eClerx

Financial Performance – Q4FY20

June 9th, 2020

Financial Summary

eClerx

Metrics		FY20 Q4	Q-o-Q	FY20	Y-o-Y
Revenue	OPG revenue (USD mm)	47.7	-7.9%	200.5	-0.1%
	OPG revenue (INR mm)	3,509	-6.5%	14,376	0.5%
	Total revenue (INR mm)	3,679	-4.9%	14,830	0.3%
Profit	EBITDA (INR mm)	945	-17.6%	3,702	4.0%
	EBIT (INR mm)*	760	-21.7%	2,993	-3.9%
	Net profit (INR mm)	554	-20.7%	2,090	-8.4%
Margin	EBITDA (%)	25.7%	-4.0%	25.0%	0.9%
	EBIT (%)	20.7%	-4.4%	20.2%	-0.9%
	Net profit (%)	15.1%	-3.0%	14.1%	-1.3%

**EBIT includes other income and excludes rental interest under IND AS116*

- Q4 YoY Constant currency (CC) decline by 6.4%; FY20 YoY CC increase by 0.6%
- Q4 YoY CC decline of 7.7 % Offshore and decline of 1.7% Onshore
- Half of the QoQ revenue decline attributed to Covid Supply constraints
  - rest of decline is normal planned roll offs; could not be replaced due to demand environment
  - Italian business and onshore consulting affected the most
- Recommending INR 1 as final dividend for FY20
- Supply constraints to peak in Q1 along with continued demand delays; revenue and EBIT to be lower in Q1
  - fx, hedges, uptick in pricing with cost take outs to offset WFH costs
  - FY20 and H1FY21 SEIS will be evaluated during H1

Other Income – FY20 Q4 vs. FY20 Q3

Figures in INR millions.

Other Income	FY20 Q4	FY20 Q3	FY20 Q2	FY20 Q1	FY19 Q4
Investment Income	88.9	84.4	71.8	88.2	104.6
Revaluation Income*	75.9	22.3	24.6	(13.5)	(15.9)
Others*	5.1	8.0	(9.3)	7.8	7.0
Total	**169.9**	**114.7**	**87.1**	**82.5**	**95.7**

* Gain/Loss regrouped as other income/expenses based on profit or loss position in the press release financials

- Increase in other income due to revaluation of unrealized receivables and payables

- **Revaluation and Realised Gain**
  - USD/INR FY'20 Q4 Exit: 75.37 vs. FY'20 Q3 Exit: 71.27
  - EUR/INR FY'20 Q4 Exit: 83.08 vs. FY'20 Q3 Exit: 80.03
  - GBP/INR FY'20 Q4 Exit: 93.87 vs. FY'20 Q3 Exit: 94.42

P&L Comparison: FY20 Q4 vs. FY20 Q3

Figures in INR millions.

Operating P&L	FY20 Q4	OPR (%)	FY20 Q3	OPR (%)
Total Revenue	**3,679**		**3,869**	
Operating Revenue	3,509		3,754	
Cost of Revenues				
Delivery and Support Employees Cost	1,889	53.8%	1,887	50.3%
General and Administrative Expenses				
Facilities (Rent and Electricity)	74	2.1%	76	2.0%
Technological Services (Communications, AMC)	104	3.0%	108	2.9%
Administrative Services (Transport, HK, Security)	46	1.3%	45	1.2%
Legal and Professional Fees	53	1.5%	39	1.0%
Provision / Written off for Bad Debt	17	0.5%	(4)	(0.1%)
CSR & Donation	19	0.5%	15	0.4%
Others	86	2.5%	79	2.1%
Total G&A	**400**	**11.4%**	**358**	**9.5%**
Selling and Distribution	**445**	**12.7%**	**477**	**12.7%**
EBITDA	**945**	**25.7%**	**1,147**	**29.6%**
Depreciation and Amortization (Inc. rent as per IND AS116)	**185**	**5.3%**	**176**	**4.7%**
EBIT	**760**	**20.7%**	**971**	**25.1%**
INR/USD (Avg)	72.47		71.22	
INR/EUR (Avg)	79.88		78.86	
INR/GBP (Avg)	92.77		91.74	

EBIT & EBITDA percentage is on Total Revenue

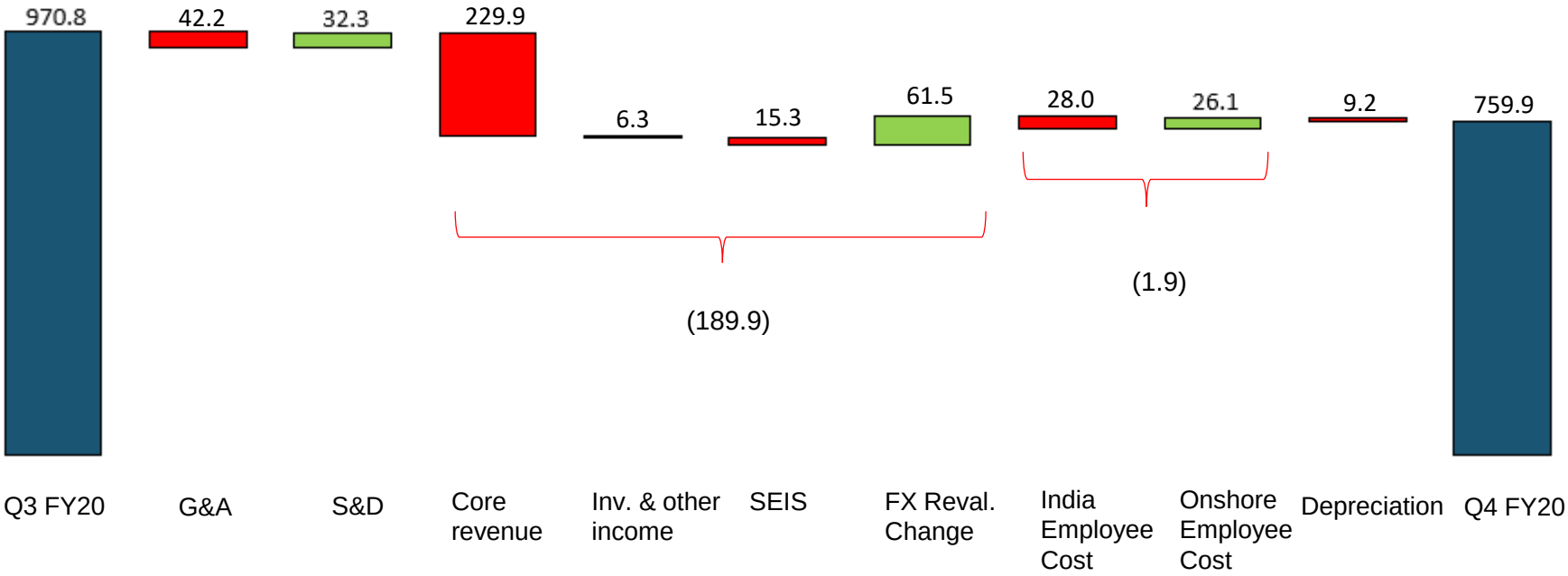
Current Hedge Status

- Total outstanding hedges now $127.25 mm at average INR 75.17/$; 100% forwards

Contract	Year	Currency	Amount (mm)	Avg. Rate (INR)
Matured Forwards	FY20 Q1		$30.3	69.9
	FY20 Q2		$29.9	71.4
	FY20 Q3		$29.0	72.5
	FY20 Q4		$27.7	73.5
	Total FY20	**USD**	**$116.8**	**71.8**
Outstanding Forwards	FY21 Q1		$23.7	74.1
	FY21 Q2		$27.7	74.5
	FY21 Q3		$21.7	74.7
	FY21 Q4		$22.7	75.3
	Total FY21	**USD**	**$95.8**	**74.6**
	FY22 Q1		$14.5	76.0
	FY22 Q2		$10.0	77.1
	FY22 Q3		$4.7	77.9
	FY22 Q4		$2.3	79.4
	Total FY22	**USD**	**$31.5**	**76.9**
Total Outstanding		**USD**	**$127.3**	**75.2**

EBIT Bridging Analysis: Q-o-Q FY20 Q4 vs. FY20 Q3

Figures in INR millions.



- G&A increase due to Legal & Professional fees paid to tax consultants
- S&D savings mainly due to travel

Note:

- S&D Exp. includes employee cost of onsite business development team

Balance Sheet & Other Updates

- Total Cash and Cash equivalents of INR 7,703 mm vs INR 7,398 mm for FY'19
  - Equivalent to INR per share 213.4 FY'20 vs INR 195.8 for FY'19
  - Net operating cash flow in FY'20 is INR 3,328 mm vs INR 2,062 mm in FY'19
  - Capex during FY'20 is INR 274.0 mm vs INR 511.6 mm in FY'19

- EPS
  - Q4 Basic: INR 15.46; Diluted: INR 15.46
  - FY20 Basic: INR 57.37; Diluted: INR 57.36
- Current book value per share of INR 361.8 FY'20 vs. INR 365.5 FY'19

CSR Update

- Spent INR 67mm for existing and new projects in FY'20 related to India; FY21 budget is INR 58mm
- Areas covered: Health, Education, Skills development
- Total Life touched / benefited ~ 15k

Capital Allocation Approach

- Expect to see higher flow of inorganic opportunities in the short to medium term
  - COVID has created headwinds for some target areas and also moderated valuations
  - We believe that risk reward may turn incrementally more favourable as a result
  - Will continue to look aggressively at available deals

- Will continue returning excess cash to shareholders using mix of instruments
  - Best use of excess liquidity after providing for cash buffers for the business and inorganic opportunities
  - Provides shareholders liquidity, opportunity to diversify OR to re-up exposure

- In the meanwhile, we are ensuring our cash balances stay in low risk liquid assets
  - Despite reduction in investment yields over the last few quarters

Covid-19 Impact and Initiatives

- Ensuring employee safety while activating our BCP plan has been the prime focus
  - Have swiftly ramped up WFH capacity, so that supply side no longer a constraint in May'20
  - Gradual return to office with skeletal staff starting June
  - Implementing safe Return-to-office measures
  - Continued WFH for majority of staff for some time

- BCP costs
  - WFH costs exceed INR 110 mm in Q1
  - Almost all clients have accepted WFH

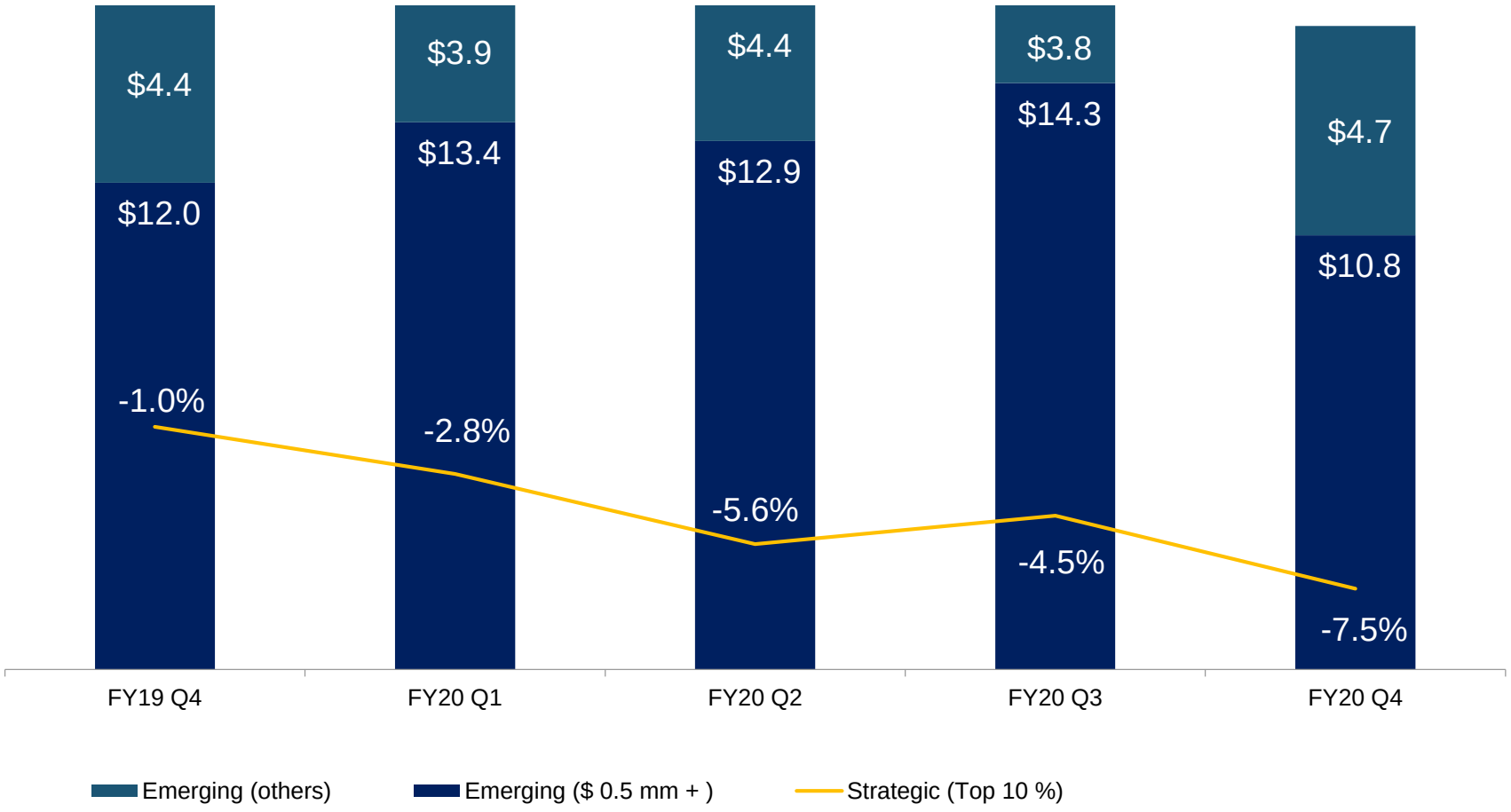
- Cost saving initiatives
  - Increment and promotions deferred to Q2 for majority of staff, and Q3 for senior management
  - Travel cost very low in Q1 due to travel restriction
  - Lease rental optimization through FY21
  - Savings by rationalizing many administrative services

Key Business Metrics

Metrics		FY20 Q4	FY20 Q3	FY 20 Q2	FY 20 Q1	FY 19 Q4	FY 19 Q3	FY 19 Q2	FY 19 Q1	FY 18 Q4
Currency Contribution (%) *	USD	82%	80%	81%	80%	80%	82%	82%	82%	79%
	EURO	12%	12%	11%	10%	10%	9%	10%	10%	13%
	GBP	5%	6%	6%	7%	7%	7%	6%	6%	6%
	Others	1%	2%	2%	3%	3%	2%	2%	2%	2%
Geographic Concentration *	North America	68%	66%	67%	67%	65%	64%	64%	64%	59%
	Europe	26%	28%	27%	27%	29%	29%	29%	28%	35%
	ROW	6%	6%	6%	6%	6%	7%	7%	7%	6%
Debtors (including unbilled)	DSO (days)	88	78	78	87	84	85	89	93	89
Client Concentration	Top 10 contribution	67%	65%	65%	66%	68%	70%	70%	70%	67%
Billing Mix	Managed Services	28%	31%	28%	28%	30%	27%	26%	23%	27%
	Onshore revenue	23%	25%	25%	24%	22%	23%	22%	22%	23%
Staff Utilization (Delivery)		75.1%	77.2%	71.9%	73.4%	74.3%	71.9%	72.5%	72.4%	72.4%
Client Contribution (based on TTM revenue) *	US$ 500k-1mm Clients	21	21	22	20	20	16	17	20	18
	US$ 1mm-3mm Clients	17	18	18	17	16	17	16	12	13
	US$ 3mm-5mm Clients	4	3	4	4	2	2	2	4	3
	US$ 5mm-10mm Clients	2	2	1	1	2	2	2	2	1
	US$ 10mm++ Clients	5	5	5	5	5	5	5	5	5
India Seat Count		9,601	9,601	9,601	9,605	8,910	8,908	8,914	8,900	8,919

*Other smaller currencies, geographies and client contribution not shown

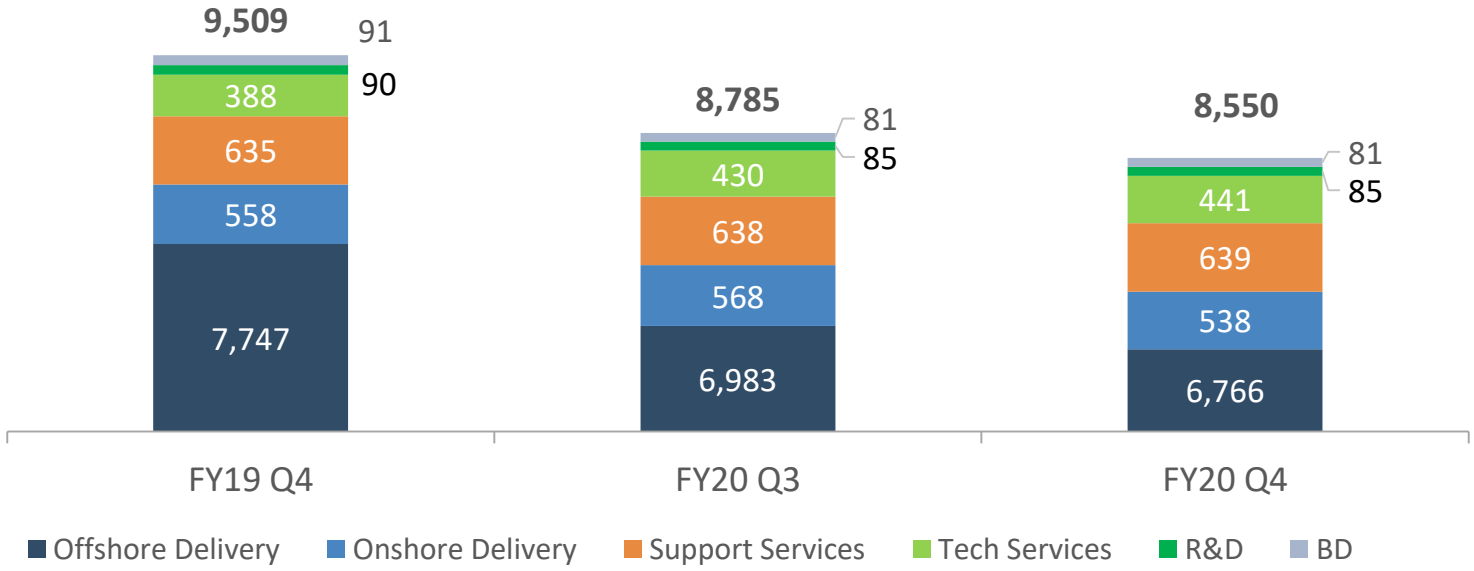
Revenue Mix Trends ($mm)



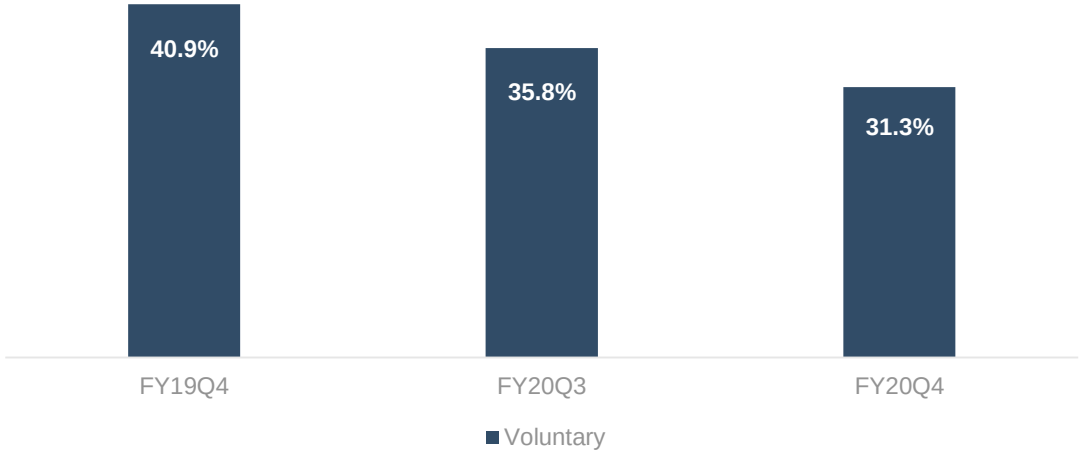
Strategic growth is measured at quarterly YoY level

Human Resources Update

Headcount



Offshore Voluntary Attrition



This presentation may contain forward-looking statements, which involves a various risks and uncertainties that could cause our actual results to differ materially from those in such forward-looking statements.

The conditions caused by the COVID-19 pandemic could decrease customer's technology spending, affecting demand for our services, delaying prospective customers' purchasing decisions, and impacting our ability to provide services; all of which could adversely affect our future revenue, margin and overall financial performance. Our operations may also be negatively affected by a range of external factors related to the COVID-19 pandemic that are not within our control. We do not undertake to update any forward-looking statement that may be made from time to time by us or on our behalf. Further this presentation may also contain references to findings of various reports available in public domain. We make no representation as to their accuracy or that we necessarily subscribe to those findings. Figures for previous periods / year have been regrouped, wherever necessary.

Thank You

Balance Sheet Abstract

Figures in INR millions.

Particulars	March 31, 2020	March 31, 2019	% Change
Shareholder's Funds			
Capital	361	378	(4%)
Minority Interest	6	6	5%
Reserves and Surplus	12,701	13,435	(5%)
Total Shareholder's Funds	**13,068**	**13,819**	
Application of Funds			
Fixed Assets	3,524	3,481	1%
Right to Use Assets (IND AS116)	1,281	-	-
Lease Liability (IND AS116)	(1,557)	-	-
Deferred Tax Assets (net)	255	71	261%
Net Current Assets & Investments	9,565	10,267	(7%)
Total Application of Funds	**13,068**	**13,819**	

P&L Comparison: FY20 vs. FY19

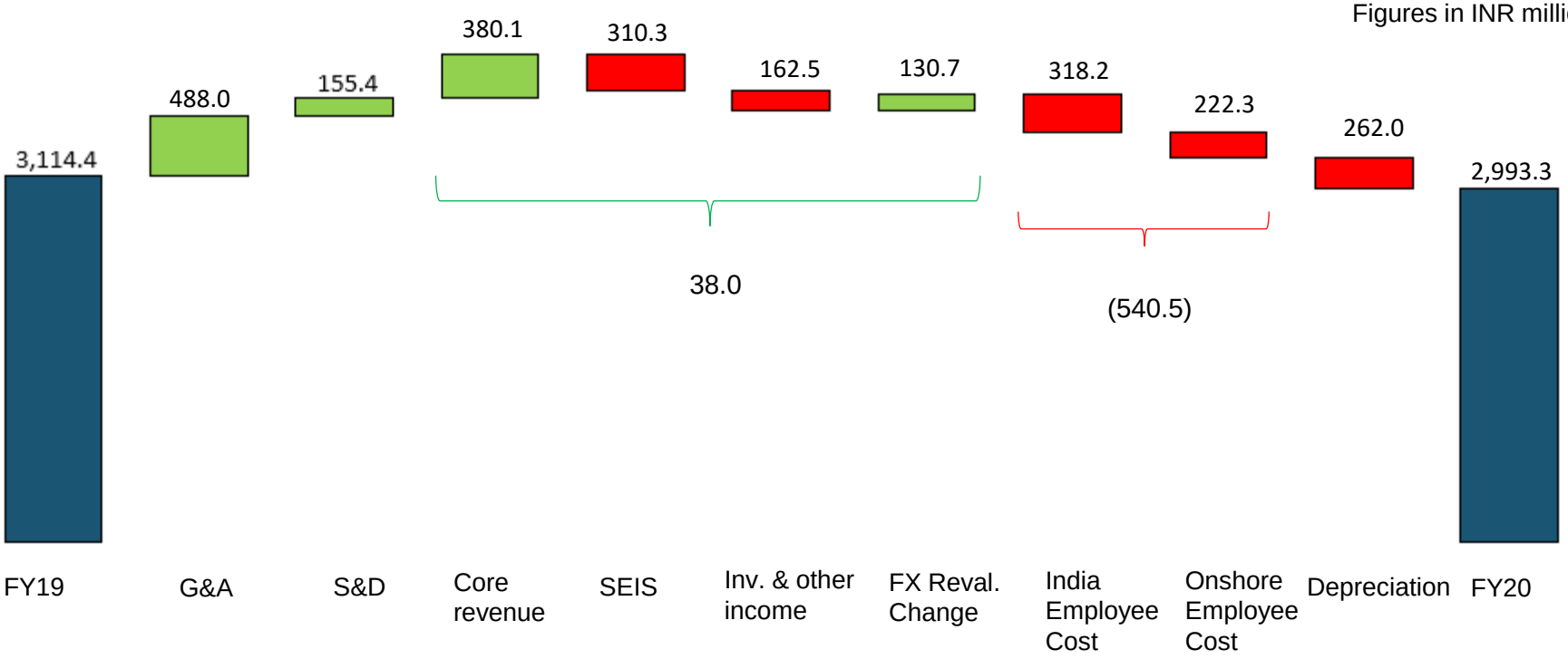
Figures in INR millions.

Operating P&L	FY20	OPR (%)	FY19	OPR (%)
Total Revenue	**14,830**		**14,792**	
Operating Revenue	14,376		14,306	
Cost of Revenues				
Delivery and Support Employees Cost	7,603	52.9%	7,062	49.4%
General and Administrative Expenses				
Facilities (Rent and Electricity)	319	2.2%	734	5.1%
Technological Services (Communications, AMC)	425	3.0%	416	2.9%
Administrative Services (Transport, HK, Security)	184	1.3%	193	1.3%
Legal and Professional Fees	210	1.5%	268	1.9%
Provision / Written off for Bad Debt	21	0.1%	8	0.1%
CSR & Donation	69	0.5%	75	0.5%
Others	312	2.2%	334	2.3%
Total G&A	**1,540**	**10.7%**	**2,028**	**14.2%**
Selling and Distribution	**1,984**	**13.8%**	**2,140**	**15.0%**
EBITDA	**3,702**	**25.0%**	**3,561**	**24.1%**
Depreciation and Amortization (Inc. rent as per IND AS116)	**709**	**4.9%**	**447**	**3.1%**
EBIT	**2,993**	**20.2%**	**3,114**	**21.1%**
INR/USD (Avg)	70.90		69.91	
INR/EUR (Avg)	78.79		80.91	
INR/GBP (Avg)	90.16		91.74	

EBIT & EBITDA percentage is on Total Revenue

EBIT Bridging Analysis: Y-o-Y FY20 vs. FY19

Figures in INR millions.



- G&A reduction mainly attributable to AS 116 impact in rent
- Higher depreciation due to AS 116
- Higher headcount in onshore as well as India resulting in increased delivery cost

Note:

- S&D Exp. includes employee cost of onsite business development team

Financial Summary – Quarterly View

Metrics		FY20 Q4	FY20 Q3	FY20 Q2	FY20 Q1	FY19 Q4
Revenue	OPG revenue (USD mm)	47.7	51.8	50.1	50.9	51.2
	OPG revenue (INR mm)	3,509	3,754	3,565	3,547	3,651
	Total revenue (INR mm)	3,679	3,869	3,652	3,630	3,747
Profit	EBITDA (INR mm)	945	1,147	867	744	903
	EBIT (INR mm)	760	971	690	572	776
	Net profit (INR mm)	554	699	439	398	593
Margin	EBITDA (%)	25.7%	29.6%	23.7%	20.5%	24.1%
	EBIT (%)	20.7%	25.1%	18.9%	15.8%	20.7%
	Net profit (%)	15.1%	18.1%	12.0%	11.0%	15.8%

P&L Comparison – Quarterly View

eClerx

Figures in INR millions.

Operating P&L	FY20 Q4	OPR (%)	FY20 Q3	OPR (%)	FY20 Q2	OPR (%)	FY20 Q1	OPR (%)	FY19 Q4	OPR (%)
Total Revenue	3,679		3,869		3,652		3,630		3,747	
Operating Revenue	3,509		3,754		3,565		3,547		3,651	
Cost of Revenues										
Delivery and Support Employees Cost	1,889	53.8%	1,887	50.3%	1,910	53.6%	1,923	54.2%	1,777	48.7%
General and Administrative Expenses										
Facilities (Rent and Electricity)	74	2.1%	76	2.0%	73	2.1%	95	2.7%	224	6.1%
Technological Services (Communications, AMC)	104	3.0%	108	2.9%	113	3.2%	99	2.8%	113	3.1%
Administrative Services (Transport, HK, Security)	46	1.3%	45	1.2%	47	1.3%	47	1.3%	45	1.2%
Legal and Professional Fees	53	1.5%	39	1.0%	57	1.6%	61	1.7%	71	2.0%
Provision / Written off for Bad Debt	17	0.5%	(4)	(0.1%)	6	0.2%	2	0.0%	5	0.1%
CSR & Donation	19	0.5%	15	0.4%	18	0.5%	18	0.5%	22	0.6%
Others	86	2.5%	79	2.1%	72	2.0%	75	2.1%	50	1.4%
Total G&A	**400**	**11.4%**	**358**	**9.5%**	**386**	**10.8%**	**397**	**11.2%**	**530**	**14.5%**
Selling and Distribution	**445**	**12.7%**	**477**	**12.7%**	**489**	**13.7%**	**566**	**16.0%**	**537**	**14.7%**
EBITDA	**945**	**25.7%**	**1,147**	**29.6%**	**867**	**23.7%**	**744**	**20.5%**	**903**	**24.1%**
Depreciation and Amortization	**185**	**5.3%**	**176**	**4.7%**	**177**	**5.0%**	**172**	**4.8%**	**128**	**3.5%**
EBIT	**760**	**20.7%**	**971**	**25.1%**	**690**	**18.9%**	**572**	**15.8%**	**776**	**20.7%**

*Selling and Distribution includes employee cost of onsite business development team.