RESEARCH ANNEXURE: ONWARD TECHNOLOGIES (ONWARDTEC)

Mandate Type: Structural Core (70% Allocation Sleeve)

Investment Horizon: 18–36 Months

1. The "Pivot" Thesis

Onward Tech is transitioning from a legacy IT staffing/services firm into a pure-play ER&D (Engineering Research & Development) and Digital Transformation specialist.

Sector Tailwinds: Global ER&D spend is shifting to India, following the IT services path but with much higher entry barriers and better margins.

The "Tata Technologies" Effect: As larger peers like Tata Tech and L&T Technology Services trade at high valuations, Onward Tech is a "catch-up" play with a leaner cost structure and higher agility.

2. Strategic Value Drivers

Digital Engineering Focus: Over 50% of revenue now comes from high-growth verticals like Automotive (EVs), Industrial Equipment, and Healthcare.

Margin Expansion: Moving away from low-margin legacy contracts. As the revenue mix shifts toward Digital ER&D, there is a clear path for EBITDA margins to expand from sub-10% to the 14–16% range.

Client Concentration: They are successfully mining Tier-1 global clients (European Auto OEMs), proving their technical capability is institutional-grade.

3. Financial Snapshot (The "Institutional" Filter)

Order Book Visibility: Strong pipeline in the US and European markets for mechanical and digital engineering.

Balance Sheet: Low debt-to-equity ratio, allowing the company to fund growth internally without high interest-cost pressure.

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Return Metrics: Consistently improving ROE and ROCE as the business scales.

4. Risk Management (The "Tactical" View)

As a Discretionary Strategist, my exit triggers are defined as:

Fundamental Trigger: Any significant delay in margin expansion over two consecutive quarters or loss of a Top-5 anchor client.

Technical Trigger: Breach of the 200-day Moving Average (DMA) on high volume, signaling a shift in institutional sentiment.

Position Sizing: I recommend a 7–10% weight within a ₹15 Cr book, scaled in through "Pyramiding" as the thesis validates.

5. Tactical Setup for "Satellite" Harvesting

While the Core position is held for the long term, I monitor the Satellite Sleeve for:

Mean Reversion: Buying during sector-wide sell-offs that don't affect Onward Tech's specific order book.

Earnings Play: Tactical entry 2 weeks before quarterly results when the risk-reward ratio is skewed to the upside.

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