

Onward Technologies Limited
Q3 FY '22 Earnings Conference Call
January 17, 2022

Moderator: Good Day and Welcome to the Q3 FY '22 earnings conference call of Onward Technologies Limited. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. At this time, I would like to hand over the conference to Mr. Anuj Sonpal, CEO of Valorem Advisors. Thank you and over to you, Sir.

Anuj Sonpal: Thank you. Good Afternoon everyone and a very warm Welcome to you all. Firstly to start, let me start by wishing everybody a very Happy New Year and I hope that everybody is safe and well. As you know, my name is Anuj Sonpal from Valorem Advisors. We are presently the investor relations of Onward Technologies Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings conference call for the third quarter of Financial Year 2022. Before we begin, let me mention a short cautionary statement as mandatory. Some of the statements made in today's earnings conference call maybe forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on Management's beliefs as well assumptions made by and information currently available to Management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings conference is purely to educate and bring awareness about the company's fundamental business and financial quarter under review. Now, let me introduce you to the Management participating with us on today's earnings call. We have with us firstly Mr. Jigar H. Mehta, Managing Director; and Mr. Devanand Ramandasani, Chief Financial Officer. Without any further delay, I request Mr. Jigar Mehta to give his opening remarks. Thank you and over to you, Sir.

Jigar Mehta: Thanks Anuj, Good Afternoon everybody. It is a pleasure to Welcome you all to the earnings conference call for the third quarter of FY '22. Firstly, I hope you are all keeping safe and well and I would like to wish you all a very Happy New Year. Before we begin the earnings highlights, let me start by giving some background about Onward Technologies for the benefit of the new participants joining us today. Onward Technologies is basically focused on two industry verticals, which is transportation and mobility which includes automotive and rail transportation and second is industrial equipment and heavy machinery. There are two new

verticals that we are focusing on investing, which is healthcare and hi-tech. In these existing verticals, which contributes today more than 70% of our revenues, we provide services in four lines of business, so one is digital engineering, second is embedded electronics, third is mechanical engineering and fourth is enterprise IT. The company has now grown to 2481 full-time experienced employees that are operating from multiple offices and client locations across India and North America and Europe. We are headquartered in Mumbai right here at Worli and with sales offices in Chicago, Detroit, Cleveland, London, Frankfurt, and North Toronto. Our offshore design centers are based out of Poona, Chennai, and now Bangalore. As we speak, later this evening, we are opening our new center in Hyderabad and are very excited about that.

Our engineers and technology consultants across multiple domains and are strategic alliance with a large enterprise of OEMs to help in providing comprehensive range of end-to-end services in the digital engineering space. We have a proven expertise in delivering mechanical engineering and digital transformation services to global 2000 organizations. We have a very young and dynamic team with our work of excellence supported by experienced Management and a very strong Board of Directors.

Over the last few years, we have been consciously transforming our service offerings from low margin traditional IT services in the domestic market to high margin, hi-tech services in both the engineering research and development, ER&D, and digital transformation services. The company's clear future growth strategy is to enter into with our existing global 2000 customers by investing in people and enhancing its capabilities and contouring deeply towards the complex hi-tech digital transformation. We have had consistent track record of giving dividends for last six years in a row and are committed in growing shareholder returns. Through our transformation journey over the last few years, we have been able to generate robust cash flows and are continue to be debt free.

Now coming to the quarter under review Q3 of the last 90 days, I am pleased to inform you that we delivered around 34% year-on-year annual revenue growth, which is better than we had guided earlier. The Q3 financial performance is a testament of our hard work and commitment to perform and deliver for all our stakeholders. Growth in revenue has been driven mainly by our increased outsourcing by all our top clients. We have added three new strategic customers during the quarter. Strategic customer, we define as customer which has potential to outsource minimum \$10 million of revenue to one single supplier. Out of the three new strategic customers that we have added, one was one of the largest automotive European companies. We have also successfully finally launched our much anticipated electronics and embedded lab, it was delayed due to the pandemic but we are very proud and happy that we have launched that in Poona with a team of 50 engineers last quarter, it happened in the month of the November. These engineers are put on an intense training program, go through an internal SME subject by an experts and external trainers, which are for our large OEM customers. They will start generating revenue in a conservative manner approximately nine

months from now. We have also concluded the transaction to purchase the office premise from one of the funds in Pune which is spread across 26,000 square feet. This is the second office that we have purchased in the last 12 months. We have also added about 210 employees across offices taking the global head count as I mentioned earlier to 2481 employees, and lastly, the company has also awarded Dun & Bradstreet Award for business excellence under the SME category. As we continue to witness strong demand with existing and new clients, we are rapidly expanding our capabilities across geographies and we are confident that 2022 is going to be very exciting year. We see a huge opportunity in front of us for both our existing clients and new client acquisition and I look forward to discussing further with you over the call. Now, I hand over the call to our CFO, Mr. Devanand to give you the financial highlights. Dev, over to you.

Devanand Ramandasani: Thank you, Jigar. Good Afternoon everyone and wish you Happy New Year 2022 and hope everyone is safe and healthy. Let me take you through the financial quarter and the YTD financial performance of the company on consolidated basis. For the third quarter of this financial year, the operating income was 77.3 crores, which was increase of approximate 34% year-on-year basis. EBITDA of this quarter is 9.7 crores and net profit after the tax is approximate 5 crores which was significantly up on year-on-year basis as well. The operating income for the nine months ended Financial Year 2020 was approximate 220 crores, which was increased approximately 26% on year-on-year basis. The EBITDA reported was Rs. 59.1 crores and the net profit after tax reported is 20.5 crores. This was an exceptional year and exceptional item in Q3, which is called one of the grant in the form of ERC received from the US entity which is 4.8 crores which is netted off in the employee expenses in this current quarter.

With this, we open the floor for question and answer. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. We take the first question from the line of Ujwal Kumar from Green Portfolio. Please go ahead.

Ujwal Kumar: Jigar, great performance, I have two questions, one question is on the billing rate. I can see most of your revenues as time and material, so just wanted to understand, I think as per my calculation the billing rate is somewhere close to about \$10 per hour, but if you can talk about the billing rate and how we are looking because the more complex the service, the more is the billing rate, so just trying to understand how we are looking at the growth in billing rates going forward? Second question is that the proportion of time and material itself, which has been about 74% to 76% over the last I think since FY '19 or so, so how do you see that improving going forward or is that going to remain the same in the near term as well?

Jigar Mehta: Hello. Onward Tech has two revenue models, which is time and material (T&M) and Fixed Price. Last quarter, we had about 74%-76% of our revenue from T&M and going forward, we believe

that will go up on annual basis. Majority of our OEM & Tier 1 customers prefer T&M model and we are seeing more RFQs in this model currently.

Ujwal Kumar: Understood, could you just quantify it from what it is today and what we can expect in let us say two-three years' time, and also if you can compare it with peers like KPIT and Tata Elxsi?

Jigar Mehta: I do not know what these other companies do, so we are at about 76% as of today for the first nine months and we believe we will move more towards 80%-85% going forward, it is more and more of our projects that we are winning from new clients is on the T&M side.

Ujwal Kumar: On the digital front we see more and more of your revenues are coming from the digital, so do you see higher rates on the digital side, is that something that you are seeing quarter-on-quarter?

Jigar Mehta: Absolutely, so Ujwal we have two business units, International Business Unit, which includes USA, Europe and Canada that is currently at about average I believe about \$22 an hour and then we have our India business unit, which is approximately a bit lower than the \$10 an hour rate. We believe all those rates will move up as we pivot the company towards digital transformation.

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

Hassan: I would like to understand what is the lock-in period?

Jigar Mehta: Sorry, can you clarify that.

Hassan: I see that there are some shares held in the lock-in period, can you take them to extend them, I am a bit new to this?

Devanand Ramandasani: You are talking about the investment that is made by the Convergent Finance?

Hassan: Yes.

Devanand Ramandasani: There are lock-in period as per the SEBI is defined is the one year from the post investment, but there are the strategic investors. They are seeing the long-term value in the organization, so they will stick basis on the internal parameters, but so far we understand they will associate with the long term.

Hassan: Jigar I have a question for you, is our model mostly on the outsourcing or our long-term focus is to develop our internal teams and to get projects directly from OEMs and other customers?

Jigar Mehta: We work only directly with the OEMs and Tier-1s, so we do not work through any middle company or agents or brokers, so all our engagements are directly with the end customer. I

earlier spoke about becoming a preferred supplier to a large automotive OEM. This is probably after three to four years of effort, pilot projects, case studies, site visits, workshops and talking to our engineers, and we finally got selected last quarter. Obviously, those are delayed because of the pandemic, but that is what it is and Onward Tech will continue focusing on the direct business model. Our vision is as to become a value added partner and supplier to the largest OEM companies in our focused industry verticals. With new investments in Digital, Cloud, etc. we have an opportunity to service our existing clientele and thereby increasing our wallet share of customers outsourcing budget. We were only playing on the mechanical engineering side till about an 18 months back, then we entered embedded electronics and now are building capabilities on the digital side, so we hope in the next few quarters, we will have 10 customers, which we potentially have an exit run rate of revenues of \$10 million per year, which takes us to our spoken ambition goal of \$100 million of revenue.

Hassan: Any margin guidance for the year?

Jigar Mehta: I believe margin will be outcome of the work that we do for our customers. The rates everyone gets in the outcome of the RFQ and/ or auction process which is very competitive. Currently our focus is to invest in new capability and capacity in new age Digital technologies and build the sales organization outside India. Once we have that in maturity stage, we should be able to deliver strong margins.

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

Nishid Shah: Congratulations on a good set of numbers Jigar and thanks for taking my question. Can you give a roadmap on these headcounts and let me elaborate why I need this, because you see as you rightly said 18 months back, you guys were focusing more on the mechanical engineering side, now you are doing more on mobility, digital, embedded etc., but when you look at the competitive landscape, you have Tata Elxsi at 8500 plus people, you have KPIT again around 10,000 plus 15,000-16,000 people in L&T Technologies significantly higher number, I think there is a lot of catch up to do so 500 people on 2480 people today, so in a year how many you think you would want to add and when do you see yourself at 5000 plus people in your team?

Jigar Mehta: Hello. We are on track to deliver 20% plus if not higher growth this financial year, which is, FY '21-22 and we believe we have a very good shot based on the sales funnel and the opportunity we have that we will outperform those numbers next financial year. My team is focusing on delivering that today, and for that we will need to add lot of talent. For example, if we have to grow, we will add about net 300 to 400 people next year from a pure lateral hiring perspective, but what we are trying to do now is to build the additional capacity and capability for the new age technologies especially on the mobility side, on the cloud side and that can actually help us accelerate where our current 2500 people can become 5000 people in the next few years.

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

Krish Kothari: I wanted to ask about your healthcare vertical, could you explain what exactly you guys do in that vertical and what sort of expertise you bring to clients?

Jigar Mehta: We are currently providing mechanical, digital engineering & data science services to our clients. We are seeing lot of requirements from customers in these areas including Cloud, DevOps & visualization. Our new Centers of Excellence (CoE)'s are focused on these technologies and domains, which will help us accelerate our growth in the industry.

Krish Kothari: I actually have another question related to the sort of ideology that you have in terms of concentrating more on existing client versus trying to hunt for new clients, I have seen your presentation that you want to go to about 70% in place of 10 customers, now I just want to understand why it is that you believe that is, basically what I am asking is why you believe mining your existing clients is a far superior process than hunting for new ones and I ask this in the context of the fact that you now have two new verticals that you guys obviously going to scale, I mean despite scaling those two new verticals, you still believe that you can have such a high concentration in your existing the top 10 clients?

Jigar Mehta: Absolutely, two different questions, let me just simplify a bit. The existing clients that we have mentioned and that we serve today are customers which are the biggest companies, the biggest brands in their respective segment, so each of these companies we are talking about has revenues of \$20 to \$100 billion. They are outsourcing budget roughly a billion dollars plus. What Onward has done traditionally when we were in the mechanical space, we did small, small projects, very successfully, very complex projects very successfully and then we would go out. Now, what we are doing is setting up Centers of Excellence, setting up offshore designs centers for these customers and that gives us the sustainable recurring revenues year-on-year with our existing customers, so the opportunity was always there but Onward was not ready to invest. We were not committed to invest on the electronic side earlier. Now, we have the expertise, customer confidence and financial strength to do that which will deliver double digit growth.

Now, just to add to the other point, when you talk about new customers, that is also our focus. We are winning new customers (Global 2000 companies) faster than we ever had before. Our starting point of the engagement is much larger in terms of value of the deal because we are starting off on the digital side or on the cloud side or on the embedded electronic side. This is still early for us post the lockdowns, though we believe new client engagement will become an important growth driver.

Krish Kothari: Just one quick question I have with your revenue, what percentage of your revenue do you get in non-INR?

Devanand Ramandasani: If you see our presentation is also capturing this, my India contribute 53% of revenue which is of total revenue which is INR revenue.

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

V.P. Rajesh: Thanks for the opportunity and congratulations Jigar for a good set of numbers. Just on the revenue mix from the IT services I think this quarter we were still around 20%-21%, so where do you see that percentage going down to in the next two-three years?

Jigar Mehta: Correct Rajesh, the overall % of our IT business as compared to overall business will go down in terms of percentage as our focus shifts to Digital. Cloud and other new age technologies.

V.P. Rajesh: Since you have about 800 employees in that segment and that seems to be constant for the last few quarters and that is what I am trying to understand, if there is some long term project there because the underlying assumption is that a low-margin business, so given the number of employees and sort of remaining constant over the last two-three quarters, I was trying to understand when we will we see sort of that low margin business going away?

Jigar Mehta: On the headcount side, you are spot on. There is no low margin business now. We have good long term client contracts in India on the traditional application support business and that will continue.

V.P. Rajesh: When you say the margin from the IT services is in double digits or is it in mid-single digit even if you set that?

Jigar Mehta: In double digits yes.

V.P. Rajesh: The growth obviously has been quite good, do you want to call out any customer wins this quarter that add to your strategic accounts that you have been talking about in the last few quarters?

Jigar Mehta: We are trying to avoid giving customer names.

V.P. Rajesh: What is the deal activity with your core customers, has the RFP frequency has gone up and what is our win rate in this RFP if you can just a commentary on that?

Jigar Mehta: There is tremendous end growth at most of our customers & overall RFQ have increased. We see our customers hiring aggressively and in parallel outsourcing much more than they had internally budgeted. For example, all the captive centers in India are growing aggressively and number of RFQs for digital, electronics, ev's are the highest I have seen in my career. We are still playing catch up on creating ready, trained capacity and are gearing up for that.

V.P. Rajesh: That is wonderful. Just one question for Devanand, if you look at your consolidated financials, there is a figure of 2.89 which is sort of one-time payment that is received from 2.89 Crs in the US which is adjusted in employee's expense, so is that the only one-time fee in the quarterly numbers or is there something else as well?

Devanand Ramandasani: In this quarter, there is a one-time of income which is netted off for the employee expenses and which is from the US Government current office.

V.P. Rajesh: This 2.89 crores right, is that the Indian one?

Devanand Ramandasani: 4.8 crs

Moderator: Thank you. The next question is from the line of Kaushal Kedia from Blue Water Investments. Please go ahead.

Kaushal Kedia: Just couple of questions, firstly we have seen a substantial uptick in the revenues in Q3 and in Q2 you mentioned that the substantial uptick will be because of billing of new deals and new clients, so has it been successfully captured in revenue?

Jigar Mehta: I did not understand the question, sorry.

Kaushal Kedia: I am saying in Q2 you would mention that there will be a substantial uptick in the billing from new deals and clients, has that been fully captured in Q3?

Jigar Mehta: Yes, majority from existing clients and some contribution from new clients we signed earlier this year.

Kaushal Kedia: Second is that we have grown 6% on QOQ basis, even big companies like HCL and Infosys have done that, so just wanted to know your thoughts on this?

Jigar Mehta: We have done it for the first time, so we are very proud of delivering the numbers and making it a habit. We have just turned around this entire business post becoming Debt free end of 2019. We believe we have a high quality team in place backed by customers confidence to grow faster. In this new hybrid and WFH mode, we are learning new ways to improve our execution engine and start firing on all cylinders.

Kaushal Kedia: Any updates on the M&A side considering you have good cash sitting on your balance sheet?

Jigar Mehta: We are actively looking, we have been evaluating few opportunities.

Kaushal Kedia: This growth that we are seeing of 33% of year-on-year, this is sustainable right?

Jigar Mehta: I do not know what the question means, is it sustainable, yes, we are only doing sustainable revenue which is T&M base, there is no one time revenue here.

Kaushal Kedia: Tell me one thing, you all have recruited very aggressively in the last quarter or so, so can you give me a breakup of what is the cost of employees that have not generated any revenue in this quarter?

Devanand Ramandasani: I do not have readily number with me, but we will share across with you.

Kaushal Kedia: No that number, what I want to know is the recruitment that you have done aggressively what is the cost of those employees that have not generated any revenue?

Devanand Ramandasani: I understand what you are saying that those employees who have joined in between, but their revenue yet to become their cost has been noted over here?

Kaushal Kedia: Yes.

Devanand Ramandasani: Readily I do not have, but I can provide you.

Kaushal Kedia: But those employees who would have joined in the last quarter have not generated any revenues are captured in the employee cost right?

Devanand Ramandasani: Yes, you are correct, we are maintaining the books of account basis on accrual. Those employees who has date of joining prior to December 31st all the cost has been captured and accounted.

Kaushal Kedia: Is it possible to at least tell me a percentage of such employee cost?

Devanand Ramandasani: Honestly, I do not want to give a vague answer but I will calculate and provide to you through our IRS.

Kaushal Kedia: One more thing is that the revenue that you generated and the growth that you have showed is pretty recurring in nature, right?

Jigar Mehta: Yes.

Kaushal Kedia: My final question, so if I were to compare you with to KPIT at least in the auto segment, can you just tell me what kind of work you do or at least highlight the kind of work that you would like especially example in auto designing and prototyping and all is fine but other than that for the Eves the kind of software that is being built and being integrated in the vehicle something on that front?

Jigar Mehta: I personally don't have lot of knowledge what this company does as don't necessarily compete with them on any of customer contracts and/ or RFQs. We end up competing with them for the same talent with automotive domain experience in all the 4 LOBs ...enterprise IT, digital, electronics and mechanical. Our end customers today are the same from Michigan to Germany to Pune. On the larger picture, the outsourcing opportunity from Automotive and Mobility OEMs is so large that there is sufficient room for everyone to grow. The barriers to entry are very high and usually takes a very long time to win the OEM customer confidence. Our focus today is to improve our execution skills both in lateral hiring to attract top talent and in the Get programs to attract the best young minds to join us that can be trained to be customer project ready.

Kaushal Kedia: I had spoken to Devanand actually sometime back where we mentioned that this time 18 RFPs continuously this was like two-three months, so all these RFPs have started generating revenue, they have been captured in this quarter revenue?

Jigar Mehta: Yes, we captured that earlier, majority of the growth is from existing clients. The biggest opportunity and challenge for us is we are continuously doing lateral hiring from the market to meet the requirement from new customers. Today, we are barely able to meet the demand after even ramping up to 60 recruiters, I think we need to take this team to 120 recruiters. We see that much demand. We realize that is not a sustainable business model, constantly hiring into the market and deploying at the client site, hence we are now focusing on building our own capabilities in-house, which is much more long-term, sustaining & scalable business model.

Moderator: Thank you. The next question is from the line of Anmol Grover from Albatross Capital. Please go ahead.

Anmol Grover: Congratulations on a good set of numbers, I just have one question on the sales funnel, I have been asking this since the previous quarter as well. You said that you will share this by next quarter, so can you share it now?

Devanand Ramandasani: Anmol as I mentioned you that we are in the verge of closing of the financial year as well as we are setting up the next year restructuring and everything, so hopefully in coming quarter we will be able to finalize the order book and how it will make, we will share this.

Anmol Grover: Okay, can you share anything as to how the deal pipeline has been over the previous quarter just to give some color on it?

Devanand Ramandasani: I do not want to be able to share you the number, but pipeline wise if you see the numbers are representation of the deal pipeline which we have which is stronger than the quarter-on-

quarter basis and traction with the existing customer and mining of the existing customer is helping us to increase the deal size as well, so as on date I can comment only this is a healthy situation and the numbers are growing on day-on-day basis.

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

Shriram: Jigar and Dev and Onward team a wonderful performance and many congratulations. Just a few questions for my own clarity, what services do you categorize as digital and ER&D, so you called out cloud migration, DevOps, full stack developers etc. goes into digital. Are there any other services other than this that you call as digital and this is the traditional mechanical services you call ER&D in the way you classify revenue?

Jigar Mehta: Good Evening, on the digital side everything that you mentioned plus data science, data analytics and the ER&D side, now includes both mechanical & embedded electronics engineering.

Shriram: When you say embedded auto electronics, so there is a lot of work clearly happening in the electric vehicle side, so you are going to play a part in the power electronics part or it is just these on the chips or the middle where the controls chips which area we will be operating in?

Jigar Mehta: As of now we are seeing opportunities in all the areas, but again as I clarified earlier, we are playing at such a small scale which is all lateral hiring right now, so unless we start building inhouse capabilities, in each of these areas where at least we have hundreds of SMEs in each area, it is very hard to say that which is the area that Onward is going to really play at, but these are all the areas that we are seeing massive opportunity.

Shriram: Few quick questions, you already kind of responded, but still as an investor, so your EBITDA of 12% you have been always referring to a double digit EBITDA that you would eventually start delivering and I think started showing up in Q3, can we assume this kind of operating margins would continue into Q4 and next year as well, similar to 15%-17% ranges?

Jigar Mehta: Shriram again from my perspective, my focus continues to be on growing the company. EBITDA is definitely a focus area but I think it is more of outcome of the work that we do. I personally feel that Onward needs to accelerate and that is the conversation I have been having with my Board and our entire leadership team is how do we accelerate in terms of building capacity and capability right now. We are sitting on lot of cash, we see huge opportunity in the market and I think it is growing for us more and more both from our existing customers and the new client references that we are getting. We have just set up seven offices globally. There we are trying to staff with local sales people, build grounds up Shared Services & execution teams to deliver, etc.. So in summary from operational EBITDA perspective, answer is yes. We will see as always playing at where the industry is, but we are investing substantial portion of that margins that

we make and the cash that we have into the growth for the future, so we can get to \$100 million much faster.

Shriram: A very sensible thing to do, I was referring to the operational part only so I think you answered that, thanks Jigar. The sequential growth of 6% is terrific given that so let us set aside the margins, can we assume these kind of sequential growth going forward as well, 6% to 10%?

Jigar Mehta: There is clearly an opportunity, the opportunity is much, much bigger than that as well. For us it is more about getting the whole engine running, which is where my entire focus is going right now especially in Europe and US.

Shriram: You had referred to some, you said you will guide us on your focus on EV, do I assume that these 500 resources that you plan to ramp up in the next 12 months is that the one you were referring to in the last call?

Jigar Mehta: No, not that. This is 500 is still at the digital cloud and the embedded electronics side and it is not 12 months, it is actually in the next three months. We were just waiting for all the offices to get operational. We have already signed the office leases, started making the offers, infrastructure is already in place, trainers are in place, it is all about just making sure the third wave passes so we can get back to normal life. The entry into building capabilities in EV industry is the next part and we are playing catchup. We hope to pick up the thread soon.

Shriram: Perhaps you would venture into this next financial year?

Jigar Mehta: Yes, we have to if we want to be relevant to our customers.

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

Krish Kothari: Just a couple of more questions, the first is on so I just want to get a better sense of how you and the team allocate your time. I understand that there is always the sort of temptation move into the new fields and new sort of related areas, but I just want to understand that what makes you confident that as you expand your service offering either you are offering or to a new vertical, what makes you confident that you do not lose focus on what you already have and what you already do?

Jigar Mehta: Great question. how to not lose focus ? From the customer perspective, the kind of OEM customers that we serve, I do not think we have any room for us to look left to right. We have worked very hard to now finally get our feet on the table and become a supplier to some of the biggest and most respected brands in the world. The current workload, the opportunity, the post pandemic demand from these customers is so high like we are not even scratching the surface right now. We love where we are here and are only focused on getting better.

Where we are spending lot of time and resources is building our presence in USA and Europe. We are starting from scratch and building new offices, field teams and capabilities to meet the current client requirement. This is all very new to us & we are learning everyday. I hope to see this model matured in the next few quarters.

Krish Kothari: My next question is actually on the PE investment that you guys got, obviously there is a cash component which is very valuable, what I am trying to understand is your thought process behind doing that deal, other than the cash what is it that you hope to your PE partners will bring to the table and I know it is early days, but to what extent do you see that playing out?

Jigar Mehta: So we have discussed this before. Our goal was to bring the right strategic and financial partner on board who has built and scaled multiple companies. Onward Tech become debt free in Nov 2019 after years of hard work and being focused on positive cashflow busienss in all directions. This compromised our topline growth and ability to invest in new technologies. After multiple discussions with my father, our board, other friends who have worked with PE companies , everyone recommended this model. I was introduced to Harsha from Covergent Finance in the middle of lockdown and after few weeks of discussion, we were both excited to make this happen. So far, it has been a dream to work with him and his team in terms of overall strategy, quick decision making, investments in building inhouse capacities, building grounds up our M&A strategy and getting introduced to their powerful global network, which would become our future customers & partners. It is still early days, though I believe this only gets better as we work on everyone's strengths to build a strong brand.

Krish Kothari: It seems clear from what you are saying that you do not see too many issues on the demand side of things, but what I am trying to understand is what are the constraints we are facing may be on the supply side, for example, are you having an issue with hiring either the quality or quantity of engineers that you want or anything else that you have seen as a constraint?

Jigar Mehta: Huge constraints, talent is the biggest constraint that we have today, otherwise we could grow, we could double up every quarter, it is that big an opportunity and that is what I think will be for me or any young company of our size today out there. The kind of contracts and visibility that we have, the RFPs that are in front of us which we are not able to quote for lack of bench, etc. Just from areas that Onward Tech team is good at, I am not even talking about new areas like EV. We have such a huge opportunity but the constraint of talent is the war we are all in midst of today. We are doing lot of lateral hires at all levels today including larger number of Vice Presidents and future leaders. We have opened multiple new offices in Amsterdam, Toronto, Bangalore and now Hyderabad, it sounds crazy though all are remote hires. We miss the ability to travel, have offsites, strategy and training sessions and I hope to get back to that soon.

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

- V.P. Rajesh:** One follow-up question is on the attrition, if you can comment what you have seen especially for the lateral hire that you have done over the last few quarters, some sense of how many are still around etc. because we are talking about the culture, I would think that **(Inaudible)** assimilated into the Onward culture and probably some had less so if you can just give some commentary on that?
- Jigar Mehta:** Attrition is always a concern for us. Losing trained personnel and good engineers with deep customer process or product knowledge is always painful. Though for a young company like us, not much has changed in 2021 compared to 3-4 years ago, where you become the training ground for larger companies. With a strong performance in 2021, what we see happening is lot of our old employees are coming back, we rolled out our bet increments and are ESOP scheme is getting more popular every day now. These are big attractions for the best talent who want to join young companies like us with potential to make an impact.
- V.P. Rajesh:** That is why I was asking about the lateral hire specifically, especially the ones which are highly paid because that is where you have sort of making an upfront investment and whether they are excited and sticking around and going with all that?
- Jigar Mehta:** We have hired some good quality people. They go through a very rigorous interview process and most of them are settling down well and getting integrated in our team and culture. At senior level, we are seeing productivity only after 6-9 months and acceleration (due to remote working) in 15-18 months of getting hired. Attrition will always be there and part of life of young companies. On the Sales side, the goal is to hire 20+ and even if 6 of them can meet the performance parameters we will be able to deliver our growth commitment.
- Moderator:** Ladies and Gentlemen, this was the last question today. I would now like to hand the conference over to Mr. Jigar Mehta for closing comments.
- Jigar Mehta:** Thank you all again for participating and joining us today in our earnings call. I hope we were able to answer your questions satisfactorily. If you have any further questions or would like to know more about the company, please feel free to reach out to our investor relations managers at Valorem Advisors and thank you again, stay safe and healthy and I look forward to seeing you all soon. Thank you.
- Devanand Ramandasani:** Thank you all participants for joining this call.
- 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.