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eClerx

Financial Performance – Q2 FY20
7th November, 2019

eClerx

Presented to:

Metrics		FY20 Q2	Q-o-Q	H1 FY20	Y-o-Y
Revenue	OPG revenue (USD mm)	50.1	-1.6%	101.0	1.7%
	OPG revenue (INR mm)	3,565	0.5%	7,112	0.5%
	Total revenue (INR mm)	3,652	0.6%	7,281	-2.5%
Profit	EBITDA (INR mm)	867	17%	1,611	-19%
	EBIT (INR mm)	690	21%	1,263	-30%
	Net profit (INR mm)	439	10%	837	-36%
Margin	EBITDA (%)	23.7%	3.2%	22.1%	-4.5%
	EBIT (%)	18.9%	3.1%	17.3%	-6.7%
	Net profit (%)	12.0%	1.1%	11.5%	-5.9%

**EBIT includes other income and excludes rental interest under INDAS116*

- **YoY Constant currency (CC) growth of 2.7%; QoQ CC decline by 1.2%**
- YoY CC decline of 2.4% Offshore and increase of 12.8% Onshore
- Margin levers for H2 – Higher hedged rates, headcount alignment with lower offshore revenue, improving margin on onshore, client price hikes, managed services growth; offset by any net offshore roll off
- New tax rate, when adopted, will insulate against tapering benefits in our SEZ units from FY21
 - One time Deferred tax reversal in Q2 increased ETR in Q2; One time PAT impact of INR 38.6mm

Figures in INR millions.

Other Income	FY20 Q2	FY20 Q1	FY19 Q4	FY19 Q3	FY 19 Q2
Investment Income	59.5	88.5	108.1	100.1	79.3
Revaluation and Realised Gain*	39.4	(11.2)	(15.9)	(103.9)	108.7
Other Misc. Income*	(11.9)	5.1	3.6	4.1	4.0
Total	87.1	82.5	95.7	0.2	192.1

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

- Other misc. income includes one time loss on sale of scrap assets of old Pune facility (INR 17mn)
- **Revaluation and Realised Gain**
 - USD/INR FY'20 Q2 Exit: 70.66 vs. FY'20 Q1 Exit: 68.95
 - EUR/INR FY'20 Q2 Exit: 77.07 vs. FY'20 Q1 Exit: 78.40
 - GBP/INR FY'20 Q2 Exit: 86.92 vs. FY'20 Q1 Exit: 87.56

Current Hedge Status

- Total outstanding hedges now \$137 mm at average INR 73.99/\$; 100% forwards

Contract	Year	Currency	Amount (mm)	Avg. Rate (INR)
Matured Forwards	FY19 Q3		\$32.7	69.0
	FY19 Q4		\$29.5	69.0
	Total FY19	USD	\$123.5	69.0
	FY20 Q1		\$30.3	69.9
	FY20 Q2		\$29.9	71.4
Outstanding Forwards	FY20 Q3		\$29.0	72.5
	FY20 Q4		\$27.7	73.5
	Total FY20	USD	\$56.7	73.0
	FY21 Q1		\$23.1	74.1
	FY21 Q2		\$22.1	74.5
	FY21 Q3		\$17.2	74.8
	FY21 Q4		\$11.1	75.2
	Total FY21	USD	\$73.5	74.5
	FY22 Q1		\$4.6	75.8
	FY22 Q2		\$2.3	76.8
Total FY22	USD	\$6.9	76.1	
Total Outstanding		USD	\$137.0	74.0

P&L Comparison: FY20 Q2 vs. FY20 Q1

Figures in INR millions.

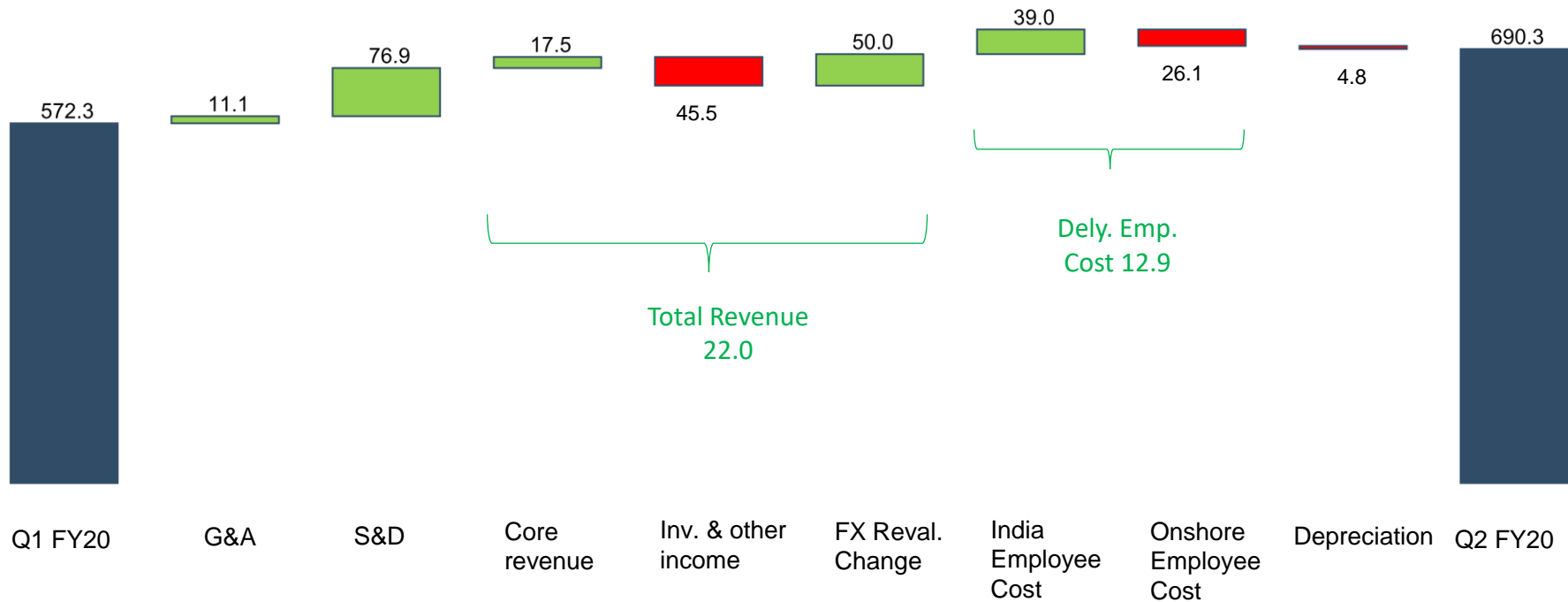
Operating P&L	FY20 Q2	OPR (%)	FY20 Q1	OPR (%)
Total Revenue	3,652		3,630	
Operating Revenue	3,565		3,547	
Cost of Revenues				
Delivery and Support Employees Cost	1,910	53.6%	1,923	54.2%
General and Administrative Expenses				
Facilities (Rent and Electricity)	73	2.1%	95	2.7%
Technological Services (Communications, AMC)	113	3.2%	99	2.8%
Administrative Services (Transport, HK, Security)	47	1.3%	47	1.3%
Legal and Professional Fees	57	1.6%	61	1.7%
Provision / Written off for Bad Debt	6	0.2%	2	0.0%
CSR & Donation	18	0.5%	18	0.5%
Others	72	2.0%	75	2.1%
Total G&A	386	10.8%	397	11.2%
Selling and Distribution	489	13.7%	566	16.0%
EBITDA	867	23.7%*	744	20.5%*
Depreciation and Amortization (Inc. rent as per INDAS116)	177	5.0%	172	4.8%
EBIT	690	18.9%*	572	15.8%*
INR/USD (Avg)	70.39		69.53	
INR/EUR (Avg)	78.26		78.16	
INR/GBP (Avg)	86.76		89.36	

*EBIT & EBITDA percentage is on Total Revenue

#Some costs are reclassified to facilitate like to like comparison between the quarters

EBIT Bridging Analysis: Q-o-Q FY20 Q2 vs. FY20 Q1

Figures in INR millions.



- Lower G&A due to Opex savings from Pune consolidation
- Delivery cost lower due to lower India headcount
- Lower S&D due to lower BD headcount and Travel cost

Note:

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

- Total Cash and Cash equivalents of INR 6,271 mm for Q2FY'20 vs INR 6,067 mm for Q2FY'19
 - Equivalent to INR 173.8 per share vs INR 159.2 for Q2FY'19
 - Net operating cash flow in Q2FY'20 is INR 1025.8 mm vs INR 937.0 mm in Q2FY'19
 - Capex during Q2 FY'20 is INR 69.40 mm vs INR 64.42 mm in Q2 FY'19
- EPS
 - Q2 Basic: INR 12.16 ; Diluted: INR 12.16
- Current book value per share of INR 328.8 vs. INR 323.0 Q2FY'19

CSR Update

- Spent INR 18.2 mm existing and new projects in Q2FY'20 related to India
- Areas covered: Health, Education, Skills development
- Total Life touched / benefited ~13.2k

- Set-up in FY'17 to minimize dilution by fulfilling exercise of ESOPs granted post April 2016 (“the Trust”)
- As on 30th September 2019, the Trust held 883,605 shares purchased @ 1220.40 average
- Company has loaned INR 1,200 mm to the Trust for this purpose

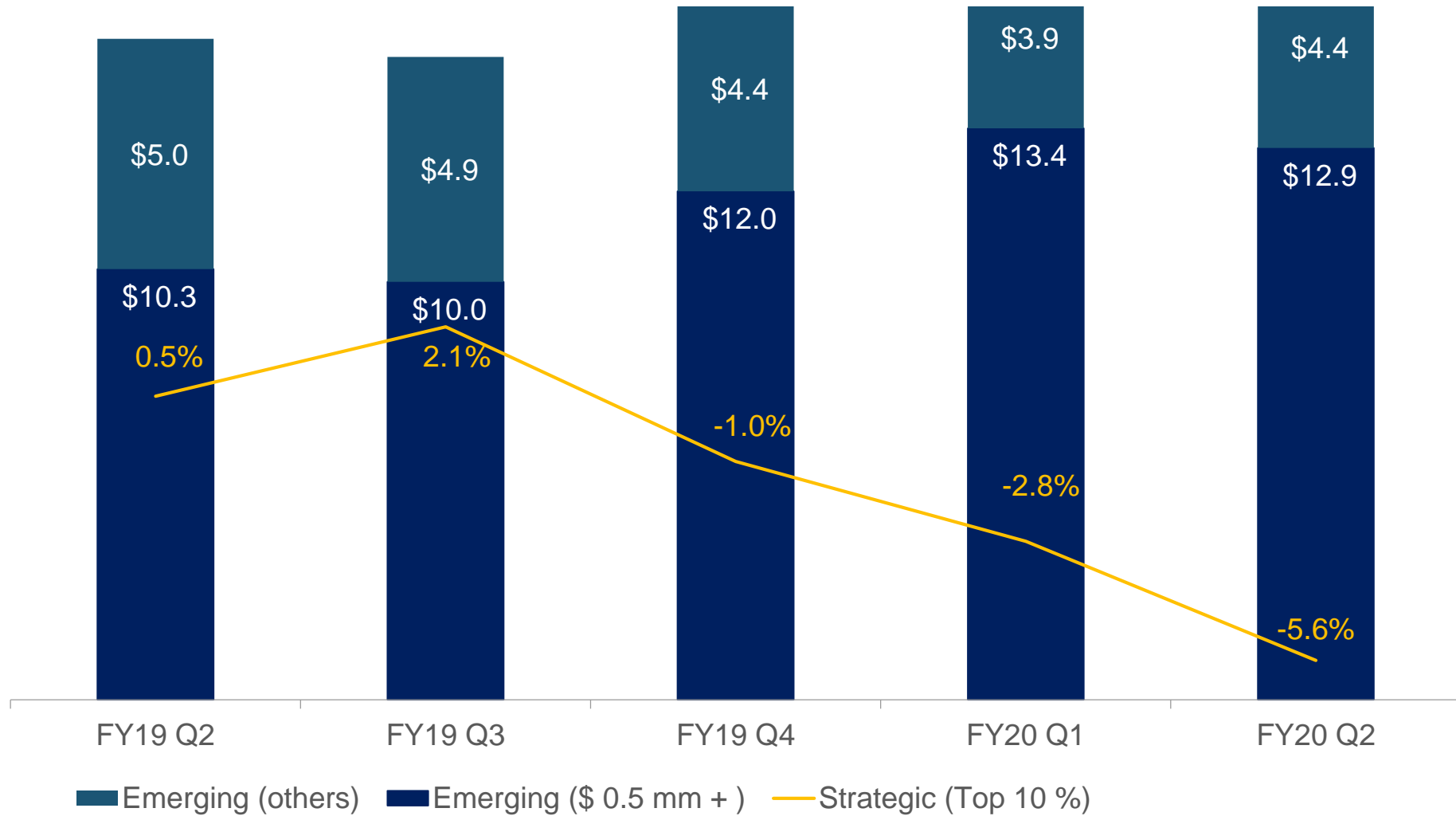
Loan Impairment

- Significant difference in the purchase price and exercise price of most recent ESOP grant (Jul 2019)
 - Could affect the ability of the Trust to service loan obligations.
 - Provision of Rs 444.94 million in Q2 FY20
- Impacts only PBT and Net worth of Standalone financials
- No P&L impact on Consolidated financials as bad loan provision eliminated on consolidating financials.
- No impact on Consolidated net worth as Loan asset of ESL and Loan borrowings of Trust get eliminated on consolidation
- Impairment provision to be reassessed for materiality every semester and will depend on
 - Market price of shares
 - Lapse in granted ESOPs due to employee exits or vesting conditions not being met

Key Business Metrics

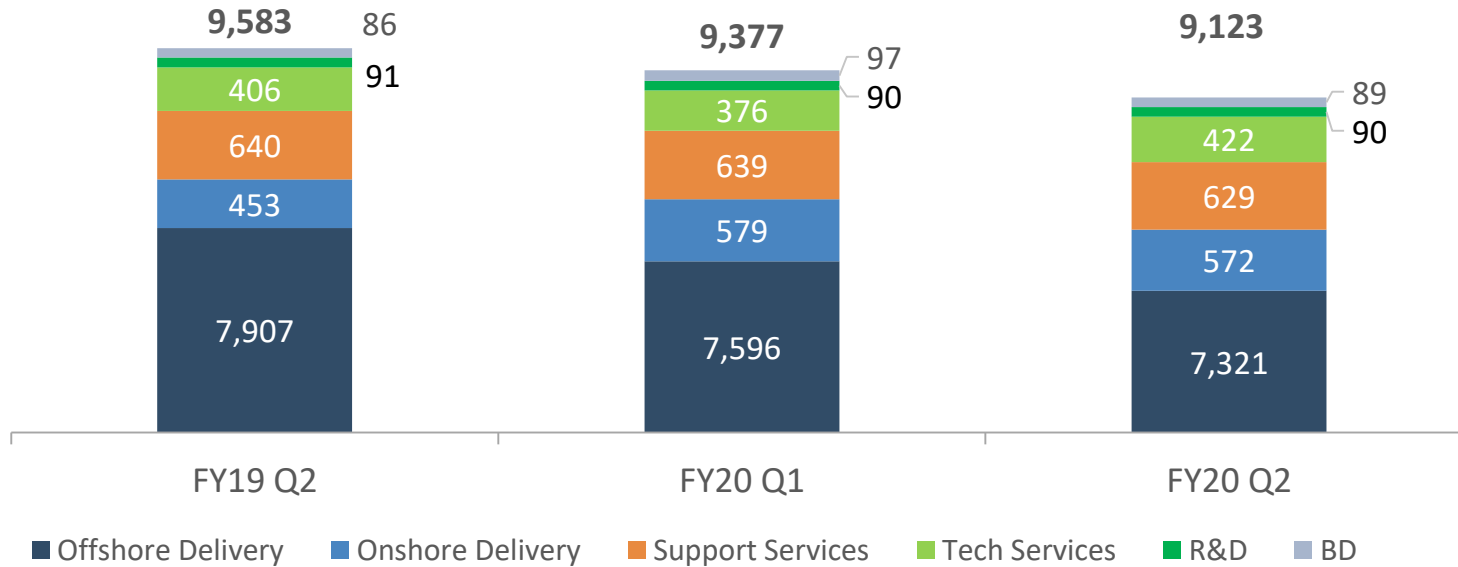
Metrics		FY 20 Q2	FY 20 Q1	FY 19 Q4	FY 19 Q3	FY 19 Q2	FY 19 Q1	FY 18 Q4	FY 18 Q3	FY 18 Q2
Currency Contribution (%) *	USD	81%	80%	80%	82%	82%	82%	79%	83%	82%
	EURO	11%	10%	10%	9%	10%	10%	13%	10%	10%
	GBP	6%	7%	7%	7%	6%	6%	6%	6%	6%
	Others	2%	3%	3%	2%	2%	2%	2%	1%	2%
Geographic Concentration *	North America	67%	67%	65%	64%	64%	64%	59%	65%	65%
	Europe	27%	27%	29%	29%	29%	28%	35%	28%	29%
	ROW	6%	6%	6%	7%	7%	7%	6%	7%	6%
Debtors (including unbilled)	DSO (days)	78	87	84	85	89	93	89	81	81
Client Concentration	Top 10 contribution	65%	66%	68%	70%	70%	70%	67%	71%	71%
Billing Mix	Managed Services	28%	28%	30%	27%	26%	23%	27%	22%	21%
	Onshore revenue	25%	24%	22%	23%	22%	22%	23%	19%	18%
Staff Utilization (Delivery)		71.9%	73.4%	74.3%	71.9%	72.5%	72.4%	72.4%	72.9%	73.8%
Client Contribution (based on TTM revenue) *	US\$ 500k-1mm Clients	22	20	20	16	17	20	18	NA	NA
	US\$ 1mm-3mm Clients	18	17	16	17	16	12	13	NA	NA
	US\$ 3mm-5mm Clients	4	4	2	2	2	4	3	NA	NA
	US\$ 5mm-10mm Clients	1	1	2	2	2	2	1	NA	NA
	US\$ 10mm++ Clients	5	5	5	5	5	5	5	NA	NA
India Seat Count		9,601	9,605	8,910	8,908	8,914	8,900	8,919	8,904	8,926

*Other smaller currencies, geographies and client contribution not shown

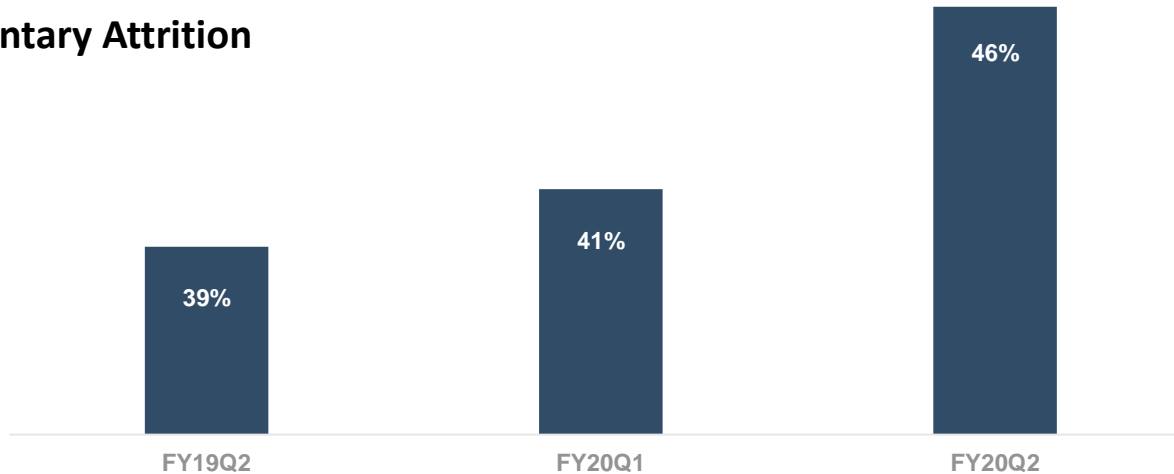


Strategic growth is measured at quarterly YoY level

Headcount



Offshore Voluntary Attrition



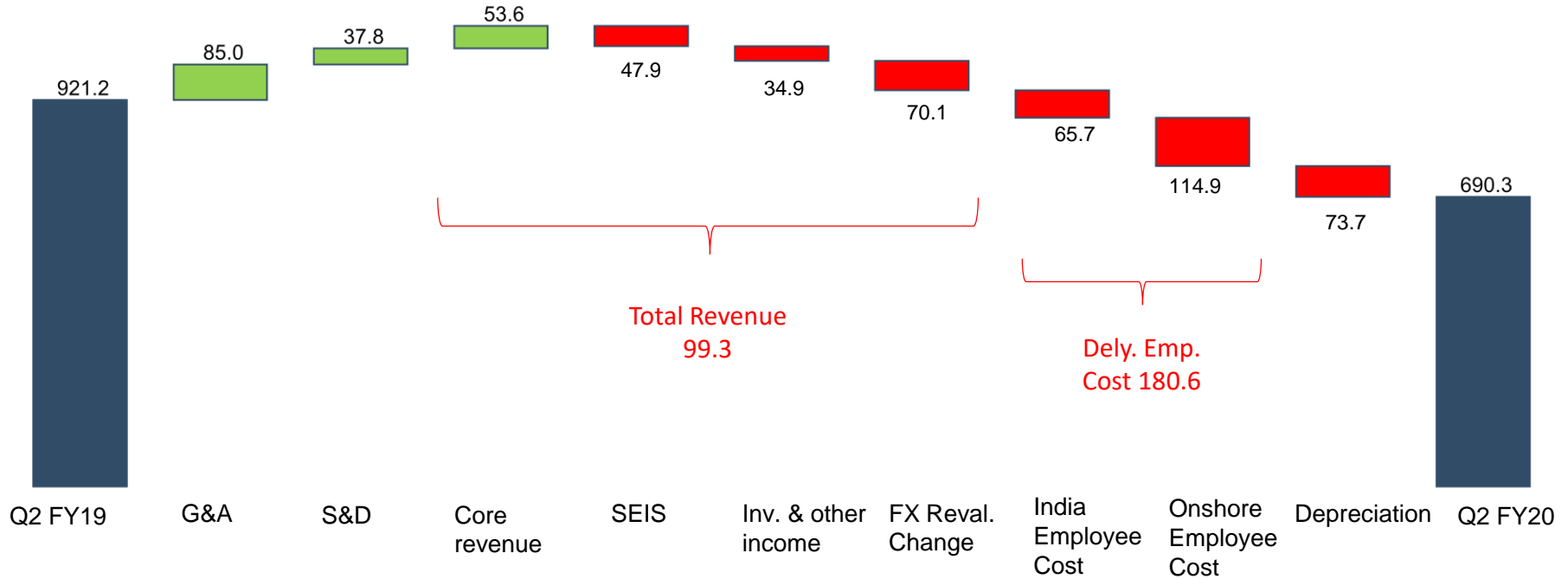
#Onshore delivery headcount number for Q1 corrected

This presentation contains forward-looking statements, inter-alia, to enable investors to comprehend company's prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make, contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is, inter-alia, subject to assumptions, risks, uncertainties, including but not limited to our ability to successfully conclude and integrate (potential) acquisition(s) and general regulatory and economic conditions affecting the industry. Should known or unknown risks or uncertainties materialise or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, expected or projected. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. 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

EBIT Bridging Analysis: Y-o-Y FY20 Q2 vs. FY19 Q2

Figures in INR millions.



- Lower G&A due to rent being moved to depreciation and interest due to impact of INDAS 116
- Delivery cost higher due to increase in onshore mix, salary increment and higher headcount
- Depreciation increase due to rental depreciation under INDAS 116
- Lower S&D due to lower Travelling and Contractor cost

Note:

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

Metrics		FY20 Q2	FY20 Q1	FY19 Q4	FY19 Q3	FY19 Q2
Revenue	OPG revenue (USD mm)	50.1	50.9	51.2	50.2	50.0
	OPG revenue (INR mm)	3,565	3,547	3,651	3,576	3,559
	Total revenue (INR mm)	3,652	3,630	3,747	3,577	3,751
Profit	EBITDA (INR mm)	867	744	903	667	1,024
	EBIT (INR mm)	690	572	776	544	921
	Net profit (INR mm)	439	398	593	390	700
Margin	EBITDA (%)	23.7%	20.5%	24.1%	18.7%	27.3%
	EBIT (%)	18.9%	15.8%	20.7%	15.2%	24.6%
	Net profit (%)	12.0%	11.0%	15.8%	10.9%	18.7%

P&L Comparison – Quarterly View

Figures in INR millions.

Operating P&L	FY20 Q2	OPR (%)	FY20 Q1	OPR (%)	FY19 Q4	OPR (%)	FY19 Q3	OPR (%)	FY19 Q2	OPR (%)
Total Revenue	3,652		3,630		3,747		3,577		3,751	
Operating Revenue	3,565		3,547		3,651		3,576		3,559	
Cost of Revenues										
Delivery and Support Employees Cost	1,910	53.6%	1,923	54.2%	1,777	48.7%	1,830	51.2%	1,730	48.6%
General and Administrative Expenses										
Facilities (Rent and Electricity)	73	2.1%	95	2.7%	224	6.1%	211	5.9%	130	3.6%
Technological Services (Communications, AMC)	113	3.2%	99	2.8%	113	3.1%	107	3.0%	106	3.0%
Administrative Services (Transport, HK, Security)	47	1.3%	47	1.3%	45	1.2%	49	1.4%	54	1.5%
Legal and Professional Fees	57	1.6%	61	1.7%	71	2.0%	65	1.8%	55	1.6%
Provision / Written off for Bad Debt	6	0.2%	2	0.0%	5	0.1%	-	0.0%	4	0.1%
CSR & Donation	18	0.5%	18	0.5%	22	0.6%	17	0.5%	24	0.7%
Others	72	2.0%	75	2.1%	50	1.4%	107	3.0%	97	2.7%
Total G&A	386	10.8%	397	11.2%	530	14.5%	557	15.6%	471	13.2%
Selling and Distribution	489	13.7%	566	16.0%	537	14.7%	523	14.6%	527	14.8%
EBITDA	867	23.7%	744	20.5%	903	24.1%	667	18.7%	1,024	27.3%
Depreciation and Amortization	177	5.0%	172	4.8%	128	3.5%	123	3.4%	103	2.9%
EBIT	690	18.9%	572	15.8%	776	20.7%	544	15.2%	921	24.6%