

eClerx Services

Refer to important disclosures at the end of this report

Consistent revenue growth performance to drive upside

- After five years of muted performance, the post-FY20 recovery in eClerx's revenue growth appears sustainable, in our view. The recovery is driven by a healthy demand environment, lower roll-offs, stability at top clients and continued growth in emerging clients. We forecast a ~15% revenue CAGR (organic ~11.4%) over FY21-24E.
- EBITM rebounded strongly by 690bps/340bps YoY in FY21/H1FY22 after a 1560bps fall in FY16-20. EBITM growth was aided by revenue acceleration, WFH savings and other operating efficiencies. We expect WFH-related opex savings to partly normalize. We expect EBITM to moderate during FY22-24 but remain higher than the FY20 level.
- eClerx has been successful in acquiring digital capabilities, broadening its portfolio and integrating those capabilities with its business, culminating in good upsell and cross-sell opportunities. The Personiv acquisition will add SMB sector clients and offer opportunities to cross-sell automation, analytics and other managed services to SMB clients.
- We initiate with Buy and a TP of Rs2,700 at 20x on Dec'23E EPS, considering near-term demand tailwinds, overall execution capabilities of the company, steady cash generation and prospects of a 16.6% profit CAGR over FY21-24.

Revenue growth recovering after a period of long stagnation: eClerx reported a very poor financial performance through FY16-20, with revenues remaining stagnant at ~USD200mn. Management's strategy of 1) acquiring new clients and widening client portfolio, 2) acquiring new capabilities and managed services, and 3) development of new platforms and products has yielded the desired results, as eClerx has witnessed broad-based growth in the last few quarters. While eClerx faced revenue growth challenges in its top-10 clients over FY16-20, the company was able to grow its presence outside of the top-10 clients (9.6% CAGR in emerging clients), and add and ramp up new clients to the USD1mn+ levels. Revenues from emerging clients have increased at a 9% CAGR over FY16-21. Additionally, revenues from the top-10 clients also grew (4.3% YoY in FY21 and 28% in H1FY22) for the first time since FY16. Management expects stability in revenues from the top-10 clients going forward. The performance revival and strong industry tailwinds should augur well for revenue growth in the coming years. We expect the company to deliver a revenue growth CAGR of ~15% over FY21-24E.

EBITM expanding after seeing a sharp drop in recent years: eClerx's EBITM slipped 1560bps over FY16-20. The margin deterioration was a result of initial teething issues around stabilizing the onshore customer operations business even as the offshore business declined due to factors like insourcing and increasing automation. eClerx's EBITM expanded ~690bps YoY in FY21 and 340bps in H1FY22 due to an acceleration in revenue growth, WFH savings and other operating efficiencies. While H1FY22 saw healthy margin expansion, we expect EBITM to decline partially from the Q2FY22 level but still remain higher than the FY20 levels.

Key risks: Client concentration (60% of revenue from Top-10), increase in roll-offs in top clients, currency volatility.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Information Technology \(Page 18\)](#)

Financial Snapshot (Consolidated)

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	14,375	15,645	20,896	22,710	24,787
EBITDA	3,244	4,643	6,368	6,813	7,176
EBITDA Margin (%)	22.6	29.7	30.5	30.0	29.0
APAT	2,085	2,826	3,970	4,235	4,484
EPS (Rs)	57.3	81.3	116.3	127.5	139.1
EPS (% chg)	(4.4)	42.0	43.0	9.6	9.1
ROE (%)	15.5	20.1	26.3	27.3	27.9
P/E (x)	38.9	27.4	19.1	17.5	16.0
EV/EBITDA (x)	22.6	15.1	10.9	9.8	8.9
P/BV (x)	6.2	5.2	5.0	4.7	4.4

Source: Company, Emkay Research

CMP	Target Price
Rs 2,225 as of (December 15, 2021)	Rs 2,700 12 months
Rating	Upside
BUY	21.3 %

Change in Estimates

EPS Chg FY22E/FY23E (%)	-/-
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus

	EPS Estimates	
	FY22E	FY23E
Emkay	116.3	127.5
Consensus	113.1	126.0
Mean Consensus TP (12M)	Rs 2,866	

Stock Details

Bloomberg Code	ECLX IN
Face Value (Rs)	10
Shares outstanding (mn)	35
52 Week H/L	2,621 / 718
M Cap (Rs bn/USD bn)	78 / 1.02
Daily Avg Volume (nos.)	77,333
Daily Avg Turnover (US\$ mn)	2.3

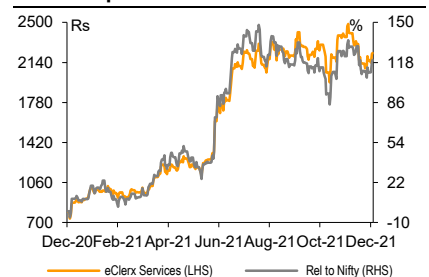
Shareholding Pattern Nov '21

Promoters	54.0%
FIIIs	15.4%
DIIIs	18.0%
Public and Others	12.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(10)	(5)	27	172
Rel. to Nifty	(5)	(4)	17	114

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

Dipesh Mehta

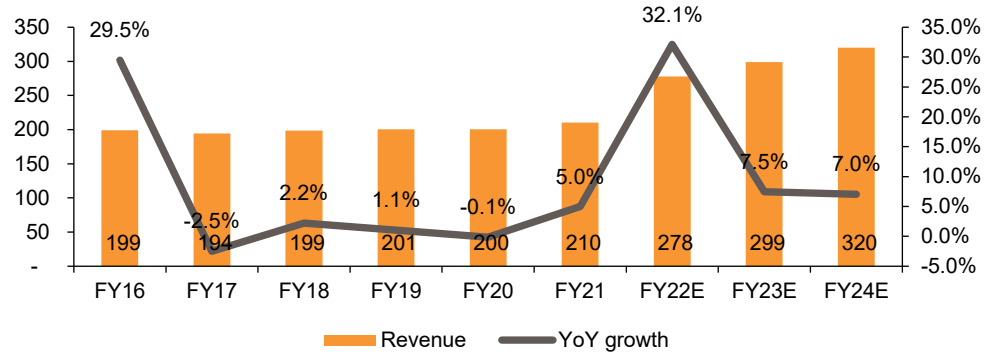
dipeshkumar.mehta@emkayglobal.com
+91 22 6612 1253

Monit Vyas

monit.vyas@emkayglobal.com
+91 22 6624 2434

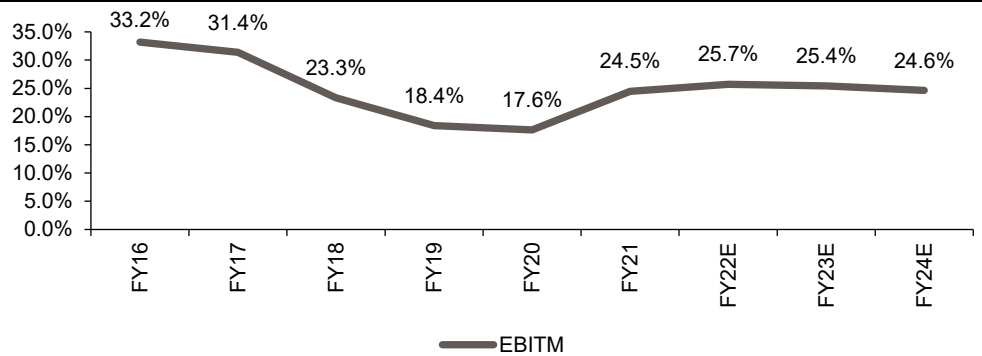
Story in Charts

Exhibit 1: Revenue growth was muted in the past; expected to pick up in coming years



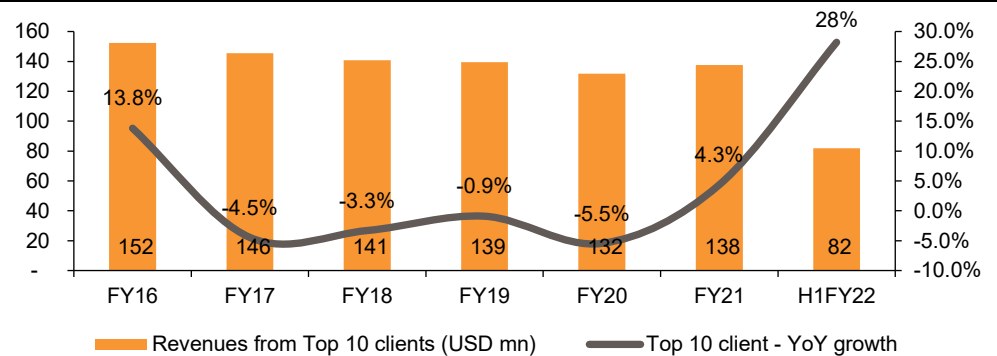
Source: Company, Emkay Research

Exhibit 2: EBITM expanded by 690bps in FY21, expected to stabilize in coming years



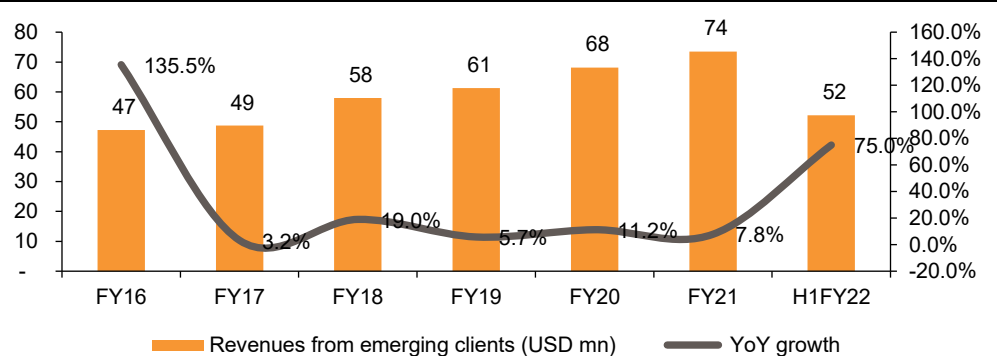
Source: Company, Emkay Research

Exhibit 3: Revenues from Top-10 clients grew by a healthy 28% in H1FY22



Source: Company, Emkay Research

Exhibit 4: Revenues from emerging clients have grown over the years



Source: Company, Emkay Research

Revenue growth recovering after a period of long stagnation

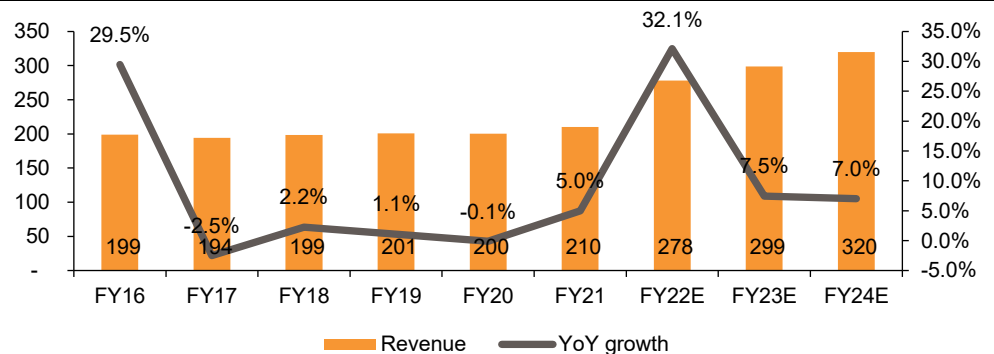
eClerx reported a muted financial performance through FY16-20 due to roll-off challenges in top accounts (clients involved in M&A/divestment/corporate action), increased automation and the shift toward captive. All the above factors have kept revenue stagnant at ~USD200mn despite the organic expansion of the onshore customer operations business in North America. The company has seen a renewed interest in BPM demand from core clients, partly at the expense of peers and clients own captives, who were unable to adapt as quickly or efficiently during Covid-19.

The company is focusing on the identified growth areas (namely trade lifecycle and client lifecycle within financial markets segment), optimizing customer experience (within customer operations segment), digital operations and marketing analytics (within digital segment), and making necessary investments in capabilities and sales to accelerate revenue growth. Management indicated that these focus areas account for over 50% of new sales.

Onshore opportunities, particularly in the financial markets segment, which saw a drop in FY21, are expected to re-emerge as normalcy returns in the developed countries. The company has seen a healthy pipeline of new client opportunities, which has begun to bear fruit after weathering drawn-out sales processes and will support revenue growth. Automation and Analytics continued to grow as a theme across the company's book of work, driving projects to improve the control and monitoring of functions. The eClerx business model is striking a chord in the current environment as institutions struggle to manage attrition and train new employees with models that rely heavily on in-person mentoring. This backdrop should continue to present significant opportunities to eClerx for the foreseeable future. It continues to focus on eCommerce and other direct-to-customer channels to adapt to the new normal in its digital business. This channel shift drives demand for digital services, like analytics, creative, CGI, new product launches, email campaigns and A/B testing, and fuels healthy growth. The highly-impacted industry sectors in CY20, like travel and traditional retail, have started to return to more normal trading, and eClerx expects growth to return in those sectors as well. The company is leveraging its technology and automation offerings, customer operations and consultative approach to customer experience optimization in order to expand into other verticals (retail, hospitality, financial services and insurance) and reduce dependence on cable and telecom clients in its custom operations business. Additionally, the company is focusing on enhancing its value propositions in the field technical operations unit to secure growth.

Efforts made in developing relationships with emerging clients have also begun to bear fruit and should help in diversification and growth acceleration. eClerx has restructured sales and account management teams to include a solutions group focused on clearly defining primary solutions and honing the technology, processes and marketing collateral for the same. The company is focusing on mid-market clients, and F&A and Digital services offerings to derive potential synergies post the Personiv acquisition. Management's strategy of acquiring new capabilities, focusing more on the managed services, strengthening the sales team, and developing new platforms and products has yielded the desired results as eClerx has witnessed broad-based growth across geographies and verticals in the last five quarters. The performance revival and strong industry tailwinds should augur well for the company's revenue growth in the coming years. We expect eClerx to deliver a revenue CAGR of 15% over FY21-24E.

Exhibit 5: Revenue growth was muted in the past; expected to pick up in coming years

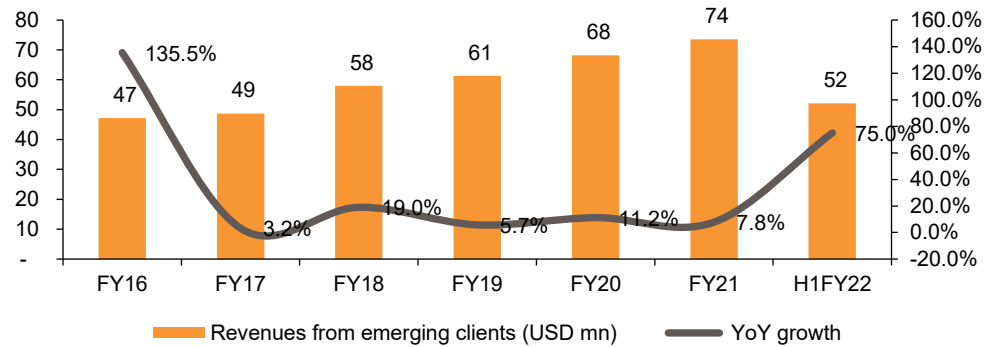


Source: Company, Emkay Research

Broadening growth momentum augurs well for growth sustainability

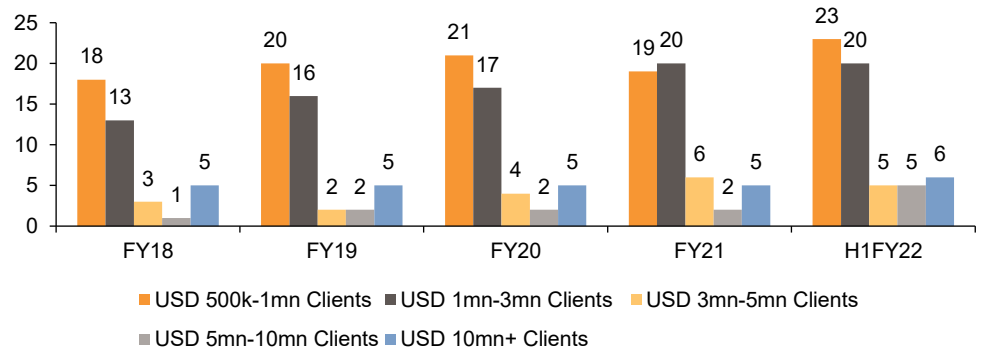
While eClerx faced revenue growth challenges in its top-10 clients over FY16-20, the company was able to grow its presence outside of the top -10 clients (emerging clients), and add and ramp up new clients to the USD1mn+ levels. Revenues from emerging clients have increased at a 9% CAGR over FY16-21 (up 75% in H1FY22). It is also reflected in the significant progress made in the client metrics, with the addition of 7 and 8 new clients to the USD500k+ and USD1mn+ baskets, respectively. Additionally, revenues from the top-10 clients also grew (4.3% YoY in FY21 and 28% in H1FY22) for the first time since FY16, and management expects stability in revenues from the top-10 clients going forward.

Exhibit 6: Revenues from emerging clients have grown over the years



Source: Company, Emkay Research

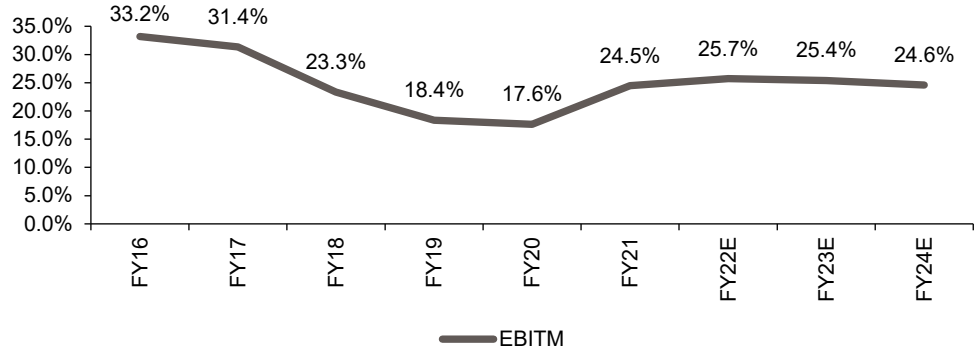
Exhibit 7: Improvement seen across client buckets over the years



Source: Company, Emkay Research

Operating margins recovering after seeing a sharp drop in recent years

Until FY16, eClerx's operating margin remained above 30% on the back of sustained revenue growth, high offshore mix of business and relatively low wage pressure in its business segments. However, during FY16-20, EBITM saw a 1560bps decline due to stagnant revenue performance, investments in building the customer operations business in North America (onshore revenue mix jumped to 25% in Q3FY20 from 13% in Q1FY17), and pressure in its offshore business. Revenue growth recovery, higher offshoring (79% in Q4FY21 vs. 77% in Q4FY20), WFH savings and other operating efficiencies led to a 690bps YoY expansion in margins to 24.5% in FY21 and a 340bps YoY expansion in H1FY22. Management expects to retain part of the WFH cost savings but expects some discretionary costs and travel expenses to return in the coming quarters (~100bps impact). While H1FY22 saw a healthy margin expansion, we expect EBITM to decline partially from the Q2FY22 level but expect it to remain higher than FY20 levels. We are building in 25.7%/25.4%/24.6% EBITM for FY22E/FY23E/FY24E.

Exhibit 8: EBITM expanded by 690bps in FY21; likely to stabilize in coming years

Source: Company, Emkay Research

Acquisitions helped in expanding capabilities; management seems to be more amenable for M&A to accelerate revenue growth

eClerx has been successful in acquiring newer digital capabilities and integrating them with its business, culminating in great upsell and cross-sell opportunities. The company's acquisitions in the last few years have helped eClerx acquire digital capabilities and also aided in vertical diversification. eClerx catered mainly to telecom and BFSI segments earlier. The CLX acquisition added hi-tech, retail and luxury segments to eClerx's addressable market. The CLX acquisition augmented front-end digital platform capabilities with cross-sell synergies, which aided growth in the Digital Marketing Support business from FY17 onward. In Dec'20, eClerx acquired Personiv, a US-based digital marketing and back-office service provider. Personiv provides digital, creative back-office and customer contact services to its clients. The acquisition will help eClerx leverage synergies in the digital and customer experience services segment and also expand client relationships by cross-selling and upselling. Management seems to be more amenable to pursuing inorganic opportunities to accelerate growth while balancing the need to return excess cash to shareholders.

Exhibit 9: eClerx's recent acquisition

Date	Company	Consideration	Company profile
May-12	Agilyst	100% of shares for US\$16mn in cash with earn outs	Niche KPO focused on the North American Media Industry founded in 2007. Employs approx 1000 people mostly in India and FY12 revenue of US\$10mn
Apr-15	CLX Europe	100% of shares for US\$25mn in cash with no earn outs	A niche Digital services firm active in the creation, management and delivery of media content to support the marketing, communication and branding of companies and their products. Employs ~300 people (110-140 each in Thailand and Italy, 20-25 each in Germany and UK). Revenue in CY14 was EUR19.4mn.
Oct-17	TwoFour Consulting	100% of shares for Rs68.8mn in cash	TwoFour Consulting provides comprehensive strategy and application development and delivery using its deep domain expertise and technology leadership. TwoFour Consulting enables firms to achieve operational excellence, reduce risk and drive down costs. Its experienced consultants help firms develop and optimize technology strategies and meet stringent regulatory demands.
Dec-20	Personiv	100% of shares for US\$34mn with earn outs	Personiv provides digital, creative, back office and customer contact solutions. eClerx acquired it due to the attractive business demographics with scaled and tenured clients, deep mining focus, services matching with eClerx's Digital and customer ops offering, presence in eClerx's most important market (North America), and demonstrated win-ability vs large competitors at key clients. Eclerx has an opportunity to cross sell and upsell in the form of opportunity to take automation, analytics and other managed services to Personiv clients. Eclipse Global Holdings LLC, the holding entity of target group was founded in 2012. It has offshore delivery centers in Manila, Coimbatore and Gurugram. It has ~2,100 employees globally, and has 4 offices in 3 countries. It reported revenue of USD31.94mn in CY19.

Source: Company, Emkay Research

Healthy payout history; likely to continue in coming years

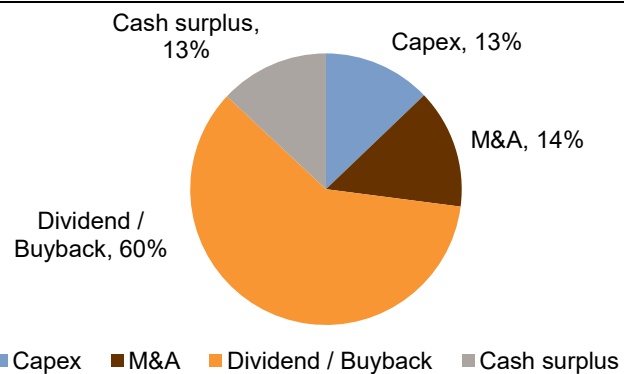
eClerx's cash generation has been solid over the years (OCF/EBITDA at 79%/70% in FY21/H1FY22). As per its capital allocation policy, eClerx has been generous in declaring dividends and announcing share buybacks. Since FY16, the company has completed five buybacks, including the latest FY21 buyback (size ~Rs3bn; price Rs2850/sh). We expect the company to maintain its generous payout policy, considering the strong cash generation nature of its business. However, the increased focus on accelerating growth and likely more receptive mindset for acquisitions may limit payouts to some extent.

Exhibit 10: eClerx's dividend and buyback history

Particular (Rs mn)	FY17	FY18	FY19	FY20	FY21	Cumulative (FY17-FY21)
Dividend	48	47	46	45	34	219
Buyback	2,355	2,603	-	2,588	1,347	8,894
Total distribution	2,402	2,650	46	2,633	1,381	9,112
Net Income	3,538	2,900	2,283	2,085	2,826	13,632
Total distribution as % of Net income	68%	91%	2%	126%	49%	67%

Source: Company, Emkay Research

Exhibit 11: Utilization of free cash flow over FY17-FY21



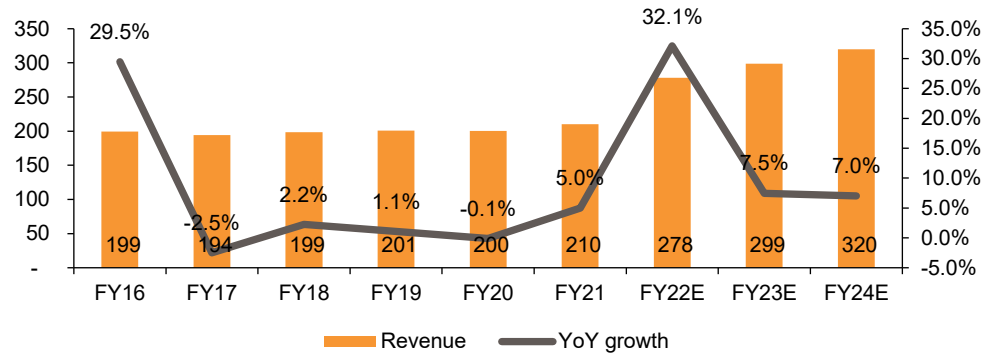
Source: Company, Emkay Research

Financials

Revenue growth trajectory to continue

While revenue growth was muted over FY16-21, we expect eClerx to clock a 15% revenue CAGR over FY21-24E thanks to a healthy deal momentum, lower client roll-offs and reduced dependency on the top 10 clients (from 86% in Q4FY15 to 60% in Q2FY22), Personiv integration, increased offshoring and higher revenue visibility in the managed services segment. Even during FY16-20 period, the new sales remained healthy (~USD50mn gross addition annually); however, increased client roll-off challenges in top accounts (clients involved in M&A/divestment/corporate action), increased automation and the shift toward captive led to flat revenue growth performance. We believe that the shortage of talent, more acceptance and willingness to offshoring and healthy underlying demand trends would lead to consistent revenue growth performance. Also, stability in the top-10 clients, growth in emerging clients, cross-selling and upselling opportunities on account of acquisition of digital capabilities, and strong industry tailwinds would enable eClerx to maintain its revenue growth trajectory.

Exhibit 12: Revenue growth was muted in the past; expected to pick up in coming years

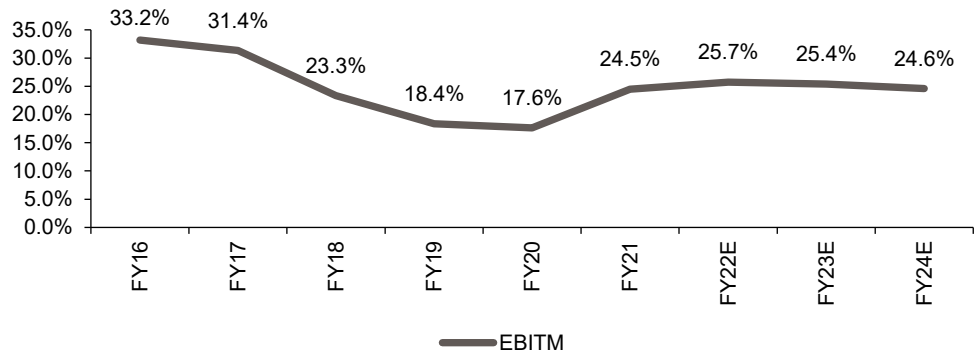


Source: Company, Emkay Research

Margins to remain resilient

eClerx saw a healthy EBITM expansion of 690bps YoY in FY21 and 340bps YoY in H1FY22 on account of demand recovery, WFH savings (lower facility and travel costs), higher offshoring and other operating efficiencies. Although we expect some of the WFH savings to reverse as travel costs and other discretionary spending normalize, we expect margins to remain resilient, aided by revenue growth momentum and higher offshoring. We are building in 25.7%/25.4%/24.6% EBITM for FY22E/FY23E/FY24E.

Exhibit 13: EBITM expanded by 690bps in FY21, expected to stabilize in coming years

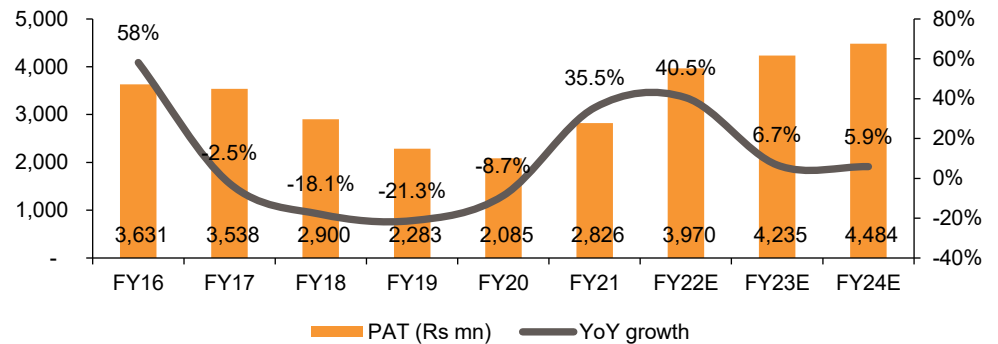


Source: Company, Emkay Research

Expect 16.6% profit CAGR over FY21-24E

We expect strong bottom-line growth on the back of robust topline growth (CAGR of 15% over FY21-24E). We are building in a 16.6% profit CAGR over FY21-24E.

Exhibit 14: Net profit is expected to see 16.6% CAGR over FY21-24E

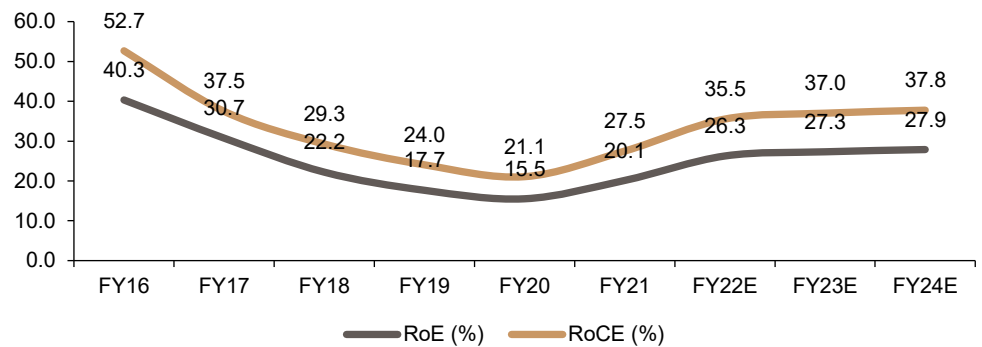


Source: Company, Emkay Research

Return ratios to remain healthy

eClerx's return ratios bottomed out in FY20. We are building in a 19.6% EPS CAGR over FY21-24E on the back of revenue acceleration and robust profitability. eClerx reported a strong rebound in return ratios in FY21 due to revenue growth, margin expansion and healthy payouts. We expect return ratios to remain healthy on account of a sustained improvement in operating performance and healthy payouts.

Exhibit 15: ROE is expected to gradually improve over FY21-24E; sharp rebound after declining to 15.5% in FY20



Source: Company, Emkay Research

Valuations

After a muted revenue growth performance over FY16-20, eClerx's revenue recovered strongly, and the recovery seems to be sustainable amid a healthy demand environment, deal momentum, lower roll-offs and stability at top clients, and continued growth in emerging clients. We build in a 15% revenue CAGR (organic ~11.4%) over FY21-24E.

eClerx's EBITM expanded 690bps YoY in FY21 and 340bps YoY in H1FY22 due to the acceleration in revenue growth, WFH savings and other operating efficiencies. While H1FY22 saw a healthy margin expansion, we expect EBITM to decline partially from the Q2FY22 level but still remain higher than FY20 levels.

We initiate on eClerx with Buy and a TP of Rs2,700 at 20x on Dec'23E EPS, considering near-term demand tailwinds, overall execution capabilities, steady cash generation, healthy payout/capital allocation (~67% over FY17-FY21) and prospects of a 16.6% profit CAGR over FY21-24.

Exhibit 16: BPM players operating performance comparison

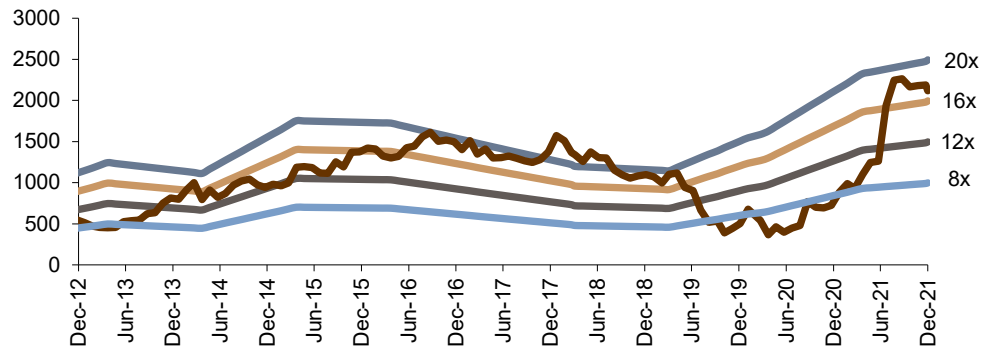
Bloomberg Ticker	Company	Year-end	Currency	CMP	M Cap (US\$ bn)	Sales (in mn)			EBITDAM (%)			Net income (in mn)		
						1FY	2FY	3FY	1FY	2FY	3FY	1FY	2FY	3FY
FSOL IS EQUITY	Firstsource Solutions Ltd	03/2021	INR	170	1.6	58,926	68,230	76,822	16.1%	16.5%	16.4%	5,469	6,825	7,925
ECLX IS EQUITY	eClerx Services Ltd	03/2021	INR	2,225	1.0	20,481	22,991	25,757	29.9%	29.1%	29.8%	3,862	4,289	5,086
WNS US EQUITY	WNS Holdings Ltd-ADR	03/2021	USD	84	4.1	1,021	1,140	1,248	26.3%	26.4%	26.2%	168	188	207
TTEC US EQUITY	Ttec Holdings INC	12/2020	USD	85	4.0	2,254	2,482	2,698	15.6%	15.7%	15.9%	216	231	249
G US EQUITY	Genpact Ltd	12/2020	USD	50	9.4	3,992	4,386	4,819	17.8%	18.0%	18.4%	469	515	580
EXLS US EQUITY	Exlservice Holdings INC	12/2020	USD	133	4.4	1,117	1,234	1,355	22.0%	20.8%	20.8%	165	166	184
CPI LN EQUITY	Capita PLC	12/2020	GBP	35	0.8	3,160	3,249	3,385	8.8%	9.8%	10.3%	77	109	125
SRP LN EQUITY	Serco Group PLC	12/2020	GBP	128	2.1	4,421	4,179	4,346	7.5%	7.3%	7.4%	144	123	138
TEP FP EQUITY	Teleperformance	12/2020	EUR	373	24.7	6,989	7,401	8,016	21.1%	21.3%	21.4%	679	743	811
TIXT US EQUITY	Telus International CDA INC	12/2020	USD	32	8.5	2,192	2,551	2,897	24.5%	24.9%	25.5%	256	318	394
TASK US EQUITY	Taskus INC-A	12/2020	USD	43	4.1	750	956	1,195	24.1%	22.9%	23.4%	103	134	172
SRT US EQUITY	Startek INC	12/2020	USD	4	0.2	705	715	764	10.2%	10.5%	10.8%	22	30	34

Source: Bloomberg, Emkay Research

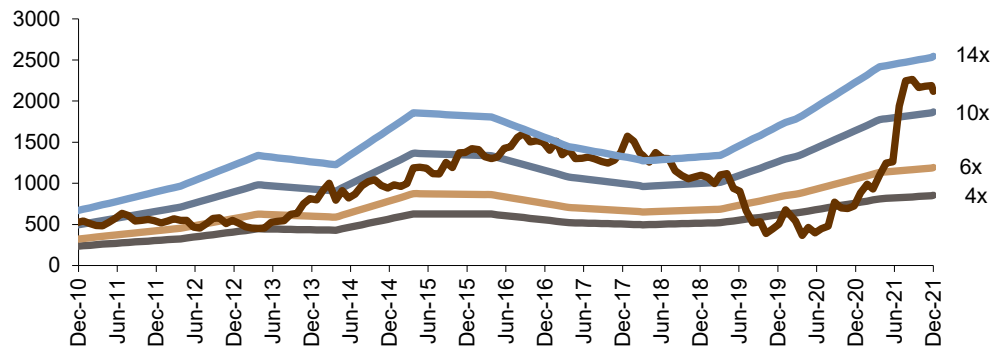
Exhibit 17: Relative valuation comparison of BPM players (Bloomberg consensus)

Bloomberg Ticker	Company	Year-end	P/E			P/S			EV/EBITDA			EV/Sales		
			1FY	2FY	3FY	1FY	2FY	3FY	1FY	2FY	3FY	1FY	2FY	3FY
FSOL IS EQUITY	Firstsource Solutions Ltd	03/2021	21.7	17.4	15.0	2.0	1.7	1.5	13.6	11.4	10.2	2.2	1.9	1.7
ECLX IS EQUITY	eClerx Services Ltd	03/2021	20.2	18.2	15.3	3.8	3.4	3.0	11.5	10.6	9.2	3.5	3.1	2.7
WNS US EQUITY	Wns Holdings Ltd-ADR	03/2021	24.4	21.9	19.9	4.0	3.6	3.3	15.1	13.5	12.5	4.0	3.6	3.3
TTEC US EQUITY	Ttec Holdings INC	12/2020	18.4	17.3	16.0	1.8	1.6	1.5	13.4	12.1	11.0	2.1	1.9	1.8
G US EQUITY	Genpact Ltd	12/2020	20.2	18.3	16.3	2.4	2.2	2.0	14.4	12.9	11.5	2.6	2.4	2.2
EXLS US EQUITY	Exlservice Holdings INC	12/2020	26.9	26.6	24.1	4.0	3.6	3.3	17.6	16.9	15.4	4.0	3.6	3.3
CPI LN EQUITY	Capita PLC	12/2020	7.7	5.4	4.7	0.2	0.2	0.2	5.4	4.7	4.4	0.5	0.5	0.4
SRP LN EQUITY	Serco Group PLC	12/2020	10.8	12.6	11.3	0.4	0.4	0.4	6.6	7.2	6.8	0.5	0.5	0.5
TEP FP EQUITY	Teleperformance	12/2020	32.3	29.5	27.0	3.1	3.0	2.7	16.6	15.5	14.3	3.5	3.3	3.1
TIXT US EQUITY	Telus International CDA INC	12/2020	33.2	26.7	21.6	3.9	3.3	2.9	17.8	15.0	12.9	4.4	3.7	3.3
TASK US EQUITY	Taskus INC-A	12/2020	40.2	31.0	24.1	5.5	4.3	3.5	23.9	19.7	15.5	5.8	4.5	3.6
SRT US EQUITY	Startek INC	12/2020	7.4	5.4	4.8	0.2	0.2	0.2	4.6	4.4	4.0	0.6	0.5	0.5
	Median		20.9	18.2	16.2	2.8	2.6	2.3	14.0	12.5	11.3	3.0	2.7	2.5

Source: Bloomberg, Emkay Research

Exhibit 18: eClerx's 1-year forward P/E band

Source: Company, Emkay Research

Exhibit 19: eClerx's 1-year forward EV/EBITDA band

Source: Company, Emkay Research

Exhibit 20: 2-stage Gordon growth valuation framework

Particulars	
FY21E-24E INR Revenue CAGR (%)	16.6%
FY21E-24E EPS CAGR (%)	19.6%
Stage-1 (FY25E-35E) - Growth (%)	8.0%
Stage-1 (FY25E-35E) - DPR (%)	78.0%
Stage-1 (FY25E-35E) - Incr RoE (%)	36.4%
Terminal stage - Growth (%)	6.0%
Terminal stage - DPR (%)	83.5%
CoE (%)	11.5%
Implied P/E (x)	19.5
Target P/E (x)	20.0
TP (INR) Dec-22E	2,700

Note: Growth rates assume 2% depreciation in rupee per annum

Source: Company, Emkay Research

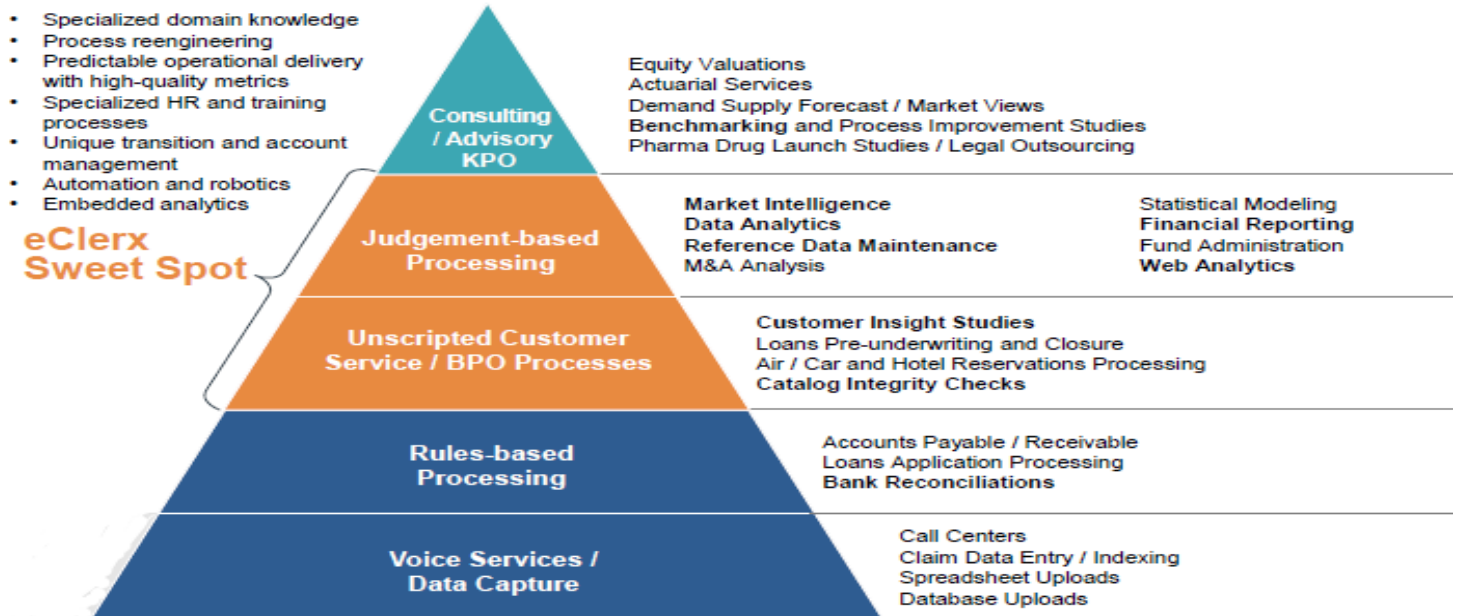
Key risks:

- **Client concentration (60% of revenue from Top-10):** eClerx derives 60% of its revenue from the top-10 clients. The company's revenue growth trajectory would be materially impacted in the event of the loss of these clients.
- **Increase in roll-offs in top clients:** Significant downsizing or insourcing by any top client would materially impact eClerx's revenues. Further, any mergers or acquisitions of or by any large client could change their outsourcing strategies, impacting eClerx's revenues. Higher roll-offs resulted in a flat revenue performance over FY16-20.
- **Currency volatility:** A significant portion of eClerx's revenue is realized in foreign currencies, and any unfavorable movement in the foreign currency rates would have an adverse impact on revenue.
- **Failure to adapt to changing technological requirements:** Any large technological disruption or process automation and the inability of the company to adopt the changes could impact its revenue.

Company Profile

Incorporated in 2000, eClerx is a leading KPO in business process management, automation and data analytics service segments. The company provides process outsourcing services and data management analytics solutions to over fifty global Fortune 500 league clients. It employs more than 13,500 people across Australia, Canada, Germany, India, Italy, Netherlands, Philippines, Singapore, Thailand, UK, and the USA. eClerx operates out of five cities in India – Mumbai, Pune, Chandigarh, Gurugram, and Coimbatore. It also has delivery centers in Thailand (Phuket), Italy (Verona), Philippines (Manila), and the United States (Fayetteville, NC). The company has sales offices in the United States, Europe and Singapore.

Exhibit 21: Addressable market for eClerx



Source: Company, Emkay Research

Business segments for eClerx includes financial markets, digital and customer Operations.

Financial markets: eClerx Markets offers consulting, technological innovation, and process management expertise to BFSI clients in solving their operational challenges. It delivers solutions across the trade and client lifecycles, including trade support, settlements and clearing, KYC and client on-boarding, legal documentation services, and reference data and advanced analytics.

Exhibit 22: eClerx's offerings in Financial Markets segment

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

Source: Company, Emkay Research

Digital: eClerx Digital offers creative production, eCommerce/web operations, and analytics & insights services to brands which help them in improving their digital businesses profitability. It employs over 3,000 employees at its five production hubs in Mumbai, Pune, Chandigarh, Verona and Phuket by employing the follow-the-sun delivery model. It helps clients with improved acquisition, conversion and retention and overall lifetime value of customer 24x7x365.

Exhibit 23: eClerx's offerings in Digital segment

eClerx Digital



Data Management

We can help customers maximize value from data assets

- 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.

- 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

- 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

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

Source: Company, Emkay Research

Customer Operations: eClerx Customer Operations specializes in providing operational expertise and process excellence throughout the customer journey. Its suite of offerings enhances the customer experience by providing quality monitoring/insights, advanced analytics, automation, superior technical operations support and digital care services. It assists companies in developing, implementing and operating multichannel customer interaction capabilities – transforming everyday touch-points into a superior customer experience.

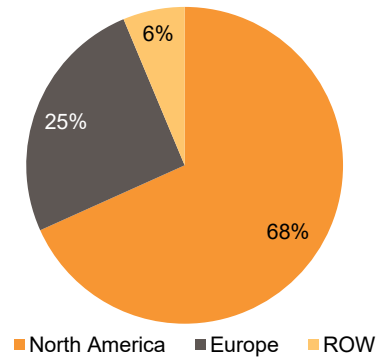
Exhibit 24: eClerx’s offerings in Customer Operations segment

eClerx Customer Operations

Customer Experience	Field Technical Operations	Data Analytics & Reporting	Technology Solutions	Consulting Services
<ul style="list-style-type: none"> • Omnichannel customer support services (email, chat, voice, SMS, social) across the customer lifecycle • Frontline CX Management: <ul style="list-style-type: none"> – QA Monitoring & Insights – Journey Mapping – Analytics – Speech & Text Analytics – CX Management Portal – Consulting & Optimization 	<ul style="list-style-type: none"> • Dispatch • Day of Job Support • Return Merchandise Authorization • Tiered Technical Support • Avoidable Truck Roll Reduction Program • Home Automation/ Home Security Provisioning 	<ul style="list-style-type: none"> • BI/ Data Management • Digital Analytics • Advanced Analytics • Social Analytics • QA Testing • Competitive Intelligence 	<ul style="list-style-type: none"> • Robotics • Machine Learning / AI • Chatbots and Virtual Assistants • Software Development • Big Data Management & Analytics • IM Chat Platform • Workforce Manager (ERP) 	<ul style="list-style-type: none"> • Project/Program Management • Contact Center Optimization • Technology Consulting • Analytics Consulting • Contact Center Coaching • CEX Program Implementation • QA/QC Services

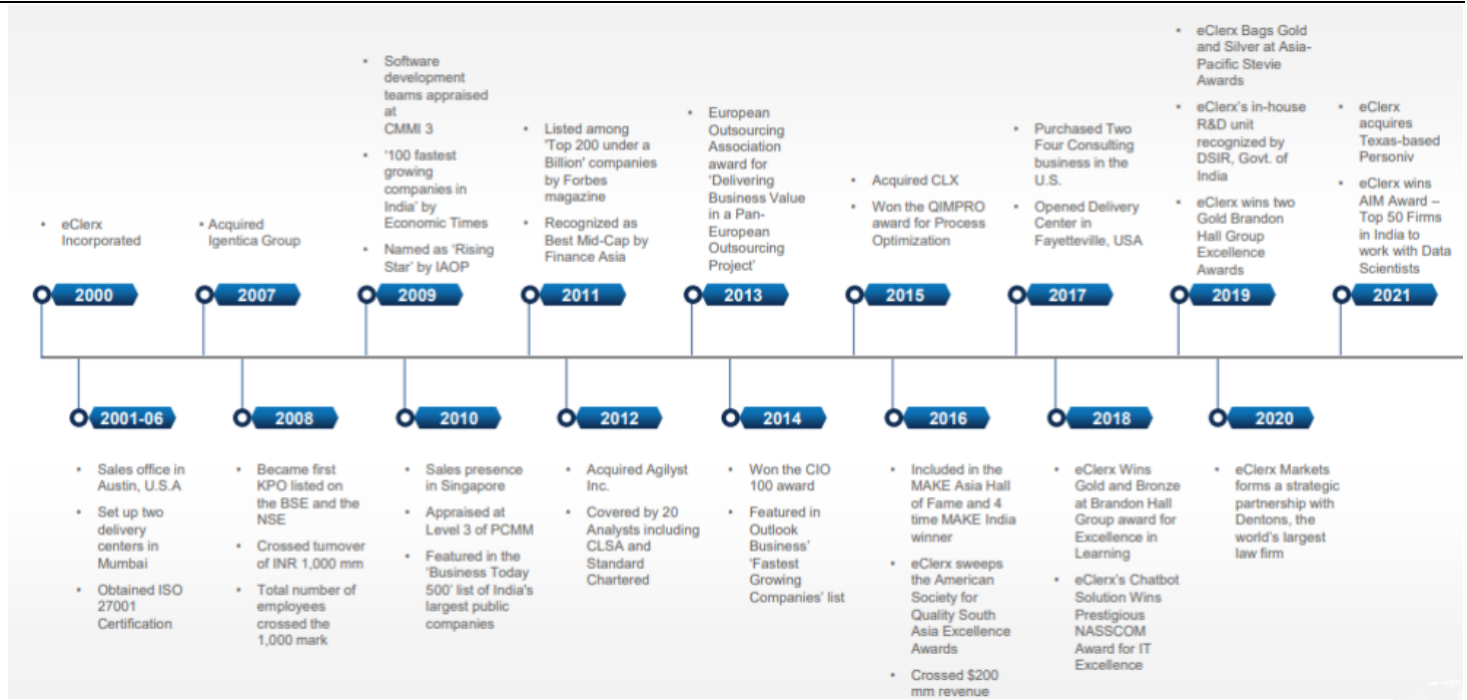
Source: Company, Emkay Research

Exhibit 25: Geographic concentration (FY21)



Source: Company, Emkay Research

Exhibit 26: Brief history of eClerx



Source: Company, Emkay Research

Exhibit 27: eClerx's Board of Directors

Name	Role	Brief
PD Mundhra	Co-Founder and Executive Director	PD Mundhra is a Co-founder and Executive Director of eClerx Services Limited. He has over 19 years of experience, with ten years in the KPO / BPO sector, along with stints in banking and manufacturing industries.
Anjan Malik	Co-Founder and Non-Executive Director	Anjan Malik is a Co-founder and the Executive Director of eClerx's on-shore subsidiaries. He has over 25 years of experience in consulting, investment banking and knowledge process outsourcing. Anjan worked with Accenture in Europe and Lehman Brothers in the US before starting eClerx, with PD Mundhra, in 2000.
Pradeep Kapoor	Chairman and Non-executive, Independent Director	Pradeep Kapoor joined eClerx's board in August 2007. For over four decades, he has played a leading role within India's infrastructure sector industry, particularly in engineering, manufacturing, and construction. He has been Managing Director and CEO of several companies including Trafalgar House Construction Limited, FLSmidth Limited, ABG Cement Limited, ABG Energy Limited, Dosal Limited and Sanghi Industries Limited among others.
Alok Goyal	Non-executive, Independent Director	Alok Goyal joined the eClerx Board in May 2012. He is a founder and partner of Stellaris Venture Partners, an early stage technology focused venture capital firm. He also serves on the board of Whatfix, a SaaS-based performance support platform. Previously, Mr. Goyal was a partner at Helion Ventures, where he led investments in enterprise software and services sectors and was also COO of SAP India.
Anish Ghoshal	Non-executive, Independent Director	Anish Ghoshal joined the eClerx Board in August 2007. Currently, a law partner at Dua Associates, Anish's areas of expertise includes corporate, regulatory and labor law, acquisitions, joint ventures, and intellectual property.
Deepa Kapoor	Non-executive, Independent Director	Deepa Kapoor joined the eClerx Board in March 2014. She is currently the Director of an MBA program and leads various executive education initiatives. Previously, Deepa headed Corporate Social Responsibility at Genpact and Punj Lloyd and has worked at several international companies including Broadview Associates, Oracle Corporation, and Lucent Technologies.
Shailesh Kekre	Non-executive, Independent Director	Shailesh Kekre joined eClerx's board in March 2017. Prior to joining the board, Shailesh was a Partner at McKinsey & Company in India and a leader of the firm's global Sourcing and Analytics practices for over 17 years. Shailesh serves as an advisor to several global enterprises in India, US, UK and Germany and specializes in business strategy and operations for IT / BPM and the R&D industry.
Biren Gabhawala	Non-executive, Independent Director	Biren Gabhawala joined the eClerx Board in May 2011. With 30 years' experience, Mr. Gabhawala is a qualified chartered accountant and a fellow member of the Institute of Chartered Accountants of India. Presently, he is a senior partner at M/s. C. M. Gabhawala & Co. Chartered Accountants, specializing in direct and indirect Taxation, FEMA, International Taxation, and Mergers and Acquisitions.
Srinjay Sengupta	Additional - Non-Executive, Independent Director	Srinjay Sengupta joined eClerx Board in January 2021. He is a seasoned professional in the technology and outsourcing industry. He held senior roles at Infosys, where he setup the UK and European operations of the company, and at iGate, where he was head of global sales and marketing. He also worked at McKinsey & Company and is now an independent adviser to global corporations in the areas of technology, operations and outsourcing. He is also an investor in tech intensive scale ups.

Source: Company, Emkay Research

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Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	14,375	15,645	20,896	22,710	24,787
Expenditure	11,131	11,002	14,528	15,898	17,611
EBITDA	3,244	4,643	6,368	6,813	7,176
Depreciation	709	816	995	1,042	1,076
EBIT	2,535	3,827	5,373	5,771	6,100
Other Income	267	(21)	(54)	(86)	(82)
Interest expenses	0	0	0	0	0
PBT	2,801	3,806	5,319	5,685	6,019
Tax	715	978	1,342	1,450	1,535
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	3	8	0	0
Reported Net Income	2,085	2,826	3,970	4,235	4,484
Adjusted PAT	2,085	2,826	3,970	4,235	4,484

Balance Sheet

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Equity share capital	361	340	329	320	310
Reserves & surplus	12,701	14,668	14,894	15,465	16,072
Net worth	13,062	15,008	15,223	15,784	16,382
Minority Interest	6	9	17	17	17
Loan Funds	9	5	5	5	5
Net deferred tax liability	(255)	(164)	(164)	(164)	(164)
Total Liabilities	12,822	14,858	15,081	15,642	16,240
Net block	4,797	7,280	7,121	6,915	6,676
Investment	4,368	2,286	2,286	2,286	2,286
Current Assets	7,802	10,170	11,022	12,058	13,212
Cash & bank balance	3,345	4,909	4,405	4,925	5,487
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	4,153	4,883	5,354	5,623	5,939
Net current assets	3,649	5,287	5,668	6,436	7,273
Misc. exp	0	0	0	0	0
Total Assets	12,822	14,858	15,081	15,642	16,240

Cash Flow

Y/E Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
PBT (Ex-Other income) (NI+Dep)	2,805	3,806	5,319	5,685	6,019
Other Non-Cash items	(83)	(45)	0	0	0
Chg in working cap	487	73	(885)	(248)	(276)
Operating Cashflow	3,328	3,646	4,088	5,029	5,284
Capital expenditure	(335)	(2,548)	(836)	(836)	(836)
Free Cash Flow	2,992	1,098	3,252	4,193	4,448
Investments	238	2,373	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	183	(45)	(836)	(836)	(836)
Equity Capital Raised	(2,582)	(1,347)	(3,722)	(3,642)	(3,855)
Loans Taken / (Repaid)	(269)	(302)	0	0	0
Dividend paid (incl tax)	(44)	(34)	(33)	(32)	(31)
Other Financing Cash Flow	0	0	0	0	0
Financing Cashflow	(3,082)	(1,883)	(3,755)	(3,674)	(3,886)
Net chg in cash	429	1,717	(503)	519	562
Opening cash position	4,515	3,345	4,909	4,405	4,925
Closing cash position	3,345	4,909	4,405	4,925	5,487

Source: Company, Emkay Research

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Key Ratios

Profitability (%)	FY20	FY21	FY22E	FY23E	FY24E
EBITDA Margin	22.6	29.7	30.5	30.0	29.0
EBIT Margin	17.6	24.5	25.7	25.4	24.6
Effective Tax Rate	25.5	25.7	25.2	25.5	25.5
Net Margin	14.5	18.1	19.0	18.6	18.1
ROCE	21.1	27.5	35.5	37.0	37.8
ROE	15.5	20.1	26.3	27.3	27.9
RoIC	44.1	60.0	67.0	68.7	72.2

Per Share Data (Rs)	FY20	FY21	FY22E	FY23E	FY24E
EPS	57.3	81.3	116.3	127.5	139.1
CEPS	76.7	104.8	145.4	158.8	172.4
BVPS	358.6	431.8	445.9	475.1	508.1
DPS	1.0	1.0	1.0	1.0	1.0

Valuations (x)	FY20	FY21	FY22E	FY23E	FY24E
PER	38.9	27.4	19.1	17.5	16.0
P/CEPS	27.9	20.4	14.7	13.5	12.4
P/BV	6.2	5.2	5.0	4.7	4.4
EV / Sales	5.1	4.5	3.3	2.9	2.6
EV / EBITDA	22.6	15.1	10.9	9.8	8.9
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Gearing Ratio (x)	FY20	FY21	FY22E	FY23E	FY24E
Net Debt/ Equity	(0.6)	(0.5)	(0.4)	(0.5)	(0.5)
Net Debt/EBIDTA	(2.4)	(1.5)	(1.1)	(1.1)	(1.1)
Working Cap Cycle (days)	7.7	8.8	22.1	24.3	26.3

Growth (%)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	0.5	8.8	33.6	8.7	9.1
EBITDA	5.5	43.1	37.2	7.0	5.3
EBIT	(3.6)	51.0	40.4	7.4	5.7
PAT	(8.6)	35.5	40.5	6.7	5.9

Quarterly (Rs mn)	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Revenue	3,608	3,943	4,728	4,863	5,233
EBITDA	1,081	1,177	1,552	1,425	1,649
EBITDA Margin (%)	30.0	29.9	32.8	29.3	31.5
PAT	610	710	988	913	1,007
EPS (Rs)	17.7	20.8	28.8	26.6	29.0

Source: Company, Emkay Research

Shareholding Pattern (%)	Dec-20	Mar-21	Jun-21	Sep-21	Nov-21
Promoters	53.8	53.8	53.8	53.8	54.0
FIs	18.6	18.9	19.1	16.1	15.4
DIs	13.7	15.1	15.8	17.6	18.0
Public and Others	13.9	12.2	11.4	12.6	12.6

Source: Capitaline

Emkay Alpha Portfolio – Information Technology



Analyst: Dipesh Mehta

Contact Details

dipeshkumar.mehta@emkayglobal.com
+91 22 6612 1253

Sector

IT Services, ITes and Software

Analyst bio

Dipesh is a seasoned Equities professional who has covered Technology sector for over 15 years. Dipesh has completed his B.E. in Information Technology from Sardar Patel University and MMS in Finance from Mumbai University.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight based on Current NAV	Change vs last published EAP (bps)
Information Technology	14.18	13.96	-2%	-22	100.00	
BirlaSoft	0.00	0.06	NA	6	0.42	0
Coforge	0.00	0.00	NA	0	0.00	0
Firstsource Solutions	0.00	0.04	NA	4	0.30	0
HCL Tech	1.24	1.31	5%	7	9.24	0
Infosys	6.36	6.46	2%	11	45.59	0
L&T Infotech	0.30	0.00	-100%	-30	0.00	0
Mindtree	0.28	0.00	-100%	-28	0.00	0
Mphasis	0.26	0.26	0%	0	1.84	0
Oracle Financial Services*	0.10	0.00	-100%	-10	0.00	0
Persistent Systems	0.00	0.37	NA	37	2.61	0
TCS	3.69	3.68	0%	-1	25.94	0
Tech Mahindra	1.00	1.03	3%	3	7.26	0
Wipro	0.94	0.74	-21%	-20	5.24	0
Cash	0.00	0.22	NA	22	1.56	0

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base					Latest
	1-Apr-19	14-Dec-20	14-Jun-21	13-Sep-21	12-Nov-21	13-Dec-21
EAP - Information Technology	100.0	152.7	193.7	230.1	232.8	232.6
BSE200 Neutral Weighted Portfolio (ETF)	100.0	145.1	180.8	215.7	218.6	217.1

*Performance measurement base date 1st April 2019

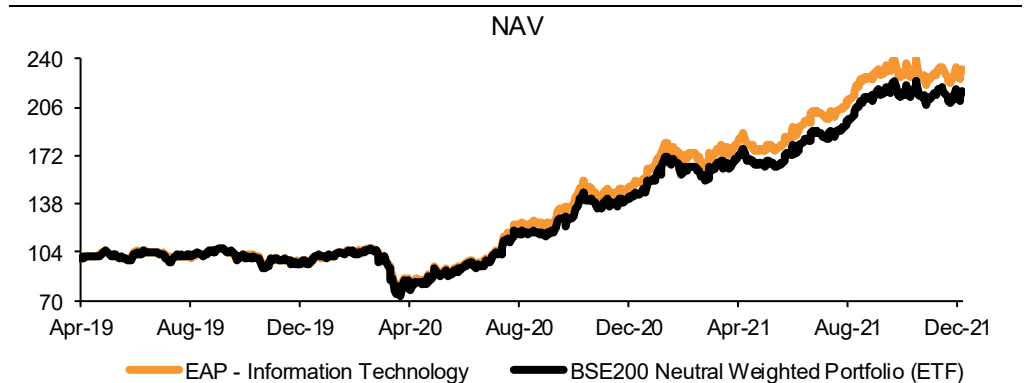
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Information Technology	-0.1%	1.1%	20.1%	52.3%
BSE200 Neutral Weighted Portfolio (ETF)	-0.7%	0.7%	20.1%	49.7%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 15 Dec 2021 21:46:10 (SGT)

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Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com