Principle 8: Businesses should support inclusive growth and equitable development

| Sr. No. | Particulars | |
|---|---|---|
| 1 | Does the Company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof. | Company invests in following training programs:<br>• Industry experts/stalwarts from specialised practice areas are invited for guest talks.<br>• Tie-up with a global eLearning provider to upskill high potential managers on business, technology, and creative skills.<br>• Internal job transfers enables the Company to systematically identify, assess and develop talent towards readiness for specific future needs.<br>• Select senior managers are nominated for India's top rated post graduate analytics program.<br>• Internal publications share insights gained from existing processes by applying analytics to deliver actionable insights. |
| 2 | Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organisation? | Programmes/projects on inclusive growth and equitable development are taken both in-house via eClerx Cares Team as well as externally with the help of NGOs (implementing agencies) which have been listed in the Corporate Social Responsibility section in the Annual Report. |
| 3 | Have you done any impact assessment of your initiative? | • Yes, we have done a third party study by a domain expert firm for our portfolio at the end of the previous financial year. Given the current situation, this assessment on our current portfolio has been done internally.<br>• NGOs are required to submit an impact analysis and report on funds utilisation with the Company.<br>• CSR Committee and the Board of Directors, review all initiatives taken by the Company on periodic basis. |
| 4 | What is your Company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken? | The total CSR spend for FY 2019-20 was INR. 70.07 Million and the details of projects undertaken by the Company has been detailed in the Annual Report. |
| 5 | Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so. | All the initiatives under the CSR are taken up with the intent of delivering quantifiable long-term benefits, instead of ad-hoc activities. The continued monitoring and enhancement of the efforts aims at encouraging and increasing support from the local communities to help us achieving the intended purpose(s). In addition, participation by eClerx Cares committee, volunteers and an impact assessment process ensures successful adoption by communities. |

Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner

| Sr. No. | Particulars | |
|---|---|---|
| 1 | What percentage of customer complaints/consumer cases are pending as on the end of financial year? | None received during the year under review. |
| 2 | Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A./ Remarks (additional information). | eClerx is a ITES provider and hence this question is not applicable to us. |
| 3 | Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behavior during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so. | NA |
| 4 | Did your Company carry out any consumer survey/consumer satisfaction trends? | Customer satisfaction surveys are carried out on a periodic basis. |





## I. INDUSTRY OVERVIEW

The IT-BPM sector grew by 7.7% YOY garnering a total revenue of USD 191 billion in FY 2019-20, as reported by NASSCOM (National Association of Software and Services Companies).

Over the past year, performance from the industry showcased increasing focus on the digital transformation of businesses and also the expansion of digital-driven services. While the initial investments were in front-end consumer facing applications to provide better user experience and are expected to continue, investments are now moving to the back-end which are likely to be large scale digital transformation programs intending to modernise/replace core legacy systems and size of the budgets is also expected to grow significantly.

As per ICRA, the industry is expected to witness flattish to muted growth (3-5%) in the next financial year causing simultaneous supply and demand shocks owing to Coronavirus outbreak. The credit profile of Indian IT Services companies, however, is expected to remain stable underpinned by its ability to sustain free cash flows despite pressure on short term revenue growth and margins.

## II. BUSINESS PERFORMANCE

**Financial Markets**

In FY 2019–20, Financial Markets saw growth driven primarily through the expansion of emerging and onshore revenue streams. During the year, each of the core account teams spent significant time negotiating new Master Service Agreements which resulted in new contracts with excellent long term benefits for both parties. These renewals are notable in the backdrop of strengthening of some client captive organisations which has created headwinds through significant competition for both new and existing business at those clients. We continued to deploy successful RPA initiatives with some projects designed to increase productivity within our book of work as well as other stand-alone RPA projects outside of our pre-existing footprint at clients. Our list of active KYC clients and pipeline continued to grow as our technology and processes matured through advancements driven in partnership with our clients. We were also able to strengthen our sales teams during the year through the addition of new sales members in both North America and Australia.

**Digital**

This fiscal saw increased penetration into B2B industrial sector across creative, data management and analytics services with notable wins in this space. EMEA region outperformed in an uncertain economic climate caused by Brexit. Analytics services grew at a faster pace compared to other service lines as clients continue to look to specialist providers like eClerx. Onshore consulting team remained stable YoY with a stronger focus on insights and utilisation improvement across clients. This positive momentum was slowed by the Covid-19 pandemic with all of our offices and our retail and travel clients experiencing high degree of disruption. True to our DNA, we transformed our delivery models quickly and outperformed our client expectations. Our clients have shown their appreciation for our unwavering dedication during these difficult times, which further cements our client relevancy as we enter the new fiscal year.

**Customer Operations**

The Customer Operations team saw many successes in fiscal FY19-20. We were able to close several deals starting early in the year with an opportunity to implement RPA for one of the world's largest car rental organisations. While it is a small deal initially, it diversifies the Customer Operations portfolio, and we have performed well, positioning ourselves to grow the relationship in the future. Our extensive background in Field Technical Operations secured the win and launch of Avoidable Truck Roll business for a large US Cable & Telecommunications Company whose holding company has a sizeable multinational footprint.

We have also experienced growth in our key account, securing opportunities to support their prestigious new streaming product and a pilot to support Inbound Voice work from India for the first time. Opportunity for eClerx to handle these critical strategic areas of their business is testament to our long-standing partnership and outstanding performance record.

As many organisations around the world have, we closed out the year by pivoting our entire organisation to Work from Home at a pace, scope, and scale previously unimagined for our business. Through the partnership and unwavering efforts of our Technology, Operations, Account Management, and support teams, we migrated our teams in India and the US to work from home in just a few weeks.

**Research and Development Centre**

We continue to invest in incubating new technology capabilities through our Research and Development Centre. The technology team invested heavily into embedding artificial intelligence and machine learning into our applications and deployed use cases ranging from text analytics, language processing, image matching and virtual assistants.

The Technology team continues to gather global accolades for the products that we build. The notable ones include NASSCOM BPM Customer Excellence Award for RPA at Scale, CSO50 Global Award for eVigilPro and the CIO100 for Service Governance Hub.

**Infrastructure**

In India, eClerx operates out of three cities, Mumbai and Pune in western India, and Chandigarh in north India. Mumbai has eClerx's largest office, followed by Pune and Chandigarh. In FY 2019-20, the Company completed consolidation of its Pune facilities whilst also increasing capacity to accommodate future growth. At the end of March 2020, the Company's India facilities had a total capacity of around 9,600 seats.

Using the opportunity created by recently announced simplified tax regime in India, we also consolidated our SEZ units in Mumbai and

Pune under a single letter of approval for each city. This will reduce compliance overheads whilst providing operational convenience and an opportunity to optimise facility operating costs.

The onshore delivery centre in Fayetteville, North Carolina (United States) now has an increased capacity of 250 seats. We added a second client to the delivery centre and the facility is now operating 15 hours a day, 7 days a week. We are also in the process of developing Work from home strategy, which in addition to being part of our business continuity planning, will also help in accessing wider talent pool.

Outside of India and the Unites States, the Company has delivery centres in Thailand and Italy. The Company also has sales offices in United States, Europe and Singapore.

#### Harnessing Talent

In keeping with our commitment to make eClerx a better place to work, we partnered with a leading talent management firm to launch a company-wide employee satisfaction survey. This survey saw our highest ever participation rate and engagement scores showed steady improvement over our previous surveys. From employee surveys and social media analytics, learning opportunities and rich work content emerged as our key employee value proposition.

We continued to make significant investments in employee re-skilling. As compared to the previous year, 30% more employees were upskilled across the firm, with special emphasis on new-age technologies like AI, ML, RPA and data science.

On the talent acquisition front, this year we hired the largest number of graduates so far from premier colleges for niche roles in AI/ML, data science and data visualization across our global teams. This was made possible by our partnerships with some of the large campuses to embed the eClerx curriculum and ensure a steady talent pipeline in areas of digital analytics and UI/UX technology.

To accelerate new hire assimilation, we introduced new online assessments coupled with high touch on-boarding programs, which enabled double digit reduction in early attrition.

Overall retention improved across levels, and the improvement was especially significant amongst specialised skills and top talent.

Diversity is our key strength. Under the Women at eClerx (WE) global initiative, we continue to build leadership pipeline and open up opportunities for women to build career – especially at leadership levels.

The efforts of our Learning & Development team were rewarded with two Gold awards at the prestigious Brandon Hall Group Excellence Awards. Our Quality team also won awards at multiple forums: ASQ – South Asia award, CII - National Lean Award, and Qimpro - Qualtech Award. We are also proud to be CMMI certified at Maturity Level 3 in a comprehensive appraisal conducted by our CMMI consulting partner, QAI India. The certification recognises our well-characterised processes, proactive approach to managing projects, and our dedication to consistently producing great work.

With changing workforce dynamics in the new normal, the year ahead pivots on virtual enablement with a strong backbone of intelligent HR analytics and insights.

### III. OUTLOOK

#### Financial Markets

With an exceptional response to the Covid-19 pandemic, we have further established ourselves as an excellent risk mitigating partner to our client base. Our response to the lockdown has put us at the top of our peer group as we quickly adapted in the face of an unexpected and unparalleled event. We have begun to see a renewed interest in BPM demand from core clients, some of which we believe is coming at the expense of peers and clients own captives who were unable to adapt as quickly or efficiently. Efforts made in the prior year to develop partnerships with several key firms are beginning to bear fruit and should have material impact on FY21 diversification and revenues. Investments in our solution sets for KYC (Compliance Manager) and Brokerage Billing (Billing Manager) continue to reinforce our value proposition for current clients as well as provide additional tools for our sales team to convert new clients. The Sales and Account management team has been restructured to include a more significant solutions group focused on clearly defining our primary solutions and honing the technologies, processes and marketing collateral for the same.

#### Digital

Our Digital clients continue to focus on eCommerce and other direct to customer channels to adapt to the new normal. This channel shift increases the need for more eClerx Digital services and support to our client growth. Certain industry sectors like travel and traditional retail will have headwinds throughout fiscal year 2020-21. We expect managed services contracts and more productised solutions based on industry blueprint designs to be the primary mode of client acquisition. Our focus on higher contribution from technology centric business process solutions will continue with increased use of AI, ML and RPA.

#### Customer Operations

As we move through fiscal year 2020-21, we will continue to hone our Work From Home capability and look for ways to diversify our client portfolio within Customer Operations as we adapt to the ever-changing world around us. We anticipate that we will continue to put efforts in diversifying beyond the Cable and Telecom clients using our successful Customers Operations case studies with car rental and retail clients.

### IV. OPPORTUNITIES, THREATS, RISK AND CONCERNS

Risk management is an integral part of the business. We have outlined the principal risks and uncertainties that could adversely impact the functioning of the Company through their effect on operating performance, financial performance, management performance and overall sustainability. The Company has an efficient Risk Management system in place to identify and address various risks that the Company may face. This system has made sure that the Company has an effective framework for identification, measurement, evaluation and mitigation of various risks. This Risk Management system is governed by the Risk Management Policy and monitored by Risk Management Committee. While our focus has been on highlighting likely adverse outcomes, many of these could also provide us opportunities if the outcomes happen to favour us. These risks include, but are not limited to:

| | |
|---|---|
| **Macro-economic risk** | The Company derived over 90% of its revenues during FY 2019-20 from US and Western Europe. Challenging business and economic conditions and protectionist policies in these markets and continued policy changes could enhance cost pressure on clients and thus may affect the Company adversely in a number of ways. The Company may witness a reduction in prices, or the loss of key projects and customers, in turn affecting the financial performance. |
| **Concentration risk** | The Company derived over 54% of its total revenues during FY 2019-20 from its top five clients. The concentration risk continues to be high. The Company's profitability and revenues would be significantly affected in case of loss of any of these clients or a significant downsizing or insourcing. Further, any mergers or acquisition of or by any of such large clients could cause change in outsourcing strategy thus limiting our business with those clients. |
| **Currency risk** | The Company derived around 81% of its revenues in US Dollars, 11% in Euros, and 8% in Sterling and other currencies. Adverse movements in foreign exchange rates on account of global, regional or local events could have a negative impact on our financial performance. |
| **Competition risk** | New competitors may enter the markets the Company operates in. Likewise, current competitors could decide to focus more on these markets, and thereby intensify the competition. They could also offer new disruptive technologies or offer a different service model or offer similar services at reduced prices. Such developments could harm the Company's business and results of operations. |
| **Integration risks** | The Company's past or future acquisitions may pose challenges including financial, technological and people integration risks, which if not managed adequately, could result in failure to achieve the strategic and financial objectives of the transaction. |
| **Key People risk** | Our business is critically dependent on the quality of our workforce. Failure to attract, retain and motivate key employees would impair the Company's ability to offer the right quality of service to clients. |
| **Business disruption or IT system failure risk** | Business disruption following a major outage event or a failure of our IT systems could cause a disruption in the Company's services, thereby reducing client confidence. Business disruption due to pandemic resulting in country wide lockdowns could impact financial performance if our clients do not extend work from home approvals or decide to shift business to their own or competitor facilities that are still functional. |
| **Legal and regulatory risk** | Failure to comply with legal or regulatory requirements could impact the Company's reputation and financial position. Legislation in certain countries in which we operate may restrict clients in those countries from outsourcing work to overseas entities like us, which could hamper our growth prospects in major markets. Any major export or tax incentive, if withdrawn or materially altered may have an adverse implication on our financials. Insurers are lately excluding coverage of emerging risks thereby exposing Company to bear costs of lawsuits. |
| **Technological risk** | With advancement of technology, artificial intelligence and robotics, the work volume for people-skill driven services might decrease or reshape significantly, and the Company might not be able to make transition to newer client demands or newer supply side models quickly. |
| **Personal data and Privacy Risk** | There is increased sensitivity on the part of governments and regulators with respect to personal data and privacy. Failure to comply with current and/ or new regulations or any cyber-attack could impact Company's reputation and financial position. |
| **Breach of data privacy and protection/ Non-compliance to GDPR** | Privacy and protection of personal data is an area of increasing concern globally. Legislations like GDPR in Europe carry severe consequences for non-compliance or breach. Any violation or security breach, observed non-compliance or inadequacy of privacy policies and procedures can result in substantive liabilities, penalties and reputational impact. |
| **Risks from Work From Home scenarios** | Work from home scenarios could expose the Company to additional risks related to security of network, data and endpoint devices and new employee health hazards. Any adverse event on this front could expose the Company to reputational and financial risks. The sustained level of productivity achievable in such scenario is still not fully tested and any subsequent reduction may increase the delivery costs significantly. |

## V. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has in place an adequate system of Internal Controls which commensurate with the nature of business and size of its operations. The system is designed to adequately ensure that financial and other records are reliable for preparing financial statements and for maintaining accountability of assets. The Company has a strong and independent internal audit function which carries out regular internal audits to test the design, operations, adequacy and effectiveness of its internal control processes and also to suggest improvements and upgrades to the management.

The Audit Committee reviews the adequacy and effectiveness of the Company's internal control environment and monitors the implementation of the recommendations.

## VI. CONSOLIDATED FINANCIAL PERFORMANCE

The financial statements of your Company are prepared in compliance with the Companies Act, 2013 and Indian Accounting Standards ('Ind AS'). The Group's consolidated financial statements have been prepared in accordance with the principles and procedures for the preparation and presentation of consolidated accounts as set out in the Ind AS 110 on 'Consolidated Financial Statements'.

The following discussion and analysis should be read together with the consolidated Ind AS financial statements of the Company for the financial year ended March 31, 2020.

### i. RESULTS OF OPERATIONS

The following table gives an overview of consolidated financial results of the Company:

(Rupees in Million)

| Particulars | 2019-20 | % | 2018-19 | % |
|---|---|---|---|---|
| Revenue from Operations | 14,375.71 | 96.85 | 14,305.93 | 96.71 |
| Other Income (net) | 467.05 | 3.15 | 485.92 | 3.29 |
| **Total Revenue** | **14,842.76** | **100.00** | **14,791.85** | **100.00** |
| Employee benefits expense | 8,542.62 | 57.55 | 7,868.94 | 53.20 |
| Cost of technical sub-contractors | 554.44 | 3.74 | 714.12 | 4.83 |
| Other expenses | 2,043.46 | 13.77 | 2,646.74 | 17.89 |
| **Total Operating Expenses** | **11,140.52** | **75.06** | **11,229.80** | **75.92** |
| **EBITDA** | **3,702.24** | **24.94** | **3,562.05** | **24.08** |
| Finance Costs | 188.10 | 1.27 | 0.39 | 0.00 |
| Depreciation and goodwill amortisation | 708.95 | 4.78 | 446.92 | 3.02 |
| **Profit before Tax** | **2,805.19** | **18.90** | **3,114.74** | **21.06** |
| Taxes | 715.47 | 4.82 | 831.73 | 5.62 |
| Minority Interest | -0.11 | 0.00 | 0.38 | 0.00 |
| **Net Profit attributable to shareholders** | **2,089.83** | **14.08** | **2,282.63** | **15.43** |

#### a. Income

**Income from operations**

Income from operations increased to Rs. 14,375.71 Million in the year under review from Rs. 14,305.93 Million in the previous year registering a marginal growth of 0.49%. This also includes income on account of export incentive under Service Exports from India Scheme of Rs. 15.33 Million (previous year Rs. 325.48 Million) accounted during the year.

**Other income**

Other income primarily comprises of foreign exchange gains/loss, interest on bank deposits and dividend from debt oriented mutual funds. The total other income decreased to Rs. 467.05 Million in the year under review from Rs. 485.92 Million in the previous year.

There was Foreign exchange gain of Rs. 109.22 Million due to revaluation and realisation of foreign currency denominated assets and liabilities in the year under review compared to gain of Rs. 99.74 Million in the previous year.

Income from investments decreased marginally to Rs. 344.78 Million in the year under review from Rs. 369.32 Million in the previous year.

#### b. Expenditure

Operating expenses comprises of employee costs, software product development cost, cost of technical subcontractors and other general and administrative expenses. The total operating expenses decreased marginally to Rs. 11,140.52 Million in the year under review from Rs. 11,229.80 Million in the previous year.



Employee costs increased to Rs. 8,542.62 Million in the year under review from Rs. 7,868.94 Million in the previous year, primarily due to annual increment in salaries and higher sales linked incentives.

Other expenses decreased to Rs. 2,043.46 Million in the year under review from Rs. 2,646.74 Million in the previous year. The decrease was primarily due to:

- Decrease in rent by Rs. 402.25 Million due to adoption of Ind AS 116, the nature of expenses have changed from rent in previous periods to depreciation cost on right-of-use asset and finance cost for interest on lease liability.
- Decrease in travel expenses by Rs. 148.19 Million due to cost control measures and reduced travel to customer locations on account of the global pandemic COVID 19.
- Decrease in legal and professional expenses by Rs. 58.03 Million.

#### c. Depreciation

Depreciation charge has increased to Rs. 708.95 Million in the year under review from Rs. 446.92 Million, due to adoption of Ind AS 116, the nature of expenses has changed from rent in previous periods to depreciation cost on right-of-use asset and finance cost for interest on lease liability. The depreciation on right-of-use asset was Rs. 305.33 Million. The depreciation cost on fixed assets decreased to Rs. 403.62 Million from Rs. 446.92 Million in previous year due to lower capital investment in fixed assets.



#### d. Finance cost

Finance cost has increased to Rs. 188.10 Million in the year from Rs. 0.39 Million in the previous year due to adoption of Ind AS 116 where, the nature of expenses has changed from rent in previous periods to depreciation cost on right-of-use asset and finance cost for interest on lease liability which amounted to Rs. 188.10 Million.

#### e. Income Tax Expense

The Company's consolidated tax expense (including deferred taxes) reduced to Rs. 715.47 Million in the year under review from Rs. 831.73 Million in the previous year due to lower profit before taxes and lower tax rates as per the new rates prescribed under Section 115BAA of the Income Tax Act, 1961.

### ii. FINANCIAL CONDITION

#### a. Share Capital

The Company has authorised capital of Rs. 500.10 Million as on March 31, 2020. The issued, subscribed and paid up capital was Rs. 361.00 Million of equity shares of Rs. 10 each in the year under review as compared to Rs. 377.90 Million in the previous year. The change in paid up capital was primarily due to buyback of shares.

#### b. Other Equity

The reserves and surplus of the Company decreased to Rs. 12,701.14 Million in the year under review from Rs. 13,435.08 Million in the previous year. Decrease in other equity is primarily on account of:

- Addition of retained earnings & other comprehensive income by Rs. 2,089.72 Million in the year under review.
- Reduction in retained earnings and Securities Premium account on account of buy-back of shares by Rs. 2,627.04, reduction on account of adoption of Ind AS 116 "Leases" and adoption of appendix C to Ind AS 12 "Income Taxes" by Rs. 71.30 Million and payment of dividend and related taxes Rs. 43.71 Million.
- Reduction of Rs. 4.40 Million in Share application money pending allotment due to allotment of shares.

#### c. Right of Use Lease liabilities

In compliance with the new accounting standard Ind AS 116 Lease accounting, Right of Use ("ROU") lease liability has been recognised with effect from April 01, 2019. Balance of ROU lease Liability as on March 31, 2020 were Rs. 1,316.50 Million as long term and Rs. 240.84 Million as short term.

#### d. Derivative instruments

Company covers foreign exchange fluctuation risk through hedging instruments as per board approved policy. Derivative instrument fair valuation is accounted through OCI. As at March 31, 2020, derivative instrument fair valuation liability was Rs. 341.01 Million compared to fair valuation asset of Rs. 207.33 Million as at March 31, 2019. Decrease is due to adverse marked to market movement against the hedged currency rates.

#### e. Borrowings

Borrowings by subsidiaries have decreased to Rs. 8.68 Million in the year under review from Rs. 16.74 Million in previous year due to repayment part of working capital loan by subsidiary in Italy.

#### f. Employee Benefit Obligations

Employee Benefit Obligations includes gratuity, leave encashment, sales incentives, performance bonus, retention bonus and other employee benefits, increased to Rs. 1,322.35 Million in the year under review from Rs. 1,109.02 Million in previous year primarily due to increase in higher sales incentives and additional employee retention bonus plans.

#### g. Trade Payables

Increase in trade payables to Rs 138.64 Million in the year under review from Rs. 116.06 Million in the previous year primarily due to increase in creditors of India operations.

#### h. Other financial and current liabilities

Other financial and current liabilities includes unpaid dividend, advance billing, accrued expenses and payables for capital expenditure and statutory dues, which have decreased to Rs. 597.33 Million in the year under review from Rs. 732.90 Million in the previous year primarily due to lease liabilities now being accounted separately as ROU lease liabilities on adoption of Ind AS 116.

#### i. Fixed Assets

The net block of fixed assets and capital work in progress and other as at March 31, 2020 was Rs. 1,251.86 Million as compared to Rs. 1,298.52 Million as at March 31, 2019. During year under review, addition to gross block (net off disposals) was Rs. 30.49 Million comprising of computer hardware and software and addition to leasehold improvements.

Goodwill on consolidation on account of foreign subsidiaries was at Rs. 2,272.10 Million as at March 31, 2020 as compared to Rs 2,182.27 Million as at March 31, 2019. The increase is on account of translation gains.

#### j. Right of Use Assets

In compliance with the new accounting standard Ind AS 116 Lease accounting, Right of Use ("ROU") Assets has been recognised with effect from April 01, 2019. Balance of ROU Assets as on March 31, 2020 is Rs. 1,281.47 Million.

#### k. Investment

Investment represent Non-Current investment of Rs. 2.40 Million as at March 31, 2020 which is same as last year.

Current Investment represent surplus funds of the Company parked with mutual fund schemes that can be recalled at very short notice.

The Company's treasury practices call for investing only in highly rated debt oriented mutual funds. Investment in mutual funds increased to Rs. 4,365.52 Million during the year under review from Rs. 2,860.24 Million in the previous year due to increased investment in mutual funds in place of bank fixed deposits.

### l. Trade Receivables

Debtors marginally decreased to Rs. 2,377.84 Million as at March 31, 2020 from Rs. 2,425.89 Million as at March 31, 2019. These debts are considered good and realisable and provision for doubtful debts has been made based on expected credit loss model based on various factors, including collectability of specific dues, economic condition of the industry in which the customer operates and general economic factors that could affect the customer's ability to settle. The Company monitors trade receivables closely.

### m. Cash and Other Bank Balances

Cash and other bank balances mainly represent bank balances in current and fixed deposit accounts due to increase in short term deposits placed with the banks. The cash and other bank balances decreased to Rs. 3,344.99 Million as on March 31, 2020 from Rs. 4,515.46 Million as at March 31, 2019 due to increased investment in mutual funds in place of bank fixed deposits.

### n. Other financial assets

Other financial assets includes unbilled revenue, premises & other deposits, recoverable expenses and other loans & advances. Other financial assets marginally decreased as at March 31, 2020 to Rs. 1,249.33 Million from Rs. 1,305.06 Million as at March 31, 2019.

### o. Other current and non-current assets

Other current and non-current assets include capital advances, service tax and GST credits, duty benefit credits, prepaid expenses and other advances. Other current & non-current asset decreased as at March 31, 2020 to Rs. 723.34 Million from Rs. 875.48 Million as at March 31, 2019 primarily due to higher export incentives and GST refunds received during the year.

### p. Deferred Tax assets /liabilities

Deferred tax assets and liabilities represent timing differences in the financial and tax books arising from depreciation of property, plant and equipment, compensated absences & gratuity and derivative financial instruments. The Company assesses the likelihood that the deferred tax will be adjusted from future taxable income before carrying it as an asset or liability. The Company has a net deferred tax asset of Rs. 254.90 Million as at March 31, 2020 as compared to Rs. 70.63 Million as at March 31, 2019. The increase is primarily due on account of additional deferred tax asset created on derivative financial instruments liabilities.

### q. Income Tax assets /liabilities

The Company's profits are subject to tax in the various jurisdictions where the Group conducts business operations. The non-current tax assets primarily represent payments of tax demands which have been contested and under appeals and refunds receivable. Current tax liabilities primarily comprise of tax provisions made in year end for which payment is not yet due.

Income tax liabilities (net) increased to Rs. 93.18 Million in the current year from Rs. 46.68 Million income tax asset (net) in the previous year.

## iii. CASH FLOWS

The Company's cash flows from operating, investing and financing activities, as reflected in the consolidated statement of cash flow, is summarised in the table below.

(Rupees in Million)

| Particulars | 2019-20 | 2018-19 |
|---|---|---|
| Net cash generated by/(used in) | | |
| Operating activities | 3,327.96 | 2,061.55 |
| Investing activities | 182.92 | (2,308.30) |
| Financing activities | (3,082.35) | (538.71) |
| Effect of Exchange fluctuation on Cash and Cash Equivalents | 60.84 | 11.41 |
| **Net (decrease) /increase in cash and cash equivalents** | **489.37** | **(774.05)** |
| Cash and cash equivalents at the beginning of the year | 1,256.24 | 2,030.29 |
| Cash and cash equivalents at the end of the year | 1,745.61 | 1,256.24 |

Cash flow from operations improved due to reduction in net working capital in current year compared to previous year.

The Company had done net investment of surplus money during the year in bank fixed deposit and debt mutual funds as compared to previous where there was net redemption of investments to fund the buyback of the Company's shares.

Increase in Cash used in financing in current year was primarily towards buyback of Company's shares and principal and interest component of Right to Use Lease assets reported as financing activities on adoption of Ind AS 116.

## iv. KEY FINANCIAL RATIOS (BASED ON CONSOLIDATED FINANCIALS)

In accordance with the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, the Company is required to give details of significant changes (change of 25% or more as compared to the immediately previous financial year) in key sector-specific financial ratios.

| Ratios | 2019-20 | 2018-19 | Change |
|---|---|---|---|
| Market capitalisation to revenues (INR) | 0.94 | 3.11 | -69.77% |
| Price/Earnings (times) | 6.38 | 19.10 | -66.60% |
| Days sales outstanding | 88 | 84 | -4.76% |
| Liquid cash as a % of total assets | 44.42% | 46.18% | -3.82% |
| Current Ratio (times) | 5.10 | 7.84 | -34.96% |
| Revenue growth (INR) | 0.49% | 4.80% | -89.84% |
| Operating Profit Margin | 16.26% | 18.38% | -11.49% |
| Net Profit Margin | 14.08% | 15.43% | -8.78% |
| Return on net worth | 15.99% | 16.53% | -3.21% |
| Basic EPS (INR) | 57.26 | 60.07 | -4.68% |

Market capitalisation to revenues and price to earnings ratios moved adversely due to fall in market price of the equity shares due to general market conditions and also due to COVID-19 in the month of March 2020.

Current ratio was lower primarily due to higher liabilities on derivative financial instruments in current year compared to previous year when derivative financial instruments were assets.

Revenue growth has been relatively flat in rupee terms in current year due to tough market conditions compared to previous year.

Movements in the other ratios are not greater than 25% and have remained relatively stable.

## VII. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS, INCLUDING NUMBER OF PEOPLE EMPLOYED

The Company believes that employees are the core of our success. A fundamental tenet of our management philosophy is to invest in our employees, and enable them to develop new skills and capabilities, which benefit them as well as the Company.

The organisation recognises the importance of mental well-being for an individual. Therefore, we initiated an employee assistance program for employees and their family members, which offers individual Counselling sessions, Diet consultations, and self-assessments on health and wellness through face-to-face or telephonic and online mode. We witnessed a good level of participation.

We also introduced 24x7 Doctor on-call services with specialised consultations for various diseases. These specialised consultations are accessible to employees & their family members.

The organisation had more than 8,500 emoloyees as of March 2020. To promote employee welfare, we organised multiple sessions, which will help employees to diagnose and manage lifestyle-related problems proactively. These initiatives received an overwhelming response from employees across locations. The organisation continuously motivates employees to be consistently healthy by sharing online information with employees.

### Cautionary Statement

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be 'forward-looking statements' within the meaning of applicable Securities Laws and Regulations. Actual results could defer materially from those expressed or implied. Important factors that could influence the Company's operations include economic developments within the country, demand and supply conditions in the industry, changes in Government Regulations, Tax Laws and other factors such as litigation and labour relations.

Readers are advised to exercise their own judgment in assessing risks associated with the Company, *inter-alia*, in view of discussion on risk factors herein and disclosures in Regulatory filings, as applicable.