. Do you think the majority of that can come from the organic growth or are you thinking acquiring some businesses to get to that number?

Jigar Mehta: Hi, good evening. So, as we have shared earlier again, 100 million was the aspirational goal that we had a few years ago, post COVID. We continue to believe that few years ago, it was organic versus inorganic. The demand environment has been very positive and receptive for a young company like us. And we do believe as of today, we can get there through organic. But we are not averse to inorganic or any opportunity. If the right company which comes our way, which is also supporting our existing clients, we will be very happy to look at that and channelize investments there. But we are open to look at both the options and towards the milestone that we have shared with everybody.

VP Rajesh: Got it. And in terms of margin, are you thinking about reinvesting the excess margin that you probably would be getting because of the operating leverage back into the business? Or you think, the margin from here 12% can inch to let's say 15%, 16% over the next couple of years?

Jigar Mehta: The way we look at it is we have just started, we had a couple of good quarters and there's a long way to go. We're still a very young company, we are about 119/120 crores a quarter. There's a huge opportunity for us to scale both top line and bottom line. So it's all about just keeping our eye on the ball, focusing on execution and our current customers. I again would like to reinforce, what we believe our biggest strength today is that, we have 93 live clients, where we are preferred suppliers to them.

Our objective and the growth projection that we have shared will come, majority of them is going to come by building better client engagement models with our existing customers. So we do believe the hard work is done now, it's only focused on execution and that's the kind of team that we are building towards. So, the opportunity is beautiful both for top line and bottom line growth.

VP Rajesh: Right. But just specifically in terms of margin expansion, do you want to share some sort of guidance on that for at least fiscal '25? Once you are achieving USD100 million, what kind of EBITDA margin you can have?

Jigar Mehta: So, the guidance that we have shared, and you will see that in the deck which is getting released in couple of days the next 48 hours to 72 hours, it will be what we have shared is mid teens. We are just not getting into the specifics so early.

VP Rajesh: Understood. Okay. Thank you. If I have more questions, I will get back in the line.

Jigar Mehta: Thank you.

Moderator: Thank you. The next question is from the line of Parth Kotak from Alpha Plus Capital. Please go ahead.

Parth Kotak: Hi, Jigar. Good evening. Congratulations to you and your team for a great set of numbers. So a lot of my questions have already been answered. Particular one question, last quarter you shared, you would probably throw some more color on the scope of the work that you're doing with the newer clients that have been acquired. So, if you could share some of that, it would be really helpful?

Jigar Mehta: The challenge for us is we can't share too much of the work that we do with the clients that we shared earlier. But very happy to welcome everybody to our offices and our design centers for the work that we do. We can't get into client- specific work because of intellectual property. But I'm very happy, if you guys would like to take some time and visit our centers. So, you can deep dive into some of the amazing work that we're doing for our clients.

Parth Kotak: Sure, we'll do that. Thanks, Jigar.

Jigar Mehta: Thank you.

Moderator: Thank you. The next question is from the line of Aditya Padhi from Girik Capital. Please go ahead.

Aditya Padhi: Hi, Yes, congratulations. You have good sets of number. So just wanted to understand the ITES business that you've been letting go, any impact on the margins that you can comment on.

Jigar Mehta: The margin profile of our ITS business in India is less than 20% gross margin as compared to the 35% -40% gross margin standard that we work. But more than the margin side, it is more about these are business which are not long-term sustainable. These are maintenance contracts, which is very high manpower and those are the industry verticals which we are not aligned to or focused on investing in for the last five, seven years. So, it's more of those client contracts. It's a combination of multiple factors why we have chosen to exit the ITS business.

Aditya Padhi: Okay, got it. Okay, that was the question from my end. Thanks.

Moderator: Thank you. The next question is from the line of Chirag Kachhadiya from Ashika Institutional Equities. Please go ahead.

Chirag Kachhadiya: Yes, so I have a couple of questions. So, what is our client win ratio, when we bid for any project or something? Second, what differentiation we are offering to set ourselves apart from the competition because ER&D is very evolved space, and many global and domestic peers bid for the same set of clients globally. And third, what optionality and adjacencies do we have in our current service practice? Yes.

Jigar Mehta: Let me address the questions one-by-one. So, first question was about what is the client win ratio, if I understood correctly?

Chirag Kachhadiya: Yes, sir. Yes.

Jigar Mehta: Let me clarify again. So we don't have a sales engine which goes after building new clients, that's not Onward technologies. We have done that already. Our focus and 95% or 98% of our team and 100% of our leadership team is focused on executing and building better relations with our existing clients. So, we don't have a sales engine per se which was there last few years.

We have won the clients, now it's all about executing. So, when we are given a guidance for the next few years, it's about executing, mining and farming our client relationships much better. And that's what gives us the confidence that we can get there if we can build the right capacities and the capability, and the domain experience for our customers.

Now in each customer, each OEM that we operate which is a large, let's say, manufacturing company whether it's industrial, automotive, rail, or Med-tech, you are one of the few preferred suppliers. In some companies they only have three, some have five, some have 10. And your opportunity is to build for projects every RFP that comes out from that customer. And in that I think, we have a fairly decent, very good success ratio based on the capacities that we have and that gives us a confidence about the way forward.

But let's say, if a customer tomorrow is looking for a large autonomous driving project and let's say, they need about 200 SMEs in Munich or Germany, Onward Technologies is not the right company, we cannot overnight build that kind of capacity and capabilities. So that's where different companies will do different work. So, that's the first part. Your second question was about how do we differentiate ourselves?

Chirag Kachhadiya: Yes.

Jigar Mehta: So, we differentiate ourselves from four main points. The first part for us is why our customers continue to work with us, and I think the feedback they've given us is we're a company of the right size. We are not a large company. We are a very focused niche ER&D services company. So it's a right size company. We are publicly traded. We are debt-free and we have a management team who have all experience working in large Tier 1 companies. So, they've been there, done that. So right size partnership is one.

Second, is a very significant part is agility. For a company of our size and the financial resources that we have, was the reason why we raised equity 18 months ago from Convergent. It's our ability to ramp-up delivery teams in US, in Europe, in other parts of the world is very good today. We have the financial resources and the management team who have been there done that to actually scale up. And that's what our customers are appreciating more-and-more.

Third is the global delivery model. If you see our history pre-COVID, we only had centres in Pune. Today, we have five centres. We have centres in Pune, Chennai, Bangalore, Hyderabad, and Navi Mumbai. And at the same time, we have a substantial number of our technical teams working at client sites in Europe and US.

And last point, being a young company is our cost effectiveness. We continue to be, we believe, at least, 20% to 30% lower cost compared to any North American or European company. So, our competition is mainly those companies which have a huge cost structure in Europe and US. We're not necessarily only competing with Indian companies. And these four models we have seen is a good blend about in terms of ramping-up to where we want to go in the next few years.

Chirag Kachhadiya: Yes, so one follow-up and two- three question like, what revenue expectation do we have from let’s say, four year, five years down the line because…

Chirag Kachhadiya: Anyway, I have one more question on to the asked question that what revenue expectation we have in absolute terms, let's say, four-year, five year down the line, considering the capex and the capital flow, which our client industries are experiencing, be it EMS and even emobility and etc, what ballpark estimation we have to reach in turn oversight?

Jigar Mehta: What is our revenue potential, is that question or revenue vision?

Chirag Kachhadiya: Yes, revenue and revenue mix, yes.

Jigar Mehta: So, our goal for the next few years is to get USD 100 million in revenue, which will come, which we believe, an ideal mix for us is 50% coming from ER&D services, which is mechanical and embedded, and the balance 50% will come from digital engineering.

Chirag Kachhadiya: Okay. Yes. Thank you. I will get back to you for more questions. Yes.

Jigar Mehta: Thank you.

Moderator: Thank you. The next question is on the line of Pratap Maliwal from Mount Intra Finance Private Limited. Please go ahead.

Pratap Maliwal: Yes, thank you and thanks for taking my question. So, last quarter, we had said that we were seeing a bit of a slowdown in the macro. So, is there any update here, any delays that we are facing because I believe, we were at 15 customers at the million-dollar level in Q3 as well and it's been a couple of quarters, where we haven't actually increased that number. So, are we facing any delays on the demand side?

Jigar Mehta: There is a slowdown in the market what we are seeing. We are not seeing delay from client sides, not yet. Our clients have selected us, majority of our clients we have won in the last 18 months to two years. We have a very clear visibility in terms of ramp-up with them. Because they all are in new areas as you guys already know. And so far, we are not seeing that.

The opportunity for us is more about the transformation that we are going through internally from moving away from the old businesses to the new businesses. So, that's what we are seeing.

On the second question. On number of clients which are million dollar plus, I think you will see that more-and-more increase over the next few quarters and years.

But again, please keep in mind, our vision which we have shared earlier, it's not about getting more customers or a sales engine or driving more stuff. Those big investments have been done and you can see the high quality of clientele that we have today. It's more about execution. It's more about having 10 customers, which potentially can generate USD10 million revenue per year. So, if we can get there with a very good blend of offshore revenue, I think that will keep us in a very good bucket and give us an avenue for future growth as well over the next few years.

Pratap Maliwal: Okay. Now, as I understand for our USD100 million target, now we are focusing on our Top 25 customers, who currently contribute about 80%, 85% of our revenues. So, do we have any internal targets for FY '24 as to how many clients we actually hope to scale to maybe the USD3 million or if possible, the USD5 million mark. Because I believe, client mining will be very important for us, so, do we have any internal targets around that?

Jigar Mehta: Yes, of course we have internal targets, yes. But we are only sharing how many million dollar clients we have for the next few years.

Pratap Maliwal: Okay. Now, ITES is now down to our single digit levels. So, now I don't think the company should be transitioning out too many employees because that vertical is now that revenue contribution is quite less now. So, from here on, can we expect maybe employee additions to kick-in from the following quarters now, or what is our goal around employee additions?

Jigar Mehta: The first point is absolutely right. Number two, in terms of employee additions. For Onward Technologies to grow towards the milestone that we're talking about, employee additions will continue. It's more about transitioning people, trained personnel, which are in our India BU to our export revenue. So that's what is happening beautifully within the organization for the last few years So somebody who's invoicing at INR, who's trained up to two, three, four years and is now moving to our global revenue, the export whether it's offshore or onsite, that's where the real exponential margin difference will come in for us as well.

Jigar Mehta: So, you're giving longevity, you're giving career path, you're giving international career path to people. That's how your attrition will go down. And that's where the whole culture of the organization will change. And we're seeing that beautifully play out for us in the last five years.

Pratap Maliwal: Yes, but now that portion of revenue is just 2%. So, we wouldn't really have too many employees to transition to those newer new age digital engineering skill levels. Right, so that's why I was asking, so now, can we expect maybe more hiring to go up?

Jigar Mehta: Sorry, I think you misunderstood. I'm not talking about ITS. ITS we will go to zero and that will end that conversation. I'm saying, ER&D people. people who are working on autonomous driving projects, people who are working on telematics, people who are working on Autosar, on adaptive Autosar, or on some new edge technologies, sensor development, IoT, e-mobility. Now, those people who are trained in India are now getting deployed for global projects. So, when they get trained in captive center work in India, after two, three, four years, we have an opportunity where the customer also wants lower costs, so we deploy them with other people, and the beautiful transition happens where they move on to different projects in different geographies.

Pratap Maliwal: Okay sure.

Jigar Mehta: Ideal mix, revenue per employee go up, margin per employee go up over the next few quarters as we keep maturing the business model.

Pratap Maliwal: Okay, understood. Thank you for taking my questions and best of luck for the coming quarter.

Jigar Mehta: Thank you.

Moderator: Thank you. The next question is in the line of Agam Shah, an individual investor. Please go ahead.

Agam Shah: Most of my questions are answered. Just a quick question on the 100 million target which you have set. Is my fiscal 2025 or ‘26? Can you target to achieve that in the internal vision?

Jigar Mehta: ‘25, ‘26.

Agam Shah: ’25, ’26, middle of that, is it fair to assume that? Is it fair to assume that middle of ’25,’26?

Jigar Mehta: ’25-‘26 financial year, that's what we have shared, yes.

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

Sriram: Hi, thank you., this is Sriram here, Jigar. It's not Kashyap Sriram. Just two questions. First is, firstly, congratulations, terrific results. The employee count has been kind of coming down from close to 3,000 in Q3, and now it's come to 2600. Does the EBITDA margin improvement have anything to do with this employee count coming down? Or how much of the EBITDA increase is to do with the employee count coming down?

Jigar Mehta: I'll answer the second part first. So, the EBITDA margin is to do with our international business growing. So, there are two parts. So one is international business growing onsite and offshore, that's one part. And the second part is in the India business that we are doing and not just providing mechanical engineering now, we're also providing digital engineering and embedded electronics. So, it's a combination of both of these very important points why our EBITDA is going up.

On the second point on, why the overall headcount, is coming down? So if you see the data that we had shared maybe two or three years ago, we had more than a 1,000 people in our ITS business in India. Which was under the erstwhile subsidiary, which was Onward Eservices. That's where maximum headcount of Onward was, which is now come down substantially.

Sriram: Got it, thanks, Jigar. And as soon as we met in Mumbai -- yes, understood, I got it. Thank you. When we met in Mumbai, the kind of guidance you gave us expected us to do better than the preceding quarter on all parameters. The revenue has kind of taken a dip. Would you have some comment for it, or is this the one-time dip that you kind of correct from the subsequent quarters?

Jigar Mehta: I would like to believe so. I think everything else has been very good, including our DSOs improved substantially, compared to the previous quarter. Our cash flows are getting stronger, all our ratios and utilization is much better. I think the revenue, , it's a one-time dip because of the large number of contracts that ended or that will be jointly exited mutually with the customer in Q4 and only Q1. But we do believe that we have the right team and execution team in place, process in place that we can catch up.

Sriram: Thank you, Jigar. Terrific, and wishing you and your team great success for Q2 as well.

Jigar Mehta: Thank you.

Moderator: Thank you. The next question is in the line of Gouri Mishra from Narotam Sekhsaria Family Office. Please go ahead.

Gouri Mishra: Congratulations, Jigar, on a great set of numbers. We were talking about revenue per employee. I want to get an idea. So I have started looking at the company only recently. How has revenue per employee improved in the last four quarters?

Jigar Mehta: Yes, hi, good evening. Sorry, the question is how has it improved or why has it improved?

Gouri Mishra: I mean, what was the revenue per employee four quarters ago and what is it now? So, I want to see the revenue per employee growth and are we seeing that growth coming from ER&D or the digital?

Jigar Mehta: Sure. So I don't have the data in front of me, but I'll have my finance team or EY can share the data with you on email.

Gouri Mishra: Okay. But, right.

Jigar Mehta: If you look at the headcount, our headcount has come down. We have gone from INR240 crores revenue to INR440 crores. And actually, our headcount has come down from 3,100 people to 2,600 people. So I think there's a huge play there. But let my team come back to you with exact specifics.

Gouri Mishra: Okay, and do we see it going because if you compare it to other ER&D players and all, their revenue per employee is far higher than what the company is doing right now. So is that object, that's one of the objectives to improve the per -- employee revenue and improve margins that way?

Jigar Mehta: I am not sure about the other ER&D companies. But we do believe, we have a huge play in terms of both in our international business unit and our India business unit to keep improving, adding more value to the customers and obviously getting higher bid rates.

Gouri Mishra: Okay, thank you, Jigar.

Jigar Mehta: That's the play that we have as we transition from the erstwhile old mechanical engineering IT business of Onward.

Gouri Mishra: Yes. Thank you.

Jigar Mehta: Thank you.

Moderator: Thank you. The next question is in the line of Kaushal Kedia from Wallfort PMS. Please go ahead.

Kaushal Kedia: Yes, Jigar, hi. Congratulations on a good set of numbers. What I want to know is that TAP is not a recurring program, right?

Jigar Mehta: TAP is investment into hiring and training. So, it's part of L&OD, which is part of HR.

Kaushal Kedia: But is it a recurring program? Is it a continuous program?

Jigar Mehta: Continuous program, yes.

Kaushal Kedia: What is the kind of cost that we incurred on TAP? Is there a -- can you give me a number that we incurred last year and this year maybe?

Jigar Mehta: So again, that's exactly in the new presentation that we are sharing, which is the investor deck in the next few hours or 48 hours. You will have all those break-ups and exact details. And I think that's the question people have been asking about the past. We put it together along with EY and which we will share with everybody.

Kaushal Kedia: Okay, all right. That's it, thank you.

Jigar Mehta: But ballpark number, last year, I think, we spent about INR10 crores.

Kaushal Kedia: And this year will be more or less on the same range?

Jigar Mehta: It will continuously be. I mean, our hiring cost is broken up into various parameters. So under the TAP initiative, it will be very similar, if not much more.

Jigar Mehta: Just to clarify again, TAP is Talent Acceleration Program. What we are saying is, we hire PGETs, GETs, a lot of engineers from IITs and other similar world-class colleges, or we take people from our own internal teams which are working on old-school technologies and give them an opportunity to up-skill and reskill, where we invest the entire capital, including certificates, training, coaching, towards that. And that training goes on for anywhere from six months to 15 months, based on how much of the transition or transformation we have to bring in into that individual or that teams, and what our customers want.

Kaushal Kedia: Okay, so do we do we have a retention program in place? Do we have like a signed agreement in place to retain the human capital, who goes through TAP?

Jigar Mehta: Absolutely. Anybody who goes through training will sign anywhere from 18 months to three-year agreement which are allowed in the various states that they work. Those things are very positive and good. It's more about the quality of work. If you provide good quality of work to your teams, to your engineers, especially young minds, we have not seen attrition or any such thing as a challenge.

Kaushal Kedia: So there were 300 people in the TAP program last year. How many would be there in the TAP program this year, round about?

Jigar Mehta: We will keep hiring. We have to keep investing. I can tell you end of the year, how many did we absorb. We already knew where we are. But if you go to any office of Onward, any center, any city, there'll be continuous training which is happening.

It is a very important part of our recruitment engine or our engine to build up our capabilities. Why is it special in Onward, compared to maybe some of the larger peers that you know of? The larger peers have been doing it for decades, which is hiring freshers and training them. But Onward, it's very new. And that's what we started sharing last year, or last 18 months ago.

Kaushal Kedia: Okay. And is there a breakup of the cost that you can give for the new center that you set up? How much of it did you expense out last year?

Jigar Mehta: Absolutely, that's exactly what's coming on the new investor deck.

Kaushal Kedia: Okay, all right. Okay, that sounds great. So, and I would love to visit the center, so I'll maybe get in touch with the IRs. So yes, thanks a lot.

Jigar Mehta: Thank you.

Moderator: Thank you. The next question is from the line of Nishid Shah from Ambika Fincap. Please go ahead.

Dhruv: Yes, hi. This is Dhruv here. Congratulations on all the good set of numbers, Jigar. I have a couple of questions. First is on your deal pipeline, how is it shaping up? My question is coming from the annual report you have mentioned that you have won a multi-year deal. So are we looking to sign more such deals?

Jigar Mehta: We don't use the word deal pipeline. We are more about mining existing customers. We have amazing visibility from a large number of our existing suppliers. They all are ramping-up capacity, capability, or offshoring more-and-more to reduce their investments or the R&D spends. So, the visibility for us is very exciting. It continues to be across all the three industry verticals. Majority of the work that we see with the maximum demand even today is on the digital side, followed by the embedded electronics, third mechanical. And that's where we are ramping-up. And that's in the same format how we are ramping-up capacity and capability.

So the big investment, Dhruv, that we did in last five, six years in terms of sales and building-up the global engine. I think that's very well matured and the cost has been inbuilt. Now it's more about execution and farming and building on the engagement that we have with the customer.

And the new clients that we win are all through references. With of course amazing work by our teams, but it's more about references from a client who is asking us, who is referring us to a new potential OEM. And that's been very exciting for us for the last four, five months.

Dhruv: Right. And another question I had on the software-driven vehicle which you have mentioned in your annual report. So are we investing in the IP or are we just helping the customer build the software there?

Jigar Mehta: In our business model, if you see one of the key differentiators that we have in our any client engagement, our first line says 100% of the IP is owned by a customer. And that gives us a huge leverage or huge levy in terms of building trust with the customer where they want to be.

Because a lot of the large automotive OEMs, industrial OEMs have signed contracts with large Indian players in the past, where those companies are starting to get into manufacturing as well or have a vision to get into IP. We don't have that. We are very clear; IP is owned by the customer. And that also becomes a big differentiator for us. So to answer your question, simply 100% is owned by the customer. We are just a services company.

Dhruv: Right. And lastly, Jigar, we have mentioned about the top three European OEMs which you are helping in the EV platform. So I just wanted to know what capabilities do we have in EVs and what is our right to win there?

Jigar Mehta: I think right to win is as good as anybody else. I don't see much of a difference between us is what our customers tell us. You visited our center so you have a better feel of it. It's more about having the right capacity and the capability when the customer wants it.

So as I shared earlier, we had an opportunity where a customer wanted us to build a large team locally in Germany. We couldn't do that because we didn't have a center there. We didn't have the resources or that kind of investment. That itself would require a multi million-euro investment up front for a few months. So we did not do that. But in other cases, we have a beautiful opportunity and we continue to ramp up capacity capability everywhere.

Moderator: Thank you. The next question is in the line of Amit Mittal from Blue River Capital. Please go ahead.

Amit Mittal: So just I have a quick question. So if I look at our results, right, I mean, if I look at this geographical segmentation, our North America revenues are declining quarter-on-quarter. So are you seeing any weakness in terms of the overall demand -- what I was saying is, if I look at our geographical revenue segmentation, our U.S. revenues have declined quarter on quarter. So are you seeing weakness overall, or considering you're channelizing all our energies towards the U.S. and Europe, it's a bit surprising to see the revenues declining quarter-on-quarter?

Jigar Mehta: I'm very happy to see that we had 119 plus scores revenue this quarter. We exited a large number of contracts. Some customers, we could have won better in Europe, some could be in U.S.

A same U.S. customer could invoice in Europe or invoice by INR as well. So we have a combination of that. Absolutely. Right, so if you see our revenue from our top 25 clients actually increased.

Amit Mittal: Considering where we are at the end of Q1, are we on course to hit our FY '24 targets, especially on the revenue side?

Jigar Mehta: I don't see much of a challenge. My focus is on we continue to believe we have a very good pipeline. We have good traction and good visibility. Our focus is on execution now, and I think if we can keep executing and external scenarios don't change, I think we should be fine.

Moderator: Thank you, the next question is from the line of Jay Jain from Finnovate Financial Services Private Limited. Please go ahead.

Jay Jain: Good evening, sir. Congratulations on a great set of numbers. I had this question. So you had mentioned about getting into the high-tech and semiconductor space by FY '25. So has there been any development or update in that area? Thank you.

Jigar Mehta: . From a perspective, thanks for bringing it up. I should have clarified that earlier. Because we saw amazing opportunities in the three focus industry verticals that we have, we said we'd invest in 2025. That's the plan even now. And I think based on how the traction goes in Q2 and Q3 of this year, I think we'll have very formed plans for the high-tech semiconductor vertical for next year.

But it's definitely something that we want to invest in and we believe we can win because a lot of the capabilities that we have can be cross-utilized in that space as well. So it's an opportunity, definitely a growth opportunity for us in the future.

Moderator: Thank you. The next question is in the line of Sugandhi Sud from InCred Asset Management. Please go ahead.

Sugandhi Sud: Yes, hi. I just wanted to understand if you're experiencing, what are the trends that you're seeing on the attrition side? And the headline number that you mentioned, the annual report is pretty high. So, if you could break down, if there is any impact there on account of -- if you could break down the change in employee numbers into how many new hires you've done and how many have left and give us an idea about how that is trended?

Jigar Mehta: The market has changed compared to the same time last year, and attrition has slowed down drastically. So, we do believe, we feel very good about where we are, and we are very much more comfortable today than we were again 12 months or 18 months back when attrition was at all-time high. So that's the first point.

We can't share specifics about each thing because that goes very deep into our client engagements and client relations, but we are at the lowest it's ever been that I can remember post COVID and it's getting better every week.

Where do we see attrition? We continue to see attrition at places where our clients are not back in office. So we have various instances where our clients are working remotely. Even today, not back in offices, they are campuses, they are centers, they're all completely empty. And that's where the struggle definitely has been for us at the L0, L1 level, which is engineers less than two years' experience, because then they're not learning anything effectively or not getting managed.

Where we don't see attrition is where people are working in our offices, right? So where there's offshore work, delivery work, or it's any kind of work where people are working in onboard offices. And that shows the depth of the beautiful part of our culture today. We are not seeing any attrition there or very marginal attrition there.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for the closing comments.

Jigar Mehta: Thank you again everybody for joining us this evening for our Q1 Earnings Call. We're very excited about where we are today and we are committed to making progress. We are hopeful in terms of the investment that we've done over the last few years. This quarter, we continue to hire a lot of people and invest in both domain capability and building up competencies in the new areas.

And I highly recommend to everybody that please reach out to our managers if you're interested further, and visit our offices, whether it's in Pune, Chennai, Bangalore, Hyderabad, to get a better feel about the deep delivery experience or the domain experience that we are building for our customers. So thank you again, and look forward to talking to you again next quarter.

Moderator: Thank you. Ladies and gentlemen, on behalf of Onward Technologies, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.

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