“AXISCADES Engineering Technologies Analyst Meet”

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Moderator: Good afternoon everybody and welcome to the AXISCADES Engineering Technologies Analyst Meet. If I could introduce the members of the management on the panel, Mr. Valmeeka Nathan who is the CEO and Director, Val is a 30-year veteran in engineering services. He has been a member of the Management Council at Infosys as VP & Global Head for Product Lifecycle and Engineering Solutions. While at Infosys he transformed the Engineering Services Portfolio to be the most influential and differentiating practice and tripling profits in the fastest turnaround in the industry. Second the CFO, Mr. Kaushik Sarkar, he has over 20 years of experience in driving operational efficiencies. His earlier role was Senior Director, Finance at Adobe Systems India where he was responsible for growing the India Operations and driving profitability for the global print and publishing business. We then have Mr. Srinivas Pulikam who is Senior VP – Heavy Engineering, Automotive, and Industrial Products. He has over 20 years of experience in large IT and ITES organizations. He was earlier working with Tech Mahindra. Srini has extensive experience in setting up and scaling new businesses, automotive and industrial practices; In addition to initiatives and operations for number of industry verticals. Lastly, we have Mantha Venkataramana – Senior VP, Aero. He has over 27 years of experience in Aerospace and Engineering domain. He successfully completed many system engineering projects and one of them is running an Offshore Development Center with a team size of over 400 engineers for more than 3 years. We start with presentations from all 4 members of the management after which we will have Q&As. I would now like to handover to Val to start.

S Valmeeka Nathan: Hello everybody, warm welcome, and thanks for your interest in the company and opportunity to interact with you. My name is Valmeeki. As introduced, I head the organization as a CEO and Executive Director. I joined the organization about a little over a year ago and prior to that I was part of the larger Infosys Organization. I moved into Infosys close to 10 years back. That has been my exposure in the last 10 years with the services industry.. So this is an opportunity for all of us to create an enormous change.

Axis and CADES got merged almost a little over a year ago. Axis had predominant exposure to Heavy Engineering and US geography, having its own growth trajectory. Cades exposure was mainly to the Aerospace and Automotive verticals; predominantly in the European geography. It had its own core models, good markets, competency, and client engagement. A year ago we integrated these 2 organization, This is the first quarter post integration year. In the interim, a lot of things have happened, a lot of changes have been brought in. Like any change, it is an interesting opportunity to improve our good things, and look at what is not working and keep improving to change it and further enhance the operations. So what is important for us to understand is as you merge, there is an opportunity for us to leverage the best practices. I am a firm believer that operational efficiency has to be context dependent. What does it mean? Throughout the life of our organization - especially in this current economic environment, you do not have luxury. So operational efficiency has to be the core or the hygiene or the DNA of the organization. So when we integrated the 2 entities, we started putting in together the operational metrics or drivers, along with continuous improvement initiatives. That is very important because that is the bedrock. As you grow, we cannot afford to compromise efficiency. You may have seen in the industry, when there is bull run, all the efficiency focus is thrown in the air and eventually when the markets comes down, you start scrambling for efficiency improvement. But if you bring that as a DNA of the organization, both the clients and stakeholders start experiencing you as a value provider. So leveraging this to organization strength and driving operational efficiency is and will continue to be our focus.

In addition to the above, we are driving the complementary geography or complementary industry focus, and leveraging their best practices to scale up. Eventually engineering is engineering. It has nothing to do with industry specifics because fundamentally all of our customers look for good, smart engineers who are willing to go that extra mile to question the assumptions, question the inefficiencies, and continue to improve. So as long as you are able to achieve that and leverage the best practice from different industries, that is of great value to the customer. There is automotive, aerospace, or heavy engineering, or medical electronics, or retail apparel or whichever product sector you take, they worked in their own silos till recently - when technology kind of disrupted the whole model. So there existed a lot of inefficiencies in the client organization because they have been doing the same thing for 30, 40, 50, 70 years and with very little competition, very little people attrition - this essentially means there are a lot of inefficiencies. If I were part of large organization in the traditional space, I would spend anything between 20-40 years in the same company, what does it mean? I am not going to improve because I know the knowledge is in my head, I know this is the organization, there are these practices, there is nothing to be documented, even if it is documented I know how to execute it. There is no necessity for me to transfer the knowledge which essentially means there is no baselining of knowledge improvement. So there is a huge improvement opportunity in the product economy or in the product sector, leveraging the technology and the best practice from other industries and adjoining industries or the competing industries. We know whether it is an automotive sector or the aerospace sector; or two companies competing, all of them manufacture similar functioning product. But the way they go about engineering their product is completely different. They leverage the same raw materials, they leverage the same engineering ecosystem but they deliver different products and each having their own competitive advantage and they go through their own cycles. So the important thing to understand here when I talk about integrating these two organizations – Axis and CADES is, how we put together its raw materials, i.e. Competency, engineer's market opportunities, and our own recipe of good leadership in our organization, delivering what a customer needs as different from what customer wants.

Typically in the IT sector, we have seen in the last 20 years, technology was the only differentiator. We would quickly ramp up our engineer’s technology capability and throw them over to the customer project. Customer would say “okay, you are smart guy, you understand the technology, I have this business need, can you do this scope”. End of story. He would probably walk you down the program, expect you to deliver it. So the ramp up time, the domain knowledge, the differentiation is not much since the learning ability of our engineers is pretty fast. So, essentially there is no need for a domain knowledge.

But Engineering is different. Engineering is radically different because it is core to business and hence as an example you cannot just become an Airbus in 20 years, You cannot build an aircraft, you cannot be an automotive company without a pedigree. There is huge barrier to entry to build any product engineering organization and provide engineering services to them.

So while we say there is a domain knowledge requirement, it is not rocket science. It is the need to do things differently. So that is the philosophy behind which I am trying to drive this organization, I have experienced in my previous organization how to bring enormous value for the customer; we should not go by the traditional operational metric; because traditional metric is all about how do I quickly service what my customer's wants as different from the needs.

As a customer I have a need, I will convert that need to a want and ask for the vendor to give me the kind of engineering profiles / capabilities. But when the economy is not doing very well for the customer, the same customers are saying that they have no idea what are their new programs, and hence request us to co-create, and help them improve their spend effectiveness in this product program. So we need to be a partner in this new context. So how do I build my organization how do I create my leadership to challenge customers wants and service their unmet needs? Unmet needs is very important because that is where money is, that is where the growth is.

In the subsequent slides you will get to see that this market is huge. Huge is an understatement. Couple of trillion dollars is where I would put it. Of course, if you slice in and dice it, you would get different numbers but the market is huge, the head room for growth is huge. Inefficiency is phenomenal, and hence an opportunity.

So when you talk about integrating the two companies, we are trying to leverage the best practices from multiple industries, multiple geographies, and multiple competencies. And create an integrated and consistent organizations. So that the customer experience is consistent and our go-to-market conversation is consistent and different from IT.

I assume quite a number of you or almost all of you would be tracking and probably comparing this sector with the IT sector. As part of NASSCOM Executive Council on the engineering space, I keep driving this message that engineering is different - not because we want to be different but that is core to our customer business. When it is core to customer business, the challenges are very different and client conversations are different. It is not driven by annual spend, because product programs are not on an annual spend. When you have an annual spend, spend is predictable, then to improve, you bucketize all the spend and target 15%-20% reduction on spend and increase the effectiveness. In product program, It is not just that because the spend is not consistent.

In product program it is about bringing enormous value in the product co-creation. Product co-creation is a very diverse topic because it is no longer within the four walls of the company, it is an ecosystem. For example aircrafts OEM's have many suppliers in the ecosystem. So we are talking about not just working within the four walls of the company but working with each and every stakeholder in the supply chain and the ecosystem and continue to improve. When you start fixing one area, the other one shows up. So having an eye for detail, having the eye for improvement, having an eye for continuous value creation is what our organization, is all about, and in that journey you will see many evidences.

Engineering if you have done it yesterday, you should do it far better again. That is basics of Engineering. So a continuous improvement has to be in the hygiene of the organization. What is continuous improvement? It means you need to be able to track every activity of yours and continuously improve, look at the best practices. So that is where the leveraging comes in, what have we done in the previous relationships, and how can we leverage? This also means all my stakeholders continue to be passionate about it because there is growth opportunity for everybody. Eventually whether it is my customer or my own team, they need growth. If I am able to integrate two companies and create a much larger canvas for each one of them from a growth point of view, from a revenue momentum point of view, efficiency improvement point of view, it is a win-win for everybody and that is what the customer is looking for. Believe me customer is not looking for, my engineers to duplicate what his engineers are doing No, naturally not because if they have been doing it for 40 years, they have a way of doing it. I am sure you understand the parallels here.

The most important aspect about improvement, is look at the assumptions. So I continue to question my assumptions and keep improving. So when my competence or my engineer's competence or organizations competence is being evaluated, it is very clearly against a customer's engineering organization. But eventually it is not the competence, it is an attitude towards delivering outcomes. Eventually that is what the value is all about. In line with this we encourage a questioning behavior. So when we started integrating these two companies, naturally we looked at our vision and taglines. This is very important as it reflects our behavior, our attitude, and the way we govern ourselves. It is about acknowledging the fact the market is getting complex, the cycle times are reducing, the barrier to different industries are disappearing, everybody is competing with the other person etc.. So how do I create an organization? What kind of elements do I bring into this organization which will deliver leadership, required for this transformation? It is not just about chasing the volume of growth. It is not about headcount growth, it is about quality of growth; it is about creating a richness of relationship; it is about creating richness in terms of partnership. In the new engineering era, we take joint ownership to the outcomes; it is about creating customer delight. The customer may not understand the technology and the advantages they can leverage with its use. That is the gap our organization plugs and creates value.

So with this philosophy, we want our customers to experience AXISCADES as an organization which provides inspired solutions. A problem needs a solution.. A problem could be stated or unstated; and the problem needs inspired solutions as it needs to be innovative, it needs to be technologically advanced, and it should be superior. It should be efficient inspired solution and it has to be by design. There has to be a rigor, and a deliberate approach. The organization, the leadership, the team, the competence building has to be very different. This is not about putting the engineers through some crash courses of what is aerospace, what is aircraft structure, or what is embedded technology, or what is IOT etc... It is about Design Thinking. How do I co-create for the customer? How do I think ahead of the customer and help the customer win? That is the focus and that is what I intend to create in this organization. It is an excellent opportunity and I encourage you to get excited about the space, I encourage you to relook at many of the metrics that IT organizations have coached you. Eventually business value has to have a very different set of outcome metrics. Demand value metrics, the results will follow.

The value conversation has to be customer centric. To ensure sure we are operationally efficient. On top of it, we put another stack about growth. How do I bring in growth to this portfolio? I have efficiency, I have growth. I am now able to bring in new things and deliver scale. Once I bring in disproportionate scale, the operational model gets challenged. Once I establish scale, I need to be able to diversify because I need to de-risk from industry sector; I need to de-risk from geographic sector; I need to de-risk from the business model, I need to de-risk from various standard revenue categories. So I need to be able to diversify. Once I diversify, I have a model that is almost context independent. What is the next stage? Next stage is transformation through innovation, thought leadership and execution.

Eventually these are the four dimensions I would like to see in this organization being executed. Value is fundamental to any relationship. Nobody wants to be at low cost provider. Everyone wants to priced right. I want to monetize the value I am creating. If any of you get an opportunity to come to Bangalore, Hyderabad, or Chennai, we'd be most happy to host you to expose you to what we do.

For our stakeholders what is important when I do all these things? Of course, I am a passionate engineer, but it is business. When I do all these things, it is about delivering a predictable growth and predictable growth in the current context. Predictable growth in a spend category of one-half trillions. You would agree this, is a huge amount. It is not about India talent, it is about re-architecting the way the engineering is done in the global space. In the way the engineering is done today, it is not scalable and that is why we have challenges. So we need to provide a scalable engineering model- Globally Distributed Engineering. It is not about global delivery model, it is a distributed engineering; it is not that everything is coming to one geography. How do I create a global distributed engineering with global talent and global processes, which is the unique and leverages the best practices from across the board?

We currently service 3 verticals and this is a small subset of the multiple industries that we can target. It is aerospace, automotive, and heavy engineering organization. It also means we have not over diversified prematurely. It is important to understand that engineering is not just technology play. Engineering is about domain understanding. The challenges of each sector, customer demands of each sector are very different. Aerospace engineers are engineers working within the constraints of the aerospace engineering regulatory environments. It is very different for aerospace compared to the automotive and heavy engineering. Each one having there on life cycles. So we have taken a deliberate and a cautious approach to have robust growth in the select fields, establish long relationships; and we have built a good relationship with the top 3 industry players in each of these sectors. It is by deliberate choice. We have a long tail of small revenue customers and that also by deliberate choice. In engineering you cannot scale up rapidly, it is not something that you start with 2 people today and 200 people in the next 6 months. This is core to business and so they are going to be extremely cautious. There is a barrier to entry in this business. All engineers are smart; engagement structure is very critical in this sector. It is a deliberately cautious approach. Once this scale up happens, it will last forever. Some of our products have a lifespan of 20, 30, or 40 years. So what we do today properly and with the right relationship, will give us a long time revenue.

There is the saying, you throw peanuts, and you get monkeys. Here is an opportunity for us to create value and a completely different ecosystem. We are engineers and there is enormous business opportunity for us to create because there is enormous inefficiency in the current way the engineering is done globally. So these 3 verticals have probably you can read it, the kind of work that we do are very differentiating and compelling, and of course it can be scaled up. Once you are able to restructure or the package, is what I am doing. What can I do in automotive? Potential for us to cross leverage from one sector to the other sector is huge and that is a differentiator because customer does not understand the other sector. Interior in automotive space is a completely different ball game compared to an interior in aircraft. An interior in aircraft commercial jet is very different from interior in a business jet or a private jet. Each one is having their own engineering context. How do I deconstruct and reconstruct, to be relevant to the different sectors? How do we re-architect is very important. So some of the customers we work with are their own category leaders. We do have dedicated ODCs and these are by design very focused centers. Here we build competency and process in line with the customer's organizations and are completely aligned and completely connected with their IT systems and the security systems.

I want to make sure working with AXISCADES, customer experiences significant improvement in spend effectiveness. I want to make that very clear, it is no longer about doing the same thing at a lower price but doing it even the same price with significantly different effectiveness. They will come back to me again because working with AXISCADES, they are able to increase the spend effectiveness of the dollars. We do everything that increases stickiness with my customer relationship and the cost of growth should be lower. We have wide geographic presence. You need to be sitting next to me because that builds a trust. Once you build a trust, then you start pulling that individual further away, so that they are not micromanaged. Now that customer understands I can do it, I will do it a few hundred kilometers away from their office. I can really cluster my team and create a larger infrastructure.

Once you move to a near shore, then you have some efficiency, then you move to your offshore. We have developed and invested in 4 delivery centers in India and about 6 global delivery centers in addition to few other sales centers. We have subsidiaries as well as. We have hence invested and are looking to leverage and continuously improve our operational efficiency.

The next slide is about the evolution of our business model. Why is it important for us to share this with you? When I talk so much about value creation and to improve our customer's spend effectiveness, obviously I need to have a business model architecture in my mind. This slide reflects how we are structured, the way we run our operations and demands from our leadership. Some customer relationships are couple of decades old, some of them are couple of years old, and there are a few variants amongst them. Some customers have very aggressive demands, from day one. Some of them want to be very cautious; having a lot of internal challenges to deal with. So these customers start very slow- a few engineers onsite, and slowly nearshoring it, followed by offshoring it. Most times offshoring is still micromanaged.

The lowest level of maturity is where the service provider has very little institutional value to the customer; because it is all about individual competence delivering tasks under customer instruction. We all assemble individual competence- including our competition. We get the same raw material from the market- engineers coming from different sectors. In some cases, these engineers are thrown directly the customer. In other more mature companies engineers are hired and repackaged through investing in their training, structure their delivery model and then throw them into the customer. Taking an institutional approach to creating value which means irrespective of what raw material you get from the market, package it for superior monetization, since all of us attract the same talent. These talents obviously have aspirations. They want to be good in whatever they do. I am very keen that I work with people who have aspirations because I leverage that aspiration to create value for my customer- which makes the partnership sticky. My customer demands that I leverage competent talents and it should reflected in the business model.

How do I deliberately keep shifting the maturity of the relationship to the right, as shown in the slide? There are some ongoing conversations to this effect. My colleagues will give details of it subsequently. How do we co-create? This requires us to understand customer's business, product and product's context. Customers do not waste their bandwidth on this. It happens a lot in the technology companies with shorter lifecycle; but not in a traditional engineering space, the lifecycles are longer. They want to keep investing their in-house talent in the new products and programs. So there are challenges and opportunities. To leverage this opportunity, I need to be able to understand the market, deconstruct it, and see how I can bring a unique flavor which is of value to the customer. So the drive for me and my team members is clearly towards co-creation.

I am extremely bullish. So why do I feel so bullish? The number that you can see is a NASSCOM report - I work with NASSCOM as an Executive Council member for Engineering Services since 2005. I have been driving this message that Engineering services must be different. Engineering cannot be outsourced in the traditional way. It is partnership. So there is a huge spend. The spend in engineering is not limited to the glamorous sector of the engineering activity- typically being part of creating new product program. That is only an entry point to the lifecycle; but eventually services should be across the complete lifecycle. The lifecycles spend for the customer in the program/product lifecycle- between 2 years to 40 years, is in multiple billions of dollars. Our focus is on that 'decades of spend', because my intent is start looking at multiple spend areas in a program.

Nasscom estimates USD580 billion to be the global E-R&D spend. It does not matter how this data is arrived at; it still is huge and enormous opportunity. I would actually estimate this to be at much more, because engineering spend is not limited to specific areas. We deliberated on this extensively; with IOT and SMAC introduced to engineering, these numbers are even bigger. There is a huge headroom for growth and that's exciting part. Coupled with cost inefficiency in the customer's product ecosystem, there is an enormous opportunity for us to create value and monetize. Even with USD580 billion, USD170 billion is outsourceable. Last year, the estimate for share of India based providers, was $13~$14 billion.

We have seen and experienced through various data collection that there appears to be a shift happening from third party service provider to captives. This trend, we should see very differently. The increased business to captives could give an indication that third party providers are not growing; but his is not true. No customer wants to set up their own center if a service provider is able to deliver that value. So as long as the service provider focus on only headcount driven growth, deploying individual competencies, it will not serve our customers' business needs. Customers recognize that India has got good engineering talent. They recognize the fact that India has got engineers who have high aspirations and have potential. Also there is a huge growth in product consuming population. So some customers are setting up their India centers. I see this as a huge validation of the fact that we have opportunity for value creation and that is where the company is positioned. Few years back, a third of overall revenue would be from to captives (GICs) is becoming almost two-thirds. This USD13~14 billion industry is estimated to grow between 15%-18%. Our aspiration will certainly be better than that and we want to be better in every operational metrics. In the 3 industries we participate, our revenue share is 25%. So again for me for this company, the headroom is huge.

My only service line today is mechanical engineering related. Collectively, my leadership have experience is not limited to mechanical engineering; but extends to embedded electronics, industrial automation, PLM, knowledge-based engineering, etc. Engineering is all about integrating all these things. So we have structured ourselves, along the service lines to grow and gain market share.

I will conclude saying there is a huge headroom for us to grow and the opportunities are enormous.

I would now like to invite my colleagues to explain to you what we do in the 3 industry clusters. It will help understanding in further detail, what we do and where is the scope for growth.

Mantha Venkataramana: Thank you Val. Good afternoon ladies and gentlemen. My name is Mantha Venkataramana and I am part of Aerospace Delivery Function. I wanted to start by mentioning about the kind of a passion that Val brings into the organization. Ever since Val came on board, about 12 months back, he is driving this engineering discipline with so much of passion and as he said, he wants to continuously create value and that is what is making our organization grow continuously and some of those relationships that we enjoy are really blossoming and becoming a significantly large relationship. So I am going to be much crisper because I am going to touch a little bit on the technology of the Aerospace Engineering.

In that context, Val gave some numbers like US$580 billion of Engineering R&D spend which is up for grabs. So I have some latest numbers from Aerospace International Association Bulletin released this year or rather today that about $240 billion of backlog of aeroplane deliveries are there between Boeing and Airbus themselves about 12,000 aeroplanes in the next 8 years and why it is of importance for us as AXISCADES an organization as. I will briefly touch upon which all phases of aeroplane development we are associated with.

Typically some of you maybe knowing in aerospace parlance there is something called a prototype product development and then thereafter there is a detail design and then you go into the first article production of flight test vehicles, they call FTVs, and then thereafter it is called as serial production. Looking at AXISCADES - historically if you see CADES was formed about 10 years back with a bunch of aerospace enthusiasts from HAL, NAL, etc., so they used to work with a little bit of Indian Defense Industry like ADA and the ADEs and thereafter we started working with some of the major OEMs,. We enjoy relationships with 3 of the major OEMs in a seamless manner. When I say seamless, we ride on their networks, we directly access their PLM –PDM databases and we are empowered to do certification for some of the OEMs on behalf of their design community and we sign off those designs. So that is where we currently stand..

My life is only with the aerospace engineering, 27 years I flew planes as a part of flight test engineer with Indian Airforce and thereafter last 12 years in the corporate sector once again with the aerospace engineering.

When you talk about aerospace engineering, on the left hand side you put all kinds of like services in terms of conceptual design or primary structures, secondary structures, secondary brackets, and then in the order of importance, we talk about interior design, then you talk about electrical wiring harness installation, then plumbing and cubing, then you talk about finally the technical publications and a little bit of the avionics of software development and validation and verification. On the right hand side, you talk about the various developments of an aeroplane as I said in the prototype stage, in the detail design stage, in the production stage and in the aftersales or serial production stage, AXISCADES has been involved with all of the left hand side and the right hand side grade and encompassing the entire length and breadth of an aeroplane.

As you know, aeroplane will have a typically a fuselage, is a barrel structure, a forward aft and center fuselage, there are obviously wing box, wing structures, forward leaving edges, trailing edges, the control services, the empennage, right and all this builds the aeroplane along with as I said the interiors. If anyone in this audience stands up and say that hey guy, which of this part of the aeroplane which you have actually worked on,? I can eloquently give about a 5 minutes time on what we have done on that specific part.

As I said similarly whether it is a structural part, whether it is a systems engineering part in terms of a wiring harness installations or interior monuments design, I think we have done humongous work and as I said in the last 6 years itself, we have built ODCs for 2 OEMs and it is a long-term multi-million dollars contract and the third one we are riding on their network and working with the supply chain of this major OEM from North America. We also work with a lot of other OEMs who builds business jets and a smaller class of aeroplane who takes about 80-100 passengers etc. I am not talking about the big wide-body jets.

Right so in this space of this aerospace engineering when you ask what is that you have done that these OEMs are sticking with you from past 5 years and you are saying you are going to add another ODC maybe for some interior's design I think we emphasize on creating a value than just volume, We kept on insisting with our customers with the OEMs as well as some of the major tier ones that we want to be your integral engineering partner, we do not want to be a typical service provider doing some drafting work, and that has held us in good stair. For example about 2 years back, with one of the OEMs in North America, we just had about a 2 member team working on a little bit of wiring harness on a business jet and today we build a hundred member team, it is going to grow for about maybe 40-50 member more team purely on electrical wiring harness installation. We have become such kind of a part and parcel of the engineering organization that 20 or 15 member team which is working at onsite has been accepted as their engineering team. It is just that obviously they did not want to rebadge or we are not opened for that kind of a model but they have become a part and parcel of that organization and we are designing those interconnect diagrams connecting all these systems.

Similarly when you talk about the interior monuments, we have been working with one major interior's design manufacturing partner from past 8 years on all the series including the latest composite technology aeroplane, we have been working on the galleys and the passenger service units and other monuments.

So as I said I can just go on and on but I just want to leave you with some of the other pieces of information what we are working on is interiors, electrical wiring, primary structures, secondary structures, and some of the aero elasticity**,** the flutter analysis working with some of the India captives.

Other biggest advantage what we have gained is while acquiring majority stake in this through company called Cades Studec India which is a partner to France based technical publication company Studec which does deliver technical publications to Airbus. We have brought insignificant experience and knowledge enhancement in technical publications. As a result when you do the detailed or conceptual level design, do the FE analysis, support the manufacturing engineering, do the interiors monument, Technical publication team creates catalogues, and component maintenance manuals and all the service bulletins etc.

This which covers the complete gamut of activity as far as the aeroplane is concerned till I will say the flight test vehicle is build. Now thereafter the story does not end. What happens once the flight testing is done and your aeroplane is for example 787 or A350 of Airbus is released into service, they call entry into service, thereafter every year. We are currently engaged with some of these OEMs in such a tight relationship that we take on their complete R&C or concession activity something close to 35,000 - 40,000 concessions we call in aerospace parlance we do per year for some of these OEMs. That means we never going to be running out of business. It is a different story that OEMs hate to have so many concessions because that means someone is not doing their job properly but fair enough. So we are part of that specific activity of supporting the concessions engineering. So what we feel is apart from doing the conceptual and the high level design of the aero structures or the system engineering, our exposure to the complete manufacturing engineering is going to hold us in very good step in the years to come and that is what is our differentiator compared to the competition.

We can handle more questions in the question and answer session. Thank you very much. Now I handing over to Srinivas who is going to talk about heavy engineering and automotive.

Srinivas Pulikam: Good afternoon everyone. This is Srinivas Pulikam, I represent Heavy Engineering, Automotive, and Industrial Products Delivery for AXISCADES. Our association with heavy engineering industry is over close to 3 decades working with multiple major OEMs of Heavy Engineering Industry, with the number 1 heavy engineering manufacturer in the world. The association is very long with these companies and we actually cut across multiple product lines on earthmoving equipment, we work on construction equipment as well as drilling, mining, tunneling, and different kind of machinery we design. We involve the developments all the way from concept designs stage to proto-part building,**.** So that is where our span of engagement with these customers and if you see majorly the service lines that what we focus on doing the product engineering in terms of product development, do the multiple design support activities, validating these designs as well as doing the virtual manufacturing support, manufacturing solutions in terms of the heavy machinery, it is not unlike the other industry that you see where multiple prototypes can be built. People can afford to build prototypes but here each machine will be millions of dollars. It is impossible to build a prototype and waste money. So we have to virtually validate these machines before it gets into assembly line before it gets really a prototype is built that is a final. So we make sure the spend is very efficiently managed by these OEMs getting involved right from the concept stage, the new product introductions. If you see one machine that is build in a heavy engineering space, it runs beyond 100 years. That is the lifespan. So such machines which are built, the new product introductions it starts 4-6 years in advance. So when a machine is planned for year 2020 that is going to be delivered, it would have been started 1 year back right now. So that is when we get introduced, we get involved with our customer on this NPIs. So we go all the way up to production and once the machine is delivered, we also get into after production support where there is a huge cost pressure in the manufacturing industry. So we get help them to do a lot of value analysis and value engineering, how to reduce cost? So we work on design for costing, commonizing, standardizing the parts, and reducing the cost of total cost of ownership of the product.

So some of the areas are structures, we have very strong competencies in AXISCADES designing the structures, electrical wiring harnesses, fluid lines, we also do the interiors, the cabin design, design for costing as well as we do the engine side and power train. we also have a strong team that is working on the machine side and complete vehicle integration, configuration or integration side. So this is quick overview about heavy engineering and in this space, we are actually working on major programs helping these customers, co-creating and managing their spend effectiveness.

It is not just designing a traditional engineering design anymore. You need to have the connected machines, machines working in very mines which will operate in extreme conditions, they should be able to talk. Operator should be able to operate these machines remotely. So connecting the data between different machine to machine and control operations as well as every part that is being supplied by the customer are connected with tones of sensors, you will be able to track this parts of these machines wherever they are operating and some failure happens, the data is sent back from these parts. So connected size and connected machines are the vision of the OEMS we work with. We are helping extending these services to these customers, working with the state-of-art technologies, big data or Internet of Things where machines talk to each other. The machines sent communications. Anything that is being operating anywhere, customer can track what is happening on this. So there is lot of excitement for doing things like this. We are number one supplier across the globe for the heavy engineering major. I take pride in saying this!

Heavy engineering also has off-highway trucks and there are some of the heavy engineering companies that do work on on-highway trucks also. So there is a thin line between automotive and heavy engineering. Automotive is all about on-road vehicles. In automotive space, we do all the C2P and we do value engineering. Automotive market is very saturated market where we had to be extremely competitive. In terms of doing engineering in automotive, how we differentiate ourselves is not just by delivering regular engineering services but proactively approaching customers for problems that are of nature in terms of R&D. For example one of the small-sized cars that you see in Indian market today, noise levels in the car were beyond acceptable levels. The major Japanese OEM were trying to solve this problem but the first version was not successful. Then we with our ecosystem, we have a very strong ecosystem with a premier educational institutes, R&D centers within India and we joined hands with one of the premier educational institutes in solving this problem. The solution that we have deployed today is the car is on the roads with the extremely pleasant noise levels and we can see every day. So we get excited about working on problems like this and solutions.

So at the end, I would like to leave one more thing in terms of industrial products where we are actually associated with one of the renewable energy major who is number one offshore vendor by manufacturer and with this customer, we are actually supporting them in terms of two of their leading platforms which is 2.3 MW wind turbine which is a most highest selling platform and the latest platform of 7 MW wind turbine. So we are involved in designing and supporting them in terms of delivering these platforms for this offshore wind turbine customer. So that brings me to the end of this presentation. Over to Kaushik.

Kaushik Sarkar:

Thank you very much for coming out here. Seeing the big crowd shows lots of interest in AXISCADES Engineering technologies Ltd. I will go through a few things out here.starting off with the board of directors. We have a fantastic board with impeccable experience and reputation, starting from Mr. Vivek Mansingh who is Chairman of the board with his experience with Cisco, with his experience in Dell; Mr. Batni who was earlier the board member of Infosys. I do not want to talk about each and every individual, but the bottom-line is, it is a very strong board who will guide the management team to take the company ahead. I will rush through the slides since we are in dearth of time. The leadership team, consists of people with very strong experience. I will highlight Mr. Prashant Rao who is the Head of Engineering, who has a 40-year experience in the field of auto industries and he has lot of experience in driving service line strategy. A number of the leadership team are here and have addressed the forum.

Coming to some of the few highlights, the focus is on growth, growth differentiation, and driving efficiency. We have spoken about strong leadership team, we have spoken about creating value for the customer and exceed operational matrix by driving efficiency and we also believe and practice a very strong corporate governance. Few things that come in my mind as Val has spoken, the opportunity is big and the market is huge. The addressable market is 170 billion dollars and business coming to India is around $12-$13 billion. When we talk about the macro market, it is important to know that the industry is moving from captive to third party. Earlier, the global players were only believing on the captives. Once they have seen the credibility of the Indian players and the outsourcing partners, they are willing to move more work in India .Specific drivers are costs , value and product differentiation I will go into the financials later in the next slide, but these are the key wins in the last year and there is nothing more to explain. You can read those yourselves.

Coming to the financials, we have a $52 million revenue which is in INR terms is around 318 crores revenue. This is a year-over-year growth of around 4% in Indian rupees and on the EBITDA side, we are around 42 crores which is at 40% year-over-year growth. The EBITDA margin is around 13.2% and PAT is around 20 crores which is 24% year-over-year. On the net profit side last year in Q414 there was a one-time tax benefit for and if we remove that then it is a 46% year-over-year growth. The cash flow is strong with a 31 crores positive balance and the free cash flow is around 64% of EBITDA.

On the quarterly results, the revenue is around $13.5 million. Couple of things on the revenue being flat, We are moving to more offshoring model. We have increased the offshoring by 4% from last year i.e. from FY14 to FY15 which will come in the subsequent slides. The other thing is about one of the customers the contract got completed. We have moved temporarily to a time and material contract and we are in the advanced stage to set up ODC (offshore delivery center) for them . These are the major reasons and as Val has explained that we aspire to grow higher than the market rate in the coming days. On the EBITDA side, it is around 12 crores. The EBITDA margin is around 14.6% for Q4 and the net profit is around 6 crores on consolidated basis

Couple of highlights, one on, revenue, we are moving to offshore which I have already spoken There has been a minor increase on salary cost mainly because we are investing in top notch talent. There has been some cost savings as well, especially on the contractors cost, some project delivery expenses which is offset by increase in travel costs for sales activities. Growth has been the philosophy and we are investing now for future. There has been some savings in the finance cost, especially we have swapped high cost loan to a lower cost loans and that is reflected in the financials, On the the taxes, there was a one-time benefit in FY14 that is why you see the tax rate is 18% because we have a set off some carry forward losses, but if you take this impact out the growth what I have mentioned is around 46% year-over-year..

Couple of things, in this slide we are investing for growth and hence travel cost is going up and there has been some benefits for us especially in Europe because of the currency (exchange benefits). Gross margin, , is improving quarter-over-quarter and that is reflected in the PBT as well as in the EPS. Balance sheet, is getting stronger day by day. Borrowings are going down, payables are going down, AR is improving and cash balances are also improving. If you see, the cash balance is improving quarter-over-quarter. But again there is a lot of scope of improvement and the whole team is geared up for the same. DSO, it is around 72 days. We aspire to beat and improve the ratios going forward. Again on revenue segmentation, where in Q4, 38% of the revenue came from Americas, 40% in Europe and Asia Pacific is around 22%. Again, by industry, aerospace accounts for around 50% of revenue in FY15. Heavy engineering, around 36% of revenue, automotive, around 11% a renewable energy is around 5%. Top 10 customers constitute around 88% of our revenue that is reflected in the lower portion of the slide. These customers are marquee customers having long term relationship with us, The entry and exit barrier is limited. So once you have a customer, they carry on for a longer period of time unlike typical in software business. On the Operational matrix. Billable Utilization is improving by 2% Quarter over quarter as depicted on the lower section of the slide. We have seen most of the operational matrix is improving quarter-over-quarter and our aspiration is to exceed that in the coming quarters. Few other matrices and data in this slide revenue by currency, 80% of our revenue comes from U.S in USD and the other currencies are limited and we have a hedging policy where we generally hedge around 50% of USD t to take care of the fluctuation.

A few statements on our outlook. The addressable market w is around 170 billion, of which around \$12-\$13 billion comes to India NASSCOM data speaks about revenue growth, between 15%-18 %. We are bullish on that. We aspire to be growing faster than the market. We are also in talks with some international customers to create ODCs in India. This is in advance stage and our motto is to drive growth, differentiation and efficiency along with the guidance of the board members and make it more profitable. We will upload these slides in the website so that you can get into the details and we will be more than happy to answer questions in your mind. Gavin**,** now we can take some questions.

Moderator: We have people with mikes if I could request you could introduce yourself and forward the question please.

Rajiv Rupani: Hi, my name is Rajiv Rupani. I have a question. In the December quarter, the promoter stake was 71% and now in the March, it is 59%. Basically the promoters have sold stake to few select HNI investors. So I would like to know how do few HNI investors add value to the company and why are the promoters selling stake now if the future is so bright and so exciting. Why not sell stake to let us say Airbus or some defense company or AS system some stake. Could you clarify please?

Kaushik Sarkar: I cannot comment why promoters have sold our stake, but to my best of my opinion they wanted to have some quality investors as well as diversify the shareholding and I personally do not see any problem out there

Sharat: My name is Sharat and I am from Equitymaster. Basically I have two questions. One is regarding your ODCs. How many do you have? Where they are located and what do they cater to and how much time does it take to set up an ODC and how much money is involved. How does it scale up? That was regarding ODCs and the second question is regarding your EBITDA margin. There has been a significant increase over the last 3 years even though revenue has not increased by huge amount largely due to good control over your employee costs. It has not risen percentage of sales over the last 3 years significantly. Could you just elaborate on that please?

Mantha Venkataramana: I will take the question on ODCs and probably pass on to Kaushik for EBITDA related. So ODCs which we are setting up in India are in Hyderabad as well as Bangalore and these ODCs take anywhere between 2-4 years. Some of them are nascent which - the global delivery service model is what we follow here and we have been working with them on the onsite, the near shore, then the model matures all the way up to setting up an ODC and then co-creation, that is what one of the slides that Val had shown in his previous presentation. That is regarding these ODCs, hand their evolution So that is the ODC part. Kaushik, you would like to address on the second question,.

Kaushik Sarkar: I have spoken of the same and possibly you never got the chance to go into the details of the slides. The rate of offshore is increasing. Once we move to offshore, the cost goes down. So there is a 4% increase in offshore revenue from FY14 to FY15 and you have seen quarterly improvement as well,. Our constant endeavor is to improve the offshoring rate. The other thing is we have optimized on the consulting cost. Once the organization gets into maturity, most of the competence we can build in India rather than taking from overseas and that reduce our cost. I think these are the two major factors that we have optimized and will be our endeavor for further reduction of the cost and that is why you become profitable.

Giriraj: This is Giriraj. Couple of questions like first of all, you did some scheme of arrangement and that is why capital has gone above 35% in September 2014. So can you just remind us what was the case at that point of view, what was the merger between Axis and CADES that was the time when capital has gone up by 35%?

S Valmeeka Nathan: The listed entity used to hold 51% stake in CADES. Post-merger, the minority shareholder of CADES got the additional stake. It is part of the merger. So that is why the number of shares has gone up from approximately 5 crores to about 10 crores, 10 crores was the paid-up capital to about 13.6 crores.

Giriraj: Was that entity profit making?

S Valmeeka Nathan: CADES, yes.

Giriraj: Did minority interest come down post that because it does not look visible in numbers. Minority interest since it was 51% earlier and now it is 100%. So has the minority interest came down post that?

Kaushik Sarkar: The minority interest shareholders, the minority shareholders of CADES got shareholding in the listed entity. They became the shareholders in the listed entity.

Merger between Axis and CADES was effective March 2014. So when you look at the March 2014 numbers, the minority interest for the CADES shareholders was already taken out at that time and you would see a share allotment, shares pending allotment to the shareholders of CADES. The effective date of allotment of the shares was sometime in the month of August which are reflected in the CADES September numbers which is why you are not seeing the movement in the minority interest from March to March, but you are seeing the movement in the shareholding pattern which is basically regrouping of the two numbers from the share allotment to the share capital.

Giriraj: My next question this year we had talked about two major expenses which is contractor expenses down by 9 crores and project delivery expenses down by 4 crores. Partially I can understand because of this change in offshore-onsite model but what particular this like contract expenses if you can just elaborate a bit?

Kaushik Sarkar: We had earlier lot of contractors overseas. I mentioned. So if the competence is built inhouse and probably in India, s the transfer of knowledge has happened and that is why we are going on reducing the contractors expenses.

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Giriraj: And my next question is like what is the number of client addition we had in FY15?

Kaushik Sarkar: The five new logos which are mentioned in the slide are the additions in FY15

Giriraj: And one customer you said his contract is over. So that has not renewed?

Kaushik Sarkar: It is in the advanced discussion stage and possibly in Q1we will renew the same.

Giriraj: My last question is like in one of the slides, you mentioned that we are well placed to win two significant deals from industrial and renewable energy. What is the potential size you are looking at if you can just throw some light into that?

Kaushik Sarkar: I would just say it would be between $2-$3 million plus

S Valmeeka Nathan: Just one addition to what Kaushik said, I think you looked at it wrong way, it is not about not renewed, rather we are moving from a tactical engagement to a strategic engagement. So that is what is happening there. The renewals are in place, where we were in a loosely supporting normal engagement to an offshore development center kind of engagement we are moving on. So that is where it is.

Parin Gala: Sir, Parin Gala from Gandhi securities. Sir couple of quarters back the company had announced a 3-way merger between Axis IT&T, CADES and Axis aerospace. Somehow that could not go through for whatever reasons. So now what is like these two entities have merged but what is the status on the merger with Axis Aerospace? Is that in the offing or it is in the **backburner**?

Kaushik Sarkar: I cannot comment on that.

Parin Gala: What is the management's intention because it is in the public domain that you all wanted to do it earlier. So is the management still interested in doing so? Whenever that happens.

Kaushik Sarkar: Again, I do not want to comment on that specifically but I think at that time the timing was not right. Nowadays, the policies are becoming more clear and I leave it out there without going into the details.

Amar: This is Amar here from IndiaNivesh. Last 2 years if I see the growth, growth was quite muted. What gives us confidence that from here we will be growing higher than the industry average? That is number one and number two is if I see consol minus standalone, the remaining part is degrowing. Is that any client specifications which we are seeing into the year?

Kaushik Sarkar: Couple of things, One is you shall see the consolidated results because a lot of our customers are in US, Europe right. To answer your question first about the revenue, so for the last 6- 8 months we have been working diligently on the model, on the strategy to make the organization growing faster than we have seen in the past. So now we have the model right. If you see, we have a lot of talented people, the leadership team is on board,. There is a huge focus on sales. We have created service lines under the direction of Val to have very specific verticals for value-added service to customers and at the same time, we have focused diversified strategy on our 10-12 big customers for future growth as well

Amar: All this which we talked about is going to be visible in the near term of the growth?

S Valmeeka Nathan: Again I do not want to make a forward looking statement, one. Yes, the cycle time you should look more for the next one year rather than quarter-over-quarter because this industry as I have mentioned the entry and the exit barriers are limited. So once you get in, your customer sticks around with you for a long period of time. So you have to look for a full year rather than if anything and everything will happen immediately in the next one month.

Amar: Sir my last one. About the EBITDA margin, we had shown a tremendous improvement in EBITDA margin despite the muted revenue growth. I understand that is primarily come from internal workouts. So do we see further scope despite that our revenue remains muted for another 2 quarters?

S Valmeeka Nathan: The growth is certainly possible. We have put in like I said in the earlier conversation, we put in the focus on operational efficiency, of course utilization or offshoring. All those matrix are continuous improvement and there is a lot of upsides that we can continue to improve upon. You will get to see that in the next few quarters. So we want to make that as a hygiene, continued improvement on the cost of delivering the business. From the growth of business point of view that is further adds on. Once we do the right thing and now we have started the approach of different structure or using the practice line model instead of just limiting ourselves to 3 industry verticals. We will be expanding beyond and we have categorized the way we are providing our services. So we know there are lot of pursuits that we are pursuing that can fructify in the next few quarters. So growth is there and that is what we are aspiring to and the expectation is we would certainly be better than the industry given where we are and what the kind of focus that we bring in. So both the top and the bottom, obviously there is an expectation to improve.

Kaushik Sarkar: See I will just add on what Val has said. Two things, one to answer you. So we have looked into utilization, we have looked into offshore model. We have not looked strongly into employee pyramid, we are working on that and possibly this will give us more avenues to optimize going forward. Scalability will improve this further.

S Valmeeka Nathan: So this is a transition phase for us in a sense there are quite a number of relationships at tactical level in the way I have explained to you earlier and they are shifting to the strategic phase and we expect it to contribute to that growth. There are multiple levers that we have used in driving the growth of course going to replicating our experience with one or two customers in that vertical to multiple other customers and going to multiple verticals and service lines or the practice line from purely product engineering to systems engineering, the manufacturing engineering to in service support to knowledge PLM, knowledge basis engineering. There are quite a number of dimensions that we have put in place which will contribute to the robust growth that we are aspiring.

Pritesh: So this is Pritesh from Emkay. Few questions. When we were listening out to your presentation, you seem to be fairly passionate about the business and you feel that there is humungous growth opportunity but two disconnects which came to my mind and I wanted to clear. One, when we look at your margin profile which seems on the lower tier of the comparable, not comparable but the whole space. But when we are listening out to you, you are taking more on value, you are saying less on cost arbitrage. So directionally where do you see the margins of this business over a 3-year period or a 5-year period or whatever you want to pick it up and second on the size of the business. We are about $52 million. You are saying that the space is about $12 billion. So directionally where do you see the size of the business reaching in the timeframe that you want to pick up and there is this disconnect between the message you want to say out and the numbers which are there on the chart today. My second question is, we missed the reason Mr. Kaushik was giving out, why the business did not grow for the last 2-3 years. So we have missed that part, could not understand why it has not grown, so if you could give out that questions answer. The third is, in the $12 billion size of the market and in the space where we are, whom do we typically compete with in the projects which are coming? These are three questions and I will have one more after that.

S Valmeeka Nathan: I will do the first one and I will give it to Kaushik for the second one. The first one of course very clear, the direction is north, it is going to get better and that is why we are here. I do not want to give an end state or what could be the end state. Certainly, North is going to better than where it is and it is a continuous improvement and obviously growth is important and growth will be there both on the top and the bottom line.

Pritesh: . Amongst the client relationship that you have today which is about 16 and 20 which we saw, how many of the client relationships do you see, at the inflection point? I am also trying to connect with what the vertical heads talked about, initial engagement to tactical engagement to offshore dedicated centers. Probably that is the last leg of a strong client relationship. So how many of you do you think at the inflection stage which makes you believe that the growth is North and the growth is far more accelerated than what it was until now?

S Valmeeka Nathan: See there are different models, different stages right. So from tactical to strategic to co-creation or partnership co-creation, sharing all that, each phase there is a transition. So I would say, top ten customers of ours on the phase, they keep shifting from one phase to the other and we believe that is primarily because of the richness of relationship where they have established and there is a credible relationship here and we create value in the previous stage and I would say either the fixed price to ODC or at dedicated center or outcome based models. These are certainly part of the portfolio. So this keeps us on the toes and keeps reflecting the fact that we are in the right direction and the acceleration of revenue obviously is based on the fact that you have delivered what you have promised and you have delivered what is expected and certainly it is a phase of creating a delight. So whatever we have done reflects the philosophy that I have talked about. That is value creation is important and that is important, I want to make sure that you guys understand that value is a focus because the journey is going to be along that line. If you have done something, we want to move to the next phase because we want to monetize that. Now the top and bottomline will start reflecting the richness of this relationship both in terms of growth as well as the margin, the way we deliver what we promised. So both top and bottomline will reflect that and that is the phase we are putting the foundation blocks, the building blocks in place in the last 6-9 months with the right leadership at the board, with the right leadership at the operating or the management level. To ensure what I promised here, what I share with you is completely driven through governance. So you will get to see elements of that and continue to become the core of the business. So we have a long tail, we do have a long tail and that is by design as well because like I said, any relationship that we start will not get to see million dollar, $2 million in 18 months right. It starts with two people or five people or ten people, it goes on for 6 months or 9 months and at different stages and it also depends on the customer leadership side, if they are able to drive their internal organization to accept different way of doing things, then there is an acceleration. So it is something that we continue to keep our focus on and drive the relationship.

Pritesh: What is the size of your top account?

S Valmeeka Nathan: So I would say top ten customers of ours contribute to 88%.

Pritesh: What is the size of the number one account? Is it 4 million, is it $5 million?

Kaushik Sarkar: I will give you a range somewhere between $15-$17 million.

Pritesh: And what would be your second or third account? And do you see that second or third account or the fourth account heading towards that $17 million?

S Valmeeka Nathan: Absolutely.

Pritesh: And in what timeframe?

S Valmeeka Nathan: I would say depending on the category, anything between 18 months to 36 months.

Pritesh: So that is the inflection point which was asking?

Kaushik Sarkar: It is also spend pattern and areas we service them. If it continues, we service only in one track, we may have a challenge but we start expanding our offerings, then the revenue share will certainly increase.

Pritesh: And have you ever seen any account moving out of the system? Have you seen turnarounds or turnouts in accounts?

Kaushik Sarkar: Short term, I think there could be. Some accounts there is a degrowth in their own business profile. There could be a short term blip. Otherwise the directions are always North.

Pritesh: So my question on margin got an answer. Are we heading towards the midyear, the mid quartile or the top quartile of the margin profile because one of the competitors in the space is actually toward the top quartile of the margin and we are at the bottom quartile. I do not want to name the competitor.

Kaushik Sarkar: What is the top quartile in your range..

Pritesh: Top quartile is obviously is around 24% plus.

Kaushik Sarkar: So in my opinion the industry range is s somewhere close to 18% and we aspire to get there

Pritesh: And the one question what we could not register the answer, why did the business not grow in the last 2 years? Mr. Kaushik you put out some reasons but we could not get it.

Kaushik Sarkar: Our quality of revenue has been growing, One of of the HEG customer, got impacted due to down turn in commodity pricing. Aero for us has been growing. Now having said that, why the revenue has not grown? We have invested this year against last year in bringing the sales team, sales focus one, we have created the service line, two and number three is about those are operational deficiencies.

Pritesh: Lastly, just to give some flavor on the billing rates.

Kaushik Sarkar: So I cannot disclose the billing rates to be very honest due to confidential commitments

Pritesh: Then we will work it out mathematically.

S Valmeeka Nathan: See the growth is in place. What we have done in the last 3 years, focused on creating richness and in the process with select customers and dependencies, we have good relationship. If there is a small spike and up and down in that relationship, it starts reflecting but now that we have put a new structure operational focus and increase the sales headcount as well as the practice line, we believe our ability to reach out to many other industry verticals would help us get over this cyclicity in certain sectors.

Kaushik Sarkar: And I can tell you our rates is as per the industry standards.

Just to add on the coming from the growth and the market side, you all know very well about the oil prices in the international market as well as mining industry, the metals and how they are growing. The business is direct reflection of our end customers and of course if you see our last 2 years, instead of that if you see the horizon of 5 years, we have grown ten times in the same industry space and the growth was flat for the last one or two years in one sector is clearly a sector global outlook. So that every one of you know better than all 4 of us sitting here. So that is where I would leave it.

Gaurav Dua: Sir, Gaurav Dua here. Having back to the growth. As we understand your top client in last few years have had like grown sharply, more than double. So it means that you have recently lost some clients because your topline has been flat and your top client has been growing at a fast clip**.** So have we lost some clients or some clients are not ramping up? What is the issue?

Kaushik Sarkar Just about losing clients, the same question has come before also. In the last 6 years, we have not lost any customer. That is one thing I would like to clarify here but the rest of the question, Val would you like to take that?

S Valmeeka Nathan: There is no loss of customers but the cyclicity in the spend is probably one reason. That is why once we start diversifying beyond a particular sector then the cyclicity, dependency on the industry and the cyclicity contribution could be addressed.

Gaurav Dua: Sir at the cost of being repetitive, just wanted to understand why is there no growth in this quarter? I am just trying to understand, you were saying that you were moving to a strategic contract. So what does that mean exactly just if you could detail a little bit?

Kaushik Sarkar: So we have the customer, it has gone down temporarily due to completion of engagement. So the purchase order was supposed to be in , will be signed this quarter and it will ramp up again and we are now moving from a time and material fixed price contract to more of an ODC type of concept which is an enriched engagement .

Gaurav Dua: So there has been some loss in this quarter right? Despite that though revenues are maintained, so some other account has grown?

Kaushik Sarkar: No, this account has gone down because once it ends, if you have to renew it, there is a cycle time.

Gaurav Dua: When was this signed? This was like a long term contract or this is a one year contract?

Kaushik Sarkar: So it has not already been agreed. It is pending to be signed. I do not want to commit the date but it will happen very soon.

It is a multiyear contract and also what it means, your other question that you asked, I would like to clarify. What it means is the stickiness in the business and also the stability in the revenue. So that is what it brings in the strategic engagements which will help the company to be delivering stable and predictable revenues.

Gaurav Dua: Sir, I am looking at the very bullish outlook on the large addressable market. Can you confidently give us some constant currency growth that you can do for the next 2-3 years specifically?

Kaushik Sarkar: So we have mentioned also earlier that the NASSCOM numbers is somewhere between 13%-18% and we aspire to grow beyond that and we are bullish on that.

Almost 9 out of 10 customers of ours are in the growth phase.

Gaurav Dua: Could you throw some light on the order book at present?

Kaushik Sarkar: Again it will be a forward looking statement. I do not want to comment on that but I can tell you the pipeline is strong and we will be executing it.

Gaurav Dua: Another question was relating to the number of clients that you all service. 88% of the company's revenue comes from about 10 clients. What about broad-basing the client base, expanding to more number of client base.

S Valmeeka Nathan: Like I mentioned earlier, by design we have some long tail and as per we are investing further and to expand the revenue from those long tail is the next phase where we have invested in sales and practice trying to leverage whatever we have done in this 10 accounts. We have maturity in our offering. Taking it and leveraging that in the long tail will obviously deliver a significant growth. Naturally at this size, it probably is not prudent to shoot and stay all over the place and be overexposed. So clearly the focus is building rich relationship where we can continue to invest which becomes a reference. These are growth accounts. They are number one, number two in their own respective categories. So there is a reasonable relationship, good level of customer satisfaction which will certainly be leveraged to open up new ones. So it is a cautious one, but I would say the long tail itself provides for growth.

Gaurav Dua: One more question regarding employees which were with AXISCADES. What are the possibilities of their moving over to the company which they work with, labor attrition**?**

S Valmeeka Nathan: See, this is a free country of course. Anybody can move but we are trying to create a platform, create an organization where each and every engineer gets to experience their aspirations and deliver aspirations. What we have also seen in the last 20-25 years, many of these engineers get to experience lot more diverse industry knowledge experience and growth if they continue to work with the service provider, third party service provider. If they are part of a client organization, they are going to be in silo and their personal growth is going to be stunted and we have seen initially in the initial phase that is 7-8 years back when the captive started expanding their base in India. There was an initial movement of these people, eventually realizing within 2 years, they do not have a growth and they are just listening to the parent company for doing every small activity. There is no growth, there is no leadership movement. They come back to service industry because they get to experience diversity and also industry independent growth possibilities. So I see this as great advantage compared to Product Company.

Kaushik Sarkar: I will just add on to one what Val said. It is important for people to get exposure if they want to be an all rounded engineering technology people rather than sticking to one specific area of work in OEM, service industry will give better exposure, one and second thing is in specific engagements which are very matured engagements for us today, either by relation as well as by contractual. Employees just cannot do that way. So that is both not the interest of customers as well by relation, that is how we have been designed. So it is not that straight forward where employees can just switch on. That is a factor to be added here.

S Valmeeka Nathan: I was reminded, a reason why we exist as third party service providers is one of the reasons is also the fact that client organization do not have the bandwidth or the mandate to increase the headcount. So there is a strong growth possibility for aspiring individuals to be part of the service organization because we service multiple vertical and customers in geographies. Product companies continue to have this huge challenge in terms of hiring people. That is hiring freeze both at onsite, at offshore, captive, non-captive everything. So the growth potential for pure engineers in the product organization is going to be that much limited.

Mantha Venkataramana: And contractually also in the aerospace engineering, I can at least tell you. When we sign contracts with the OEMs that we have a clear contractual obligation that those employees working on those programs cannot be taken back by the OEMs. It happens with a huge cost associated with that. The other aspect is that in aerospace engineering, I am observing CADES which is actually an aerospace engineering services company. From past 10 years, there are more than 35%-40% of the engineers who are with the same organization, working in the same discipline because as I said we work on some of the composite technology which is state-of-the-art flying on most advanced aeroplanes. You know those aeroplanes what I am talking about. So that gives a lot of, someone 12 years back when you said to Boeing or Airbus or Bombardier, I will do a structural design, people would not have believed you. They would say come on, you are kidding. But I think today we reached a situation where we are part of the conceptual and detailed design of primary structures of the fully composite fuselages and wing boxes. That excites the engineers, when associated with the technology for long period of time, they want to stick with it. I think that is the reason we are, in the core engineering our attritions are very minimal about 8%-9%.

S Valmeeka Nathan: Mindsets are changing. Certainly, the product companies are not necessarily the best of destination but of course engineering is engineering and if you are able to provide diverse industry opportunities, then the best engineers will certainly gravitate to service provider.

Moderator: We will take the last question.

Participant: Thank you, it is a privilege. So I have a couple of questions and one is on aerospace. What is your split between what would you say pre-manufacturing kind of phase that is the design and what you call concessions?

S Valmeeka Nathan: So as lifecycle of an aeroplane as you know, serial production obviously takes the major chunk and today between the core engineering what you call concept or detail design till up to the manufacturing engineering including your tool design and jig fixtures and then the serial production. So I would say the split of our business is something around about 60%-40%, 40% on the concessions and 60% on the core engineering activity and the prototype aircraft.

Participant: As a follow up to that, concessions if I understand correctly, it is very unpredictable, it is almost like production support for mainframe something like that. If I might look, draw lose analogy between the two. So very unpredictable volume of works, how do you manage your cost and how do you price it?

S Valmeeka Nathan: You are absolutely right. I think that is a complex stop. In fact as I said, no one wants to have more and more concessions, even though as a service provider would like to have but in fact we have been a value addition partner in trying to maintain a robust database on some of the concessions which are being cleared about 3 years or 4 years back, we do not want to reinvent the wheel and give a solution as if we are inventing it for the first time. So how do we handle apart from the large database of concessions, how we create value to our partners is, when we work on some of the composite parts for example, those concessions are extremely complex and as I said we moved into that kind of a platform where we took the tough learning curve of getting into a certification stage of being authority further OEMs to sign off. So obviously it is going to reduce so much of engineering bandwidth at their end on concessions engineering where they want to focus on say something more prototype engineering development. Other risk associated with the concessions, I do agree but as I said when you talk about 12,000 aeroplanes of backlog between the 2 OEMs, so obviously more and more people are flying as you see in our airports are getting so busy. I think we will still continue to be in the business of concessions engineering because ultimately the human element involved in fabricating these parts and aerospace parts are extremely safety critical. Any amount of deviation tolerances are not acceptable.

Participant: The last question to Val. I would like to ask you, one of the two deals that you are pursuing as an ODC were renewable energy manufacturer right. So your core focus areas are, I would say primary focus areas are aerospace and heavy engineering and this seems to fall outside of that with the large addressable space within these 2 itself and why go outside this?

S Valmeeka Nathan: Each industry has its own cyclicity and its own challenges, so obviously it is better to diversify but premature diversification is a serious problem because if you do not have the maturity in a sector, then you are not able to sustain your presence in that sector. So we want to be sustained in that sector, but once it matures then we will start opening up new industry verticals so that we are able to balance the cyclicity of that industry. That is point number one. Point number two, even the customers, if you say they are extremely dedicated. Clients are keen to know what else we do because they also want to learn from the other sectors. So the energy opportunity probably is an outcome of exploring new areas with what we have already done in terms of let us say the product engineering that we have done in one sector. Then we take it to the other sector and so okay, we have done this, we have matured this and we believe we have a point of view to reduce your spend or increase your spend effectiveness, then these guys say, you know what, oh that is something I am interested in learning, why do not we work together and explore then obviously in the new sector we will take about 3 months or 6 months or 9 months to iron out the initial engagement where we deal with the internal challenges, but once the relationship is established and credentials are established, then you are able to go to the next phase of business model and growth. We want to continue this phase and it has to be by deliberate choice and not hope and pray. We do not walk into any customer or any sector. It is naturally by design and deliberate choice so that we are successful and create significant value to the customer. Eventually, we want to have a point of view and point of view or thought leadership driven engagement which means in the client parlance tell me what I need to do differently to improve. That is a customer expectation from AXISCADES. Instead of saying, I have a problem or I have some work, do you have enough engineers to service me. Of course it is a volume that is possible, but eventually we want to move to a space where clients say I believe you have a point of view in this particular area, in this spend area. We would like to leverage that thought. So diversifying our sector is very critical to that strategy.

Management: So add a couple of points out here as what Val has said to your point. So once we made a statement that we want to grow faster than the market, one and how we do that one is either you cross-sell and up-sell to the existing customer or get new customer or diversify and that has been our strategy. What Val has also mentioned that we are very conscious about our maturity level, build up competency and diversify so that there is a win-win situation both for us as well as the customer.

Moderator: If we could adjourn and have informally discuss over refreshments.

Participant: Investors are obviously more interested in making money when they invest in the stock. This question is not applicable in this forum, you may choose not to answer it. The price of the script AXISCADES was 396 at a high on 10th of April. It fell to a low of 199 last week. It has been moving only in circuits. Either it's a plus 5% or it is a minus 5%. Would you choose to answer this?

Kaushik Sarkar: I think the smart people in this room can analyze and let us know. What we can answer is yes, the company is going in the right direction. We will drive the operational efficiency and we will continue to grow. Rest is on the market forces and you guys try and analyze.

Participant: I understand the market has been volatile in the last 1.5 months, but I hope that all corporate governance matters in respect of insider trading itself would be all adhere to in the interest of the investors.

Kaushik Sarkar: Absolutely. If you see the board here, people have a very strong credibility from top notch organizations. Corporate governance is the key. We work with top list like Grant Thorntons, KPMGs and Pricewater of the world and all other international players.

Participant: Thank you very much.

Kaushik Sarkar: Thank you.