

Year in Review

FY 2020 revenues were almost identical to 2019 at USD 200.5 million with profitability ten percent lower due to the absence of SEIS benefits and a general increase in operating expenses. Performance showed improving trends until Q4, when growth was interrupted by the unwelcome introduction of Covid-19 into our societies, economies and ultimately financial statements. This effect, felt most in Q4, meant that overall new sales for the firm were down in aggregate whilst contracted roll-offs increased over the prior year.

There were notable achievements during the course of the year in spite of this challenging backdrop. Our top ten client concentration decreased further, we saw incremental additions in clients accruing between \$500k and \$5mm in annual revenue, and growth continued to skew towards our emerging clients. Each of our businesses showed resilience, and featured growth stories. eClerxMarkets tripled a client leveraging its data and compliance managed service and saw strong growth across two clients for onshore and offshore hybrid services. CustomerOperations substantially grew a new customer in field operations services across both onshore and offshore, won a new client for offshore chat and added to its service suite inbound calling in India. eClerxDigital implemented its largest global analytics program at a lifestyle brand, more than tripled its footprint for RPA services at a large enterprise technology client, and added a new \$1mm logo in the creative space, all areas of secular growth. Overall, growth outside our top 10 clients proved robust at over 10% and the average size of these clients increased. We also saw improved pricing in FY20 across our portfolio – a testament to the value of our services to the marketplace.

Productising Services

We remain convinced that our focused approach to high domain services embedding onshore delivery, analytics and technology remains key to differentiation, relevance, stickiness, and long-term value for eClerx. So FY20 saw us redouble efforts towards productized services - managed service programs wrapping our automation tools and analytics in areas of competence where we service multiple clients. This drove growth across derivative operations, client lifecycle, agreement management in financial markets, dispatch support, truck roll avoidance and omni-channel contact support in customer operations and across creative, data management and customer analytics in digital services. In the year, this also meant greater overall automation and analytics revenue - together now almost 20% of firm revenue - and I am happy to report that today greater than a third of our over \$1mm clients buy meaningful amounts of such services from us.

Onshore delivery continued to experience growth at a fast pace. Onshore consulting grew, capping three-year growth at just under sixty percent compounded. Our Fayetteville centre in North Carolina continued to add resources, and reached happy milestones in the year - EBITDA breakeven for the full fiscal year and net income positive in Q4. This speaks volumes for our execution focus and quality in these relatively new geographies.

The firm's response to COVID-19

Perhaps nothing captures the essence of your firm better than its agile response and performance during the ongoing Covid crisis. With

employee wellbeing and business continuity top of mind, we were early in canvassing clients to permission Work From Home (WFH) - a new delivery model for us - and in procuring and delivering over 7,000 laptops and data cards to employee homes. Therefore, when the lockdown arrived across Italy, India, Thailand and the USA in quick succession, we continued to show up in force for our clients, ensuring that we met deadlines and deliverables. Successfully converting a firm of 8,500 employees to WFH, in the context of client constraints, movement restrictions, equipment shortages and compressed timelines, speaks to our people and their commitment to client more than words can ever do. As I write this, we are entering our fourth month of delivery in this model, and our focus remains firmly on delivery quality, resilience and risk mitigation.

Our people functions

The firm invested heavily in people functions through the year. We increased hiring at premier colleges in India to help grow advanced automation, data science and analytics capabilities within the firm, and started an onshore analytics junior hiring and training initiative in the US to help drive scaling. We streamlined candidate outreach, assessment, and on-boarding to accelerate new-hire assimilation. Across the firm, we saw a one-third increase in the number of colleagues upskilled across new techniques such as artificial intelligence, machine learning, robotics process automation and data science, and continued to add to management training and development programs. We also broadened our rewards and recognition programs to account for the firm's diverse skill requirements and implemented a number of initiatives to improve employee engagement. As a result, our annual employee satisfaction survey saw enhanced participation and steadily improving results. Overall employee retention improved across the firm, most notably within our cohort of high performing and experienced employees.

Our focus on efficiency and cost optimisation continued. We implemented processes and technologies targeting better cost reporting and management across payroll, infrastructure, third party services and travel and expenses. Our particular focus was onshore where we consolidated and automated support functions for outside India locations. Travel costs notably reduced over the year, but Covid-related WFH home equipment and logistics costs partially offset reduced travel costs. These initiatives helped preserve margin, adjusting for SEIS, in spite of wage inflation. We will of course evaluate our office and facility plans in light of WFH acceptance of clients, and this may provide further cost saving opportunities in the future.

Capital Efficiency

Our traditional business prudence and governance standards proved once again beneficial. We exited the year with over USD 100mm in cash and cash like instruments - at a time of great uncertainty, this balance sheet strength provided clients, our management teams and our employees' confidence in the firm. Most notably, our financial strength helped us continue as 'normal', without layoffs and redundancies, even as we saw some fall in revenue entering FY21.

We continue our tradition of returning excess capital to shareholders this year as in the past and expect this to take the form of dividends and buybacks. The business environment is also likely to create increase M&A deal flow and hence to provide enhanced opportunities to deploy capital towards business accretive acquisitions.

Corporate Responsibility

In keeping with our responsibility to the environment, our local communities and societies, last year we launched energy savings initiatives such as motion sensing LED lighting, energy efficient climate control, and reduced computing hardware. We added to that this year by discontinuing single and multi-use plastics, moving to 100% recycled paper, reducing non-potable water usage, installing energy efficient power back-ups and helping install solar panel power systems at some of our Corporate Social Responsibility partner projects. We further leveraged technologies aimed at the paperless office, and digitised invoice and expense submission processes to help reduce waste, to create more space and reduce environmental cost.

We consolidated our CSR efforts - by our charter targeted at providing children and youth financial independence through education and skills development - towards a fewer, deeper partnerships. In the year, our combined efforts touched over 15,000 individuals through various interventions, and with the help of some innovative activities, we contributed over 20,000 volunteering hours as a firm. Through employee and company giving, we helped in relief efforts for the Odisha cyclone relief and Assam and Bihar floods. A flagship project in Lonavala is worth highlighting - working with our partner NGO we provided work opportunities for over 550 tribal families reducing migration by over 80%, helping increase school enrolments to 100% and encouraging 4,000 youths to participate across vocational training programs. We are very proud to be associated with such impactful grass-roots initiatives.

Awards and Recognitions

The industry recognised our work in the past year. We were lauded for our work in Robotics Process Automation at the NASSCOM Excellence Awards. Our Learning and Development function won two Gold awards at the Brandon Hall Excellence Awards - for the 'Best Use of Games or Simulations for Learning' and for 'Best Customer Service Training Program'. Our Markets team won the CII's 'National Competition on Lean' and our Analytics function was a winner of this award CYPHER Data Science award for 'AI in Travel and Tourism' category. Finally yet importantly, we won Gold for a Chat project this award in the ASQ South Asian Team Excellence Awards.

Charting uncertain waters

We are navigating tremendous uncertainty. Covid-19 has ensured that the world we enter at the end of FY20 is markedly different from that at the end of FY19. As I write this, our 8,500 employees are in the majority working from home, leaving our multiple offices empty. Meetings are being conducted on phones and desktops through virtual presence, new technologies allowing collaboration that just a few years ago would have seemed impossible. This way of working is undoubtedly as empowering as it is novel, and certain to become a permanent feature of some of our delivery models. How we win and deliver future business will no doubt change, forcing a relook at our overall sales and delivery business models.

Whilst the pandemic will likely exacerbate demand uncertainty by creating new winners and losers across client geographies, industries and companies, the demand for cost reduction, niche skills, automation and more diversified global delivery will inevitably rise. The change journey we have embarked upon over the past few years with the increase of global delivery, embedded automation and analytics and product-aligned managed services has been therefore timely. Our focus must now be to consolidate our position as the go-to innovative and high quality partner for our clients.

A special thank you

I want to end my note by recognizing the herculean work done by colleagues within the firm to ensure the firm stayed in business in March, albeit there are too many individual stories of entrepreneurship, personal risk taking and teamwork to each honour. This demonstration of determination and spirit is a timely reminder of what makes this firm so special - our EPIC focus on Excellence, People, Integrity and Client. With our people, our enviable client community, our capabilities and our hunger to always do better, I remain ever more confident of our future.

I thank you for your belief in us and for your ongoing support.

Sincerely,
PRADEEP KAPOOR
Chairman