

# ECLERX SERVICES LTD.

RECOMMENDATION : BUY

MARKET PRICE : Rs.1402.65 (As on 11<sup>th</sup> Nov 2022)

TARGET PRICE : Rs.1684.00

FACE VALUE : Rs.10

BSE CODE : 532927

NSE CODE : ECLERX

The logo for eClerx, featuring the word "eClerx" in a blue, sans-serif font. The "e" is lowercase, while "Clerx" is in title case. The "x" has a light blue diagonal stripe.



Incorporated in 2000, eClerx Ltd. is one of India's leading process management and data analytics company. The Company employs 14,000+ people across Australia, Canada, Germany, India, Italy, Netherlands, Philippines, Singapore, Thailand, UK and the USA.

## ABOUT THE COMPANY

The Company provides critical business operations services to over fifty global Fortune 2000 clients, including some of the world's leading companies across financial services, cable & telecom, retail, fashion, media & entertainment, manufacturing, travel & leisure, software and high-tech.



# eClerx Overview



## Global Leader in Process Management

- Offices in the US, UK, India, Singapore and Philippines
- Founded in 2000
- 14,000+ employees
- \$300MM+ revenue run rate



## Complex Functions

We specialize in transitioning, managing and transforming complex business-facing functions for many of the world's largest organizations.



## Deep Domain

We have in-depth knowledge in creating multi-client experiences, as well as industry and product expertise across the areas we specialize in.



## Automate & Re-engineer

We leverage our technology, analytics and industry expertise to reengineer, automate and improve functions with a focus on business outcomes and cost reduction.



# About eClerx

## Managing complexity while minimizing cost

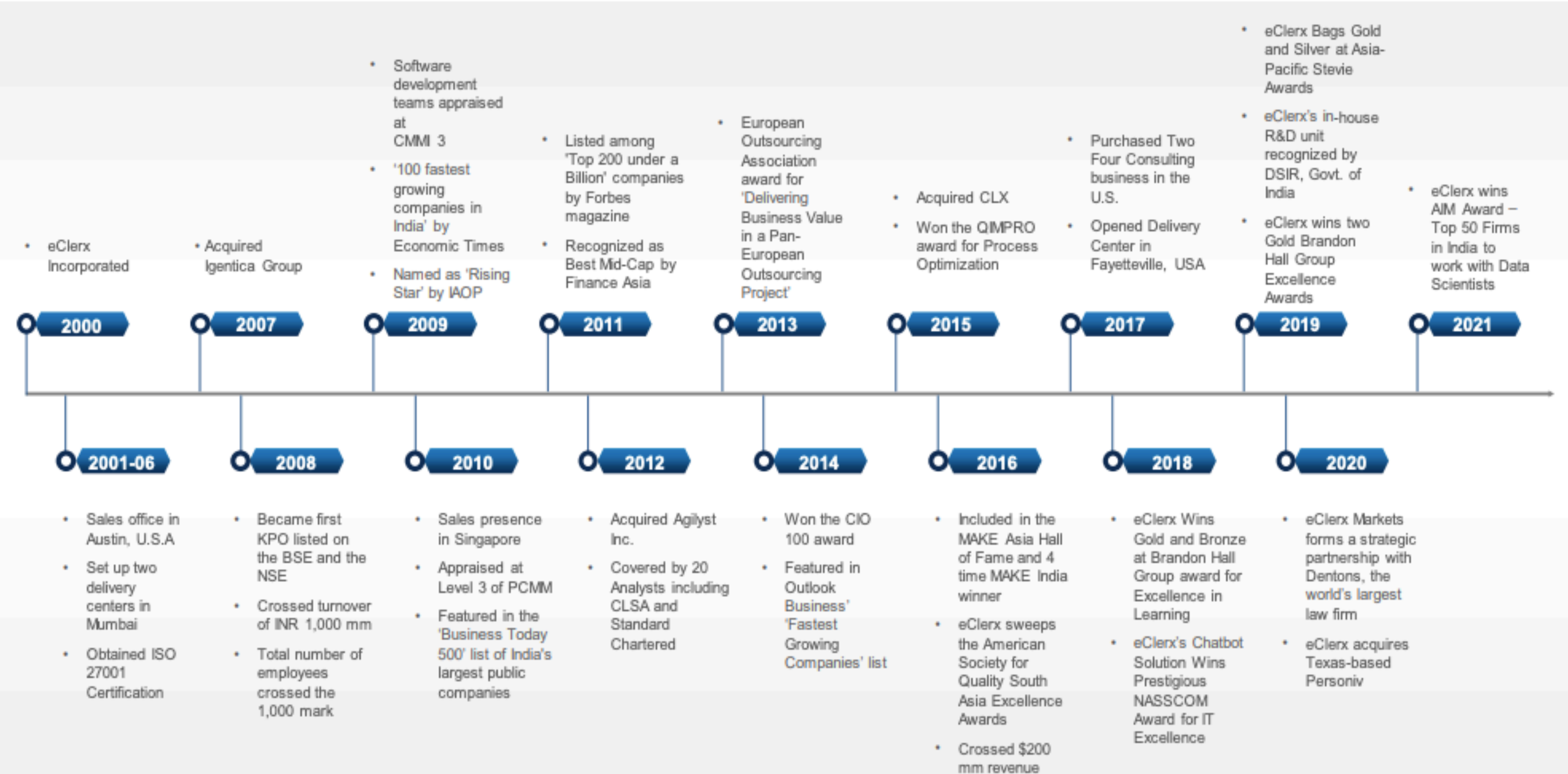
eClerx provides critical business operations services to **over fifty global Fortune 2000 clients**, including some of the world's leading companies across financial services, cable & telecom, retail, fashion, media & entertainment, manufacturing, travel & leisure, software and high-tech.

Incorporated in 2000, eClerx is one of India's leading process management and data analytics companies and is today traded on both the Bombay and National Stock Exchanges of India. eClerx employs 14,000+ people across Australia, Canada, Germany, India, Italy, Netherlands, Philippines, Singapore, Thailand, UK, and the USA.





# A Brief History



## On World Map





# Our Service Lines



## CUSTOMER OPERATIONS

eClerx Customer Operations specializes in providing operational expertise and process excellence throughout the customer journey. We create solutions and services, utilizing a blend of technology and domain knowledge that supports our clients' evolving needs. Our suite of offerings enhances the customer experience by providing quality monitoring/insights, advanced analytics, automation, superior technical operations support, and digital care services. We assist companies in developing, implementing, and operating multichannel customer interaction capabilities, transforming everyday touchpoints into superior customer experiences.



## DIGITAL

eClerx Digital is the trusted partner of choice of the world's largest global brands for creative production, eCommerce/web operations, and analytics & insights services. We improve profitability for their digital businesses. Our team of 3000+ full-time digital delivery employees at our five production hubs in Mumbai, Pune, Chandigarh, Verona, and Phuket apply deep digital expertise to effectively support the most demanding global clients by employing a follow-the-sun delivery model. eClerx Digital's innovative delivery model drives the "metrics that matter" for our clients: improved acquisition, conversion, retention, and overall lifetime value of your customer 24x7x365.



## FINANCIAL MARKETS

For financial organizations across the world, eClerx Markets, offers consulting, technological innovation, and process management expertise to uniquely solve operational challenges. With nearly two decades of industry experience complemented by the application of smart automation and robotics, our team of experts deliver holistic solutions across the trade life cycle, change management, data analytics, compliance, cash securities operations, document digitization and generation, and outreach.



# eClerx Customer Operations



## Customer Experience

- Omnichannel customer support services (email, chat, voice, SMS, social) across the customer lifecycle
- Frontline CX Management:
  - QA Monitoring & Insights
  - Journey Mapping
  - Analytics
  - Speech & Text Analytics
  - CX Management Portal
  - Consulting & Optimization



## Field Technical Operations

- Dispatch
- Day of Job Support
- Return Merchandise Authorization
- Tiered Technical Support
- Avoidable Truck Roll Reduction Program
- Home Automation/ Home Security Provisioning



## Data Analytics & Reporting

- BI/ Data Management
- Digital Analytics
- Advanced Analytics
- Social Analytics
- QA Testing
- Competitive Intelligence



## Technology Solutions

- Robotics
- Machine Learning / AI
- Chatbots and Virtual Assistants
- Software Development
- Big Data Management & Analytics
- IM Chat Platform
- Workforce Manager (ERP)



## Consulting Services

- Project/Program Management
- Contact Center Optimization
- Technology Consulting
- Analytics Consulting
- Contact Center Coaching
- CEX Program Implementation
- QA/QC Services

**eClerx improves customer experience & operational efficiencies by leveraging deep domain knowledge, advanced automation, & data analytics—transforming everyday touchpoints into superior customer experiences.**



# eClerx Digital



## Data Management

We can help customers maximize value from data assets

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Product Data Management  
Customer Data Management  
Big Data & Data Lakes setup  
Data for Competitive Intelligence  
Data Quality & Governance



## Analytics & Insights

Gathering data is one thing, but having time and resources to understand and apply the data takes time.

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Customer Analytics  
Sales Analytics  
Journey Analytics  
Competitive Intelligence  
Operational Analytics



## Digital Marketing Ops

We are the behind-the-scenes people for some of the largest websites in the world, and offer complete campaign operations

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Web & Content Management  
SEO/SEM  
Campaign Asset Development  
Campaign Journey Development  
Paid Media Ad Operations  
Account Management & Governance



## Creative Services

We offer a full range of creative services including CGI that you can use as a one stop shop, or a la carte with your agency of record

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Banner Creation (static & dynamic)  
Image Editing / Retouching  
Paid Media Banners (including DCO)  
Video Editing  
3D Product Modelling  
Interactive Brochures (online)



# eClerx Financial Markets

## Transitioning, managing & transforming complex processes



### Trade Support

Supporting post-execution activities across all instrument types, both cash and derivatives



### Client Lifecycle

Gather, validate, digitize and distribute client related information, ensuring compliance with local regulations across multiple jurisdictions.



### Reference Data

Organisation-wide data management solutions covering client, product, market and risk-related information



### Asset Servicing

Supporting management of all corporate actions, income collection, claim settlements and position reconciliations



### Settlements & Clearing

A complete service covering position and cash reconciliations, static data management, collateral management and forecasting



### Analytics

Full spectrum of analytical services from business intelligence and digital analytics, to predictive modelling and forecasting.



### Remediation Engagement/ Project Work

Supporting change functions across all middle- and back-office functions, with expertise in Project Management, Project Support, Regulatory Compliance and subject specific expertise



# eClerx Value Proposition

## Domain Expertise

- Complex + critical processes specific to industry
- Specialists in centralizing & standardizing disparate processes
- Onshore managers ensure strategic value
- Client site consultants augment local client teams

## Best in Class Delivery

- Strong program governance
- Strict service levels fees at risk
- Efficiency + scaling through process improvement
- Proactive process risk reviews

## Agility & Flexibility

- Robust, established delivery infrastructure
- Dedicated client based solution managers
- 45-60 day ramp-up for operations teams
- Ability to flex resources up / down

## Transparent Commercials

- All inclusive rate card
- Low total cost of operations
- Committed annual efficiency gains
- Provides cost 'variabilization' and option value





## Financial Summary

Metrics		FY23 Q2	Q-o-Q	FY23 H1	Y-o-Y
Revenue	OPG revenue (USD mm)	82.5	3.7%	162.0	20.9%
	OPG revenue (INR mm)	6,503	5.3%	12,681	25.6%
	Total revenue (INR mm)	6,712	4.9%	13,109	28.6%
Profit	EBITDA (INR mm)	2,023	8.2%	3,893	20.6%
	EBIT (INR mm)*	1,749	7.9%	3,371	23.1%
	Net profit (INR mm)	1,259	26.9%	2,251	17.2%
Margin	EBITDA (%)	30.1%	0.9%	29.7%	-2.0%
	EBIT (%)	26.1%	0.7%	25.7%	-1.2%
	Net profit (%)	18.8%	3.3%	17.2%	-1.7%

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

- Q2 YoY Constant currency (CC) growth by 21.6%; QoQ CC growth of 4.6%
- Dividend paid during Q2 @ INR 1 per share amounting to INR 34 mm
- 1:2 bonus completed during Q2
- Board announced maximum Buyback of INR 3,000 mm at a maximum price of INR 1,900
- Sequential improvement in margin due to:
  - Higher \$ revenue and operating efficiency supported by strong USD/INR



# Other Income

Figures in INR millions.

Other Income	FY23 Q2	FY23 Q1	FY22 Q4	FY22 Q3	FY22 Q2
Investment Income	42.8	26.0	21.0	27.9	34.0
Revaluation Income*	153.4	180.5	51.2	8.2	(24.3)
Others	12.5	12.6	24.7	8.7	7.8
<b>Total</b>	<b>208.7</b>	<b>219.1</b>	<b>96.9</b>	<b>44.8</b>	<b>17.5</b>

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

- Decrease in revaluation of FX assets due to lower change in USD/INR in Q2 compared to Q1
- Revaluation and Realised Gain**
  - USD/INR FY23 Q2 Exit: 81.36 vs. FY23 Q1 Exit: 79.03
  - EUR/INR FY23 Q2 Exit: 79.76 vs. FY23 Q1 Exit: 82.62
  - GBP/INR FY23 Q2 Exit: 90.67 vs. FY23 Q1 Exit: 96.01



# Hedge Updates

## Current Hedge Status

- Total outstanding hedges now \$191.9 mm at average INR 80.61/\$; 100% forwards

Contract	Year	Currency	Amount (mm)	Avg. Rate (INR)
Matured Forwards	FY22 Q4		\$39.4	77.2
	<b>Total FY22</b>	<b>USD</b>	<b>\$151.9</b>	<b>76.7</b>
	FY23 Q1		\$39.2	77.7
	FY23 Q2		\$37.3	77.9
	FY23 Q3		\$40.8	78.8
Outstanding Forwards	FY23 Q4		\$41.7	79.7
	<b>Total FY23</b>	<b>USD</b>	<b>\$82.5</b>	<b>79.26</b>
	FY24Q1		\$32.3	80.1
	FY24Q2		\$33.3	81.5
	FY24Q3		\$21.0	82.2
	FY24Q4		\$13.5	83.1
	<b>Total FY24</b>	<b>USD</b>	<b>\$100.1</b>	<b>81.38</b>
	FY25Q1		\$6.3	84.0
	FY25Q2		\$3.0	85.1
	<b>Total FY25</b>		<b>\$9.3</b>	<b>84.32</b>
<b>Total Outstanding</b>		<b>USD</b>	<b>\$191.9</b>	<b>80.61</b>



Yearly Results

YEARLY RESULTS OF ECLERX SERVICES (in Rs. Cr.)	MAR '22	MAR '21	MAR '20	MAR '19	MAR '18
Net Sales/Income from operations	2,160.35	1,564.49	1,437.57	1,430.59	1,365.06
Total Income From Operations	2,160.35	1,564.49	1,437.57	1,430.59	1,365.06
EXPENDITURE					
Employees Cost	1,195.54	885.31	854.26	786.89	692.46
Depreciation	103.19	81.59	70.90	44.69	48.24
Other Expenses	304.23	231.15	259.79	336.09	306.29
P/L Before Other Inc., Int., Excpt. Items & Tax	557.39	366.44	252.62	262.92	318.07
Other Income	24.62	34.45	46.71	48.59	40.23
P/L Before Int., Excpt. Items & Tax	582.01	400.90	299.33	311.51	358.30
Interest	21.52	20.28	18.81	0.04	0.04
P/L Before Exceptional Items & Tax	560.49	380.62	280.52	311.47	358.26
Exceptional Items	--	--	--	--	21.26
P/L Before Tax	560.49	380.62	280.52	311.47	379.52
Tax	142.73	97.80	71.55	83.17	89.58
P/L After Tax from Ordinary Activities	417.76	282.82	208.97	228.30	289.94
Net Profit/(Loss) For the Period	417.76	282.82	208.97	228.30	289.94
Minority Interest	-0.36	-0.26	0.01	-0.04	0.04
Net P/L After M.I & Associates	417.40	282.56	208.98	228.26	289.98
Equity Share Capital	33.10	34.01	36.10	37.79	38.14
Reserves Excluding Revaluation Reserves	1,534.49	1,466.81	1,270.11	1,343.07	1,166.41
EPS BEFORE EXTRA ORDINARY					
Basic EPS	123.81	81.61	57.26	60.07	73.23
Diluted EPS	121.57	81.29	57.25	59.98	72.89
EPS AFTER EXTRA ORDINARY					
Basic EPS.	123.81	81.61	57.26	60.07	73.23
Diluted EPS.	121.57	81.29	57.25	59.98	72.89

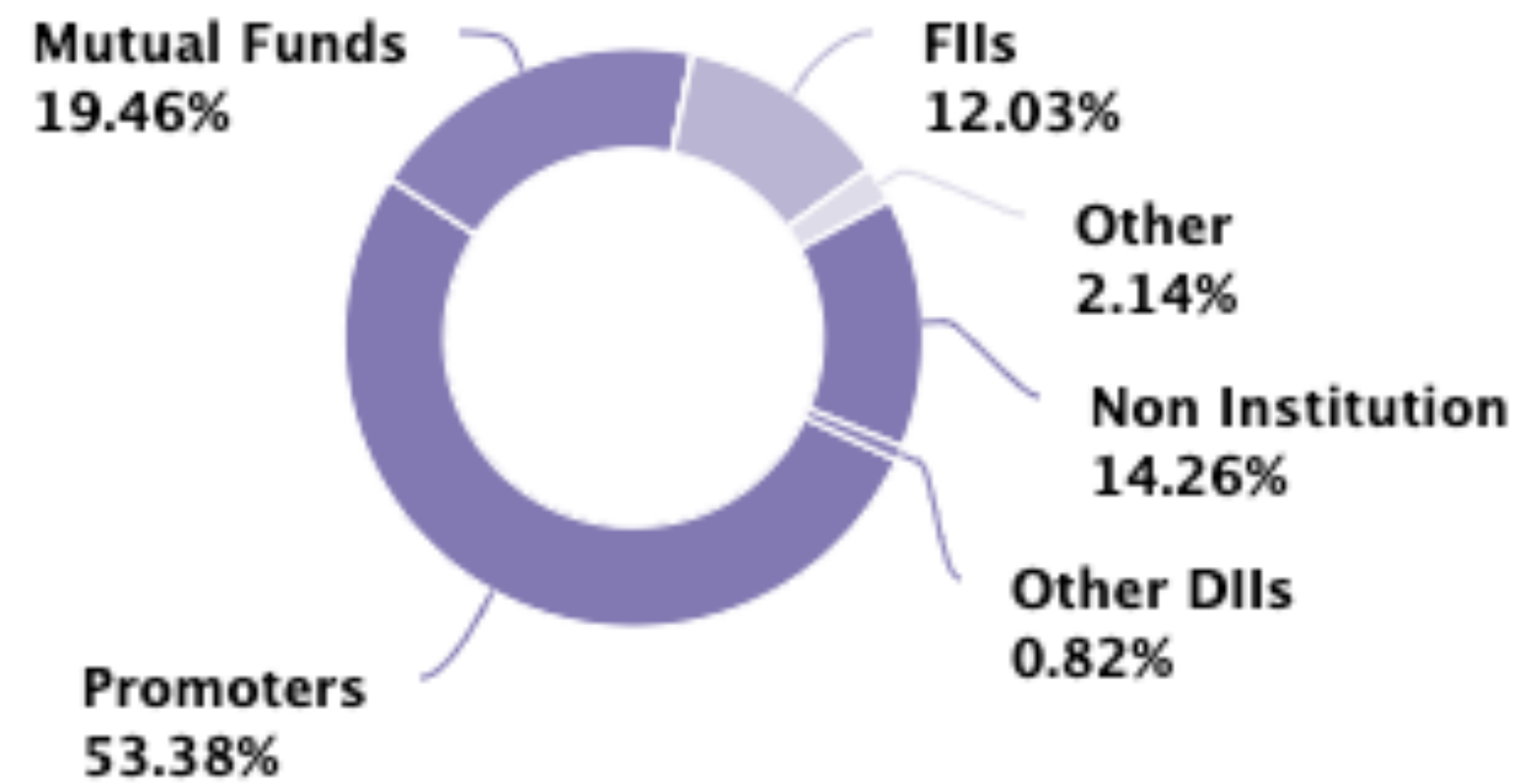


Key Financial Ratios

KEY FINANCIAL RATIOS OF ECLERX SERVICES (in Rs. Cr.)	MAR 22	MAR 21	MAR 20	MAR 19	MAR 18
PER SHARE RATIOS					
Basic EPS (Rs.)	123.81	81.61	57.26	60.07	73.23
Diluted EPS (Rs.)	121.57	81.29	57.25	59.98	72.89
Cash EPS (Rs.)	157.40	107.16	77.53	72.24	88.67
Book Value [ExclRevalReserve]/Share (Rs.)	473.99	441.60	362.00	365.56	315.95
Book Value [InclRevalReserve]/Share (Rs.)	473.99	441.60	362.00	365.56	315.95
Revenue from Operations/Share (Rs.)	652.71	460.06	398.22	378.56	357.90
PBDIT/Share (Rs.)	207.02	141.88	102.56	94.26	106.59
PBIT/Share (Rs.)	175.84	117.89	82.92	82.43	93.94
PBT/Share (Rs.)	169.34	111.93	77.71	82.42	99.50
Net Profit/Share (Rs.)	126.22	83.17	57.89	60.41	76.02
NP After MI And SOA / Share (Rs.)	126.11	83.09	57.89	60.40	76.03
PROFITABILITY RATIOS					
PBDIT Margin (%)	31.71	30.83	25.75	24.89	29.78
PBIT Margin (%)	26.94	25.62	20.82	21.77	26.24
PBT Margin (%)	25.94	24.32	19.51	21.77	27.80
Net Profit Margin (%)	19.33	18.07	14.53	15.95	21.24
NP After MI And SOA Margin (%)	19.32	18.06	14.53	15.95	21.24
Return on Networth/Equity (%)	26.62	18.82	15.99	16.53	24.07
Return on Capital Employed (%)	32.91	23.27	19.87	21.49	28.25
Return on Assets (%)	20.16	14.07	12.03	14.29	20.26
Total Debt/Equity (X)	0.00	0.12	0.00	0.00	0.01
Asset Turnover Ratio (%)	0.87	77.90	82.81	89.56	95.39
LIQUIDITY RATIOS					
Current Ratio (X)	4.21	4.21	5.10	7.87	6.37
Quick Ratio (X)	4.21	4.21	5.10	7.87	6.37
Inventory Turnover Ratio (X)	0.00	4,904.36	4,728.85	3,984.94	3,116.58
Dividend Payout Ratio (NP) (%)	0.81	1.20	2.09	2.01	1.37
Dividend Payout Ratio (CP) (%)	0.65	0.93	1.56	1.68	1.17
Earnings Retention Ratio (%)	99.19	98.80	97.91	97.99	98.63
Cash Earnings Retention Ratio (%)	99.35	99.07	98.44	98.32	98.83
COVERAGE RATIOS					
Interest Coverage Ratios (%)	31.84	19.77	15.91	7,987.51	8,957.58
Interest Coverage Ratios (Post Tax) (%)	31.84	19.77	15.91	7,987.51	8,957.58
VALUATION RATIOS					
Enterprise Value (Cr.)	7,360.72	3,440.89	990.05	3,902.04	4,155.74
EV/Net Operating Revenue (X)	3.41	2.20	0.69	2.73	3.04
EV/EBITDA (X)	10.74	7.13	2.67	10.95	10.22
MarketCap/Net Operating Revenue (X)	3.64	2.40	0.92	3.04	3.36
Retention Ratios (%)	99.18	98.79	97.90	97.98	98.62
Price/BV (X)	5.01	2.50	1.01	3.15	3.81
Price/Net Operating Revenue	3.64	2.40	0.92	3.04	3.36
Earnings Yield	0.05	0.08	0.16	0.05	0.06



## Shareholding Pattern an on Sep'22





# Summary

- ❖ With deliverance of sound performance in Q2 of FY'23, the Company's Net Sales increased by 24.27% i.e. Rs.650.29 crs in Sep'22 versus Rs.523.25 crs in Sep'21. However, the Net Profits grew up by 24.99% i.e. Rs.125.92 crs in Sep'22 as compared to Rs.100.74 crs in Sep'21. In addition to this, the Statement of Changes in Equity witnessed an increase in the Equity Capital i.e. Rs.49.65 crs in Sep'22 juxtapose to Rs.34.19 crs in Sep'21.
- ❖ Viewing healthy financials and fine fundamentals, the Company is available at a fair price of Rs.1402.65 with its 52 week low at Rs.1222.63 and 52 week high at Rs.1980.00.
- ❖ In view of the Promoters holding majority stake around 53.58% as well as its robust valuations, indicates that the Management is growth oriented.
- ❖ The Shareholding Pattern as on Sep'22, shows the FIIs and the Other DIIs collectively stood with 12.85% stake. Whilst, the Mutual Fund Houses own 19.46% holdings in the Company.
- ❖ eClerx Services Ltd. is held by HDFC MF, NIPPON INDIA MF, DSP MF, ICICI PRU MF, SBI MF, UTI MF, L&T MF, TATA MF, IDFC MF and a few more.
- ❖ On consolidated basis, Return on Equity (ROE) and Return on Capital Employed (ROCE) stood around 26.62% & 32.91% respectively as on Mar'22.
- ❖ For the year ending Mar'22, eClerx Services Ltd. has declared an equity dividend of 10.00% i.e. Re.1.00 per equity share. The Company has a good dividend track report and has consistently declared dividends for the last 5 years.



# Disclosure

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I, Parveen Sharma, am the proprietor of 10paisa.com. I am a Research Analyst registered with SEBI having registration no. INH100006427. I provide services through my website [www.10paisa.com](http://www.10paisa.com) which is a leading website, primarily focused on research of smallcap stocks of India. I have experience in giving recommendations through my website [www.10paisa.com](http://www.10paisa.com) since November 2004. Before getting registered with SEBI, I made 500 slides on how to do fundamental analysis, technical analysis, value investing etc. which was used for educational purpose.

### Business Activity:

I provide research services on equity stocks listed on Indian stock exchanges. The research is based on funda-mental analysis. I do thorough research and analysis on fundamentals of companies. As such, I undertake extensive scrutiny of major Company statistics like Balance Sheet, Profit & Loss Account, Key Financial Ratios (ROE, ROCE and Debt to Equity etc.), Quarterly, Half-yearly & Annual Results, Cash Flows, Annual Reports and Shareholding Pattern etc. Each Company's Business Model, Future Projections, Competitive Advantages & other Moats are thoroughly checked before recommending their Stock. I offer services to the subscribers through the following:

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1. My spouse, Mrs. Priya Sharma
2. My daughter, Ms. Priyanka Sharma
3. My son, Master Priyanshu Sharma

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