

EXPLEO SOLUTIONS LTD.  
(FORMERLY KNOWN AS SQS INDIA BFSI LTD.)

# Annual Report FY 2018 – 2019



Think bold, act reliable

( expleo )

# Corporate information

## **BOARD OF DIRECTORS**

René Gawron  
Chairman & Director

Prof. K. Kumar  
Deputy Chairman & Independent Director

Balaji Viswanathan  
Managing Director & CEO

Lilian Jessie Paul  
Independent Director

Olivier Aldrin  
Non-Executive Director

Prof. S. Rajagopalan  
Independent Director

Rajiv Kuchhal  
Independent Director

Ralph Gillessen  
Non-Executive Director

Ulrich Bäumer  
Independent Director

## **CHIEF FINANCIAL OFFICER**

Desikan Narayanan

## **COMPANY SECRETARY & COMPLIANCE OFFICER**

S. Sampath Kumar

## **AUDITORS**

Kalyaniwalla & Mistry LLP  
Chartered Accountants  
Esplanade House, 29, Hazarimal Somani Marg, Fort, Mumbai – 400 001.

## **INTERNAL AUDITORS**

A. Murali & Associates, Chartered Accountants  
New No.2, T4, 3rd Floor, Majestic Square,  
Sherfudeen Street, Choolaimedu, Chennai - 600 094

## **BANKERS**

The Lakshmi Vilas Bank Limited  
Cathedral Road, Chennai - 600 086

ICICI Bank Limited  
Bazullah Road, T. Nagar, Chennai - 600 017

The Hongkong and Shanghai Banking Corporation Limited  
Cathedral Road, Chennai - 600 086

## **LEGAL ADVISORS**

S. Ramasubramaniam & Associates  
New No.13/1, Bishop Wallers Avenue West  
Mylapore, Chennai - 600 004

## **REGISTRAR AND SHARE**

Cameo Corporate Services Limited

## **TRANSFER AGENTS**

Subramanian Building No.1, Club House Road, Chennai - 600 002,  
Tel. +91 044 2846 0390 / 044-40020700, email: investor@cameoindia.com  
website: <http://www.cameoindia.com>

## **REGISTERED OFFICE**

6A, Sixth Floor, Prince Infocity II, No.283/3 & 283/4  
Rajiv Gandhi Salai (OMR), Kandanchavadi, Chennai - 600 096  
Tel: 044 4392 3200, email: investor.sqsbfsi@sqsbfsi.com, website: [www.sqs-bfsi.com](http://www.sqs-bfsi.com)

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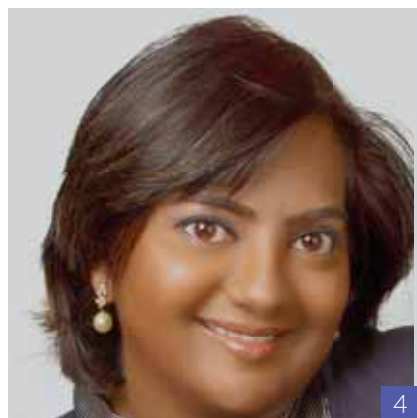
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## Board of Directors



## 1. René Gawron

### Chairman and Director (Non-Executive)

René is a Chairman and Director of Expleo Solutions Limited. René Gawron has held various positions including Head of Business Development for mobile telecom networks at Siemens AG. His most recent position was CFO at SQS. René Gawron is a graduate of Freie University of Berlin (Germany).

## 2. Prof. K. Kumar

### Deputy Chairman & Independent Director

Kumar is Deputy Chairman and Independent Director of Expleo Solutions Limited. He has over three decades of experience as a corporate manager, consultant, entrepreneur and in academia. Kumar holds a bachelor's degree in Electrical & Electronics Engineering (Madurai Kamaraj University) and obtained both the PGDM and Fellowship (Doctoral level) qualifications from the Indian Institute of Management, Bengaluru (IIM-B). In his current role as Professor of Entrepreneurship at Indian Institute of Management, Bengaluru (IIM-B), he is involved in teaching, research and entrepreneurship promotion initiatives. His corporate experience includes a consulting role at Tata Consultancy Services (1991-95) and as CEO (1995-2001) and President (2005-2006) of Trigent Software Ltd.

## 3. Balaji Viswanathan

### Managing Director and CEO

Balaji is the Managing Director and CEO of Expleo Solutions Limited. Balaji is a Physics Graduate with an Intermediate in Cost Accounting, he comes with close to 25 years of professional experience in the financial services domain of which 16 years have been in the Financial Services Industry and 8 years in the Outsourcing/Offshoring of Financial Services. His last assignment was as Senior Director in charge of Global Delivery for BFSI services at Concentrix which is the outsourced business division of SYNEX Corporation, a Fortune 500 company listed on the NYSE. Balaji also worked with Serco, IBM Daksh (acquired by Concentrix in 2014), Jio Payments Bank, Yes Bank and HDFC Bank where he has garnered a strong domain knowledge of Banking Products, Process and Technology. He also spent 3 years with Mastercard International responsible for operations and technology in South Asia.

## 4. Lilian Jessie Paul

### Independent Director

Lilian Jessie Paul is an Independent Director of Expleo Solutions Limited. Jessie Paul has 25 years of experience as a marketer. She was Global Brand Manager of Infosys, headed marketing for iGATE (now a part of CapGemini) and was Chief Marketing Officer of Wipro Technologies. She commenced her career with Ogilvy & Mather Advertising. In 2010, Jessie Paul founded Paul Writer (www.paulwriter.com), a marketing advisory firm that works with clients to design targeted outreach campaigns that result in business impact. Clients include Adobe, IBM, LinkedIn, Manipal Global, and Oracle. She now drives the Paul Writer Impact Network, an agency network dedicated to managing and optimising the complete buyer journey. Jessie is frequently cited as a marketing expert in publications and is the author of No Money Marketing, published by Tata McGraw-Hill. She publishes a newsletter that reaches India's top marketers and has crossed 400 issues. She holds an MBA from Indian Institute of Management, Kolkata, and a bachelor's degree in computer science and engineering from National Institute of Technology, Trichy.

## 5. Olivier Aldrin

### Director (Non-Executive)

Olivier Aldrin is the Director (Non-Executive) of Expleo Solutions Limited. Olivier Aldrin is the Chief Executive Officer of Expleo Group. After starting his career at Arthur Andersen, Olivier Aldrin has held the positions of Chief Financial Officer and Deputy Chief Executive Officer at various digital services companies (Serete, Thales IS, Ingenico, Econocom). His previous roles include Deputy General Manager in charge of Finance at Altran Technologies and CEO of Assystem Technologies. Olivier is a graduate of Neoma Business School (France).

## 6. Prof. S Rajagopalan

### Independent Director

Rajagopalan is an Independent Director of Expleo Solutions Limited. He is a Bachelor of Technology (B.Tech) in Chemical Engineering from Indian Institute of Technology, Post Graduate Diploma in Management from Indian Institute of Management, Bengaluru and he has earned doctorate from Indian Institute of Technology, Kanpur. He was the CEO of

the Karnataka State Council for Science and Technology for 14 years and also was Founder and Chairman of TIDE an NGO. Since 2008, he is a professor at the International Institute of Information Technology, Bengaluru.

## 7. Rajiv Kuchhal

### Independent Director

Rajiv is an Independent Director of Expleo Solutions Limited. Rajiv is seasoned professional with more than 30 years experience in IT and related areas. He spent many years at Infosys heading Telecom and Product Engineering Services. He was founding member of Infosys BPO and was COO at OnMobile. He is currently partner at Exfinity Venture Partner. Rajiv is graduate from IIT Delhi.

## 8. Ralph Gilleszen

### Director (Non-Executive)

Ralph Gilleszen is the Director (Non-Executive) of Expleo Solutions Limited. Ralph Gilleszen spent his first professional years at Time Warner as an IT systems and business analyst before he moved into consultancy and held various senior business development and consultancy positions. Ralph joined SQS in 2002 and entered the board by an internal promotion in 2013, and became the COO in 2015 where he managed the global sales, delivery and operation organisation. Ralph is a graduate of the University of Hagen (Germany).

## 9. Ulrich Bäumer

### Independent Director

Ulrich is an Independent Director of Expleo Solutions Limited. He is a qualified lawyer and a partner in the technology group of the international law firm, Osborne Clarke. He advises the clients of the firm mainly in the areas of information technology and outsourcing. He drafts and negotiates complex international IT project (especially outsourcing and licensing) contracts and assists the technology clients of the firm in M&A transactions. He also advises in all other aspects of technology and licensing law. He advises many German and International companies on all aspects of IT law.

# Letter to the shareholders



Mr René Gawron  
Chairman

Dear Shareholders,

The Financial Year 2018-19 has been a milestone year with quite a few changes in the company and in the market as well. I would like to capture below about the new brand, our strength and our market positioning.

Your company for the Financial Year 2018-19 had a growth of 4% compared to the previous year. We reported revenue of INR 2888 Mn (288 crores) compared to INR 2786 Mn (278 crores) in Financial Year 2017-18. We achieved a Net Profit Margin of 12.5%, an increase of 13% on year on year basis. With a view to (a) optimizing returns to shareholders; (b) enhancing overall shareholders value; and (c) to optimize the capital structure of the Company, the Company for the first time offered Buyback of shares. We received an overwhelming response with an over subscription.

We successfully integrated into “Expleo” group and now are part of a Euro 1.1bn group present in over 25 countries, predominantly in US, UK France, Germany and Other European Countries.

Our New Brand reflects who we are: client focused; technical, domain competent; ready to take on complex challenges to support our clients with the mixture of boldness and reliability that is critical to our clients. The name “Expleo” conveys the idea of exploring fresh opportunities and expanding horizons (in Latin Expleo means “to complete” and “to satisfy”).

**( expleo )**  
Think bold, act reliable



Expleo Solutions is the trusted partner for banks, financial service institution and insurance Companies as end-to-end, quality services and management consulting expert. By combining business insight, bold thinking and technical know-how, our combined entity provides us the ability and access to both leading edge technologies and deep industry knowledge. Expleo is active in the technology-intensive sectors that makes business and society more connected, sustainable and secure.

The Current Financial services organisations are caught in a balancing act. They are under pressure to meet shifting consumer expectations, or risk losing market share to agile FinTech start-ups and digital-native Challenger Banks. Traditional banks, often weighed down by complex legacy systems, must embrace and adopt new technologies, as quickly and securely as possible. Banks and Institutions are facing, increased pressure from regulation, designed to protect consumer rights, has made constant vigilance a business priority.

Our clients have embarked on this journey to change and we are well positioned to partner with them through this journey. Change is inherently risky and with our deep domain expertise along with the investments that the group has made in R&D through Digital Labs and the partners we are working with, the shift to a Technology enabled transformation partner is resonating well. A tech-first approach is now the only approach. With the BFSI Industry being in the forefront of Big Data, AI, Block Chain and Digital First initiatives with a focus on end customer satisfaction, we are positioning ourselves with Tech First, Agile and a First-time right approach as a Trusted, Reliable Partner with Bold ideas and approach.

We are the leading global specialist in quality assurance for financial services. Our consultants identify and mitigate business risk in technology-led transformations, using standardised methodology, industrialised automation solutions, global delivery and deep domain knowledge. With your Company as their trusted partner, clients will embed continuous quality to drive digitalisation and innovation. We work closely with global institutions, helping them to navigate the changes being driven by regulatory reform and digital disruption.

We have the insight and expertise to assure the processes and technologies across

the entire financial services domain and Insurance. To stay ahead in the race, we have a group wide and within individual units a comprehensive upskilling program that will enable us to be equipped with the knowledge of the latest technologies, trends and best practice sharing across the organization.

With best-shoring capabilities and offices in 25 countries worldwide, we are as local and global as the Industry needs us to be and looking forward to working with our clients, Industry and partners to harness the technological changes and deliver innovations.

On behalf of Board, I would like to take this opportunity to thank our customers for their trust and business support, to our staff for their dedication and hard work and to you, our valued shareholders for your confidence and continued support.



Yours Sincerely,

**René Gawron**  
Chairman

# Performance highlights

**Decade at a Glance (Consolidated Basis)**
**Rs. in Millions**

Particulars	2018-19	2017-18	2016-17	2015-16 #	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
Gross Revenue**	2,828	2712	2599	2642	2142	1944	1614	1214	829	829
EBIDTA	591	538	424	605	389	499	326	224	61	105
Profit Before Tax	536	479	370	562	320	422	265	185	32	91
Profit After Tax	362	319	232	369	216	300	194	114	19	82
Property, Plant & Equipment and Intangible Assets: Gross Block	324	307	300	526	483	473	457	225	194	101
Property, Plant & Equipment and Intangible Assets: Net Block	189	224	267	248	243	274	312	109	112	42
Share Capital	107	107	107	106	105	103	101	101	101	101
Reserves and surplus	1,281	1179	1164	1239	911	980	781	655	599	592
Networth	1,388	1286	1271	1345	1016	1082	882	755	700	693
Sundry Debtors	457	681	424	541	567	558	413	236	229	159
Cash and Bank Balances	987	850	891	861	683	502	394	404	400	514
Current Assets	1,671	1633	1380	1519	1380	1157	952	899	762	789
Current Liabilities	536	626	435	490	560	290	289	263	183	149
Working Capital	1,135	1007	945	1029	820	867	663	636	579	640
Employee Strength (No.s)	962	1012	919	1076	907	905	782	742	661	499
No of Equity Shares ('000)	10713	10710	10680	10639	10545	10268	10124	10052	10052	10052
Earnings Per Share (Diluted) (Rs.)	33.79	29.9	22.3	34.6	20.6	28.7	19.0	11.3	1.9	8.8
Book Value per Share (Rs.)	129.6	120.1	119.0	126.4	96.4	105.4	87.1	75.1	69.6	68.9
Dividend - Rs. per share (Interim and Final)	-	24.0	24.0	24.0	24.0	9.0	6.0	5.0	1.0	1.0

EBITDA : Earnings before Interest, Depreciation, Taxes &amp; Amortization

\*\* Export incentives are reclassified to Other Income for the FY 18-19 &amp; FY 17-18

# Figures are as per Ind AS format from the year 2015-16 onwards

One Million (Mn) is equal to Ten lakhs



# Directors' report

*Dear members*

We are pleased to present the report on our business and operations for the year ended March 31, 2019.

## 1. Financial highlights for the year ended March 31, 2019:

			(Rs. in Millions)	
	Consolidated		Standalone	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Total Income	2,887.69	2,844.98	2,883.26	2,838.02
Employee benefits expense	1,833.59	1,841.18	1,249.77	1,153.57
Depreciation and amortization expense	54.99	55.50	54.76	55.36
General, administrative and other Expenses	462.76	466.29	1,097.79	1,203.38
Finance cost	0.67	2.87	0.67	2.87
Total Expenses	2,352.01	2,365.84	2,402.99	2,415.18
Profit/(loss) before exceptional items	535.68	479.14	480.27	422.84
Exceptional Items	-	-	-	6.89
Profit Before Tax	535.68	479.14	480.27	429.73
Tax expense	173.66	159.39	165.89	149.66
Profit After Tax	362.02	319.75	314.38	280.07
Other Comprehensive Income	(1.55)	(0.77)	(1.55)	(0.77)
Total Comprehensive Income	360.47	318.98	312.83	279.30
Earnings per Equity share (Par value of Rs. 10/- each)				
Basic (Rs.)	33.79	29.90	29.35	26.19
Diluted (Rs.)	33.79	29.90	29.35	26.19

## 2. Business and Operations Review:

Total operating revenue was Rs. 2,827.73 Mn for the Financial Year 2018-19 as compared to Rs. 2,712.33 Mn in the previous year, a growth of 4%.

During the year under review, repeat business from existing clients accounted for 97% revenue, increased from 88% in the previous year. New client acquisitions contributed to 3% revenue.

Total Comprehensive Income stood at Rs. 312.83 Mn, (representing 11% of revenues) as against Rs. 279.30 Mn (10% of revenues) in the previous year. Currency fluctuations

resulted in a loss for the year of Rs. 26.94 Mn, compared to a gain of Rs. 53.72 Mn in the previous year.

Geographically, revenue from Europe increased by 9%. Business derived from Europe was 68% of our revenues (Previous year 65%) 27% from India, the Middle east, Asia and Australia (previous year 27%) and 5% from US (Previous year 8%). The proportion of Onsite to offshore revenue stood at 58% / 42% compared to 61% / 39% in the previous year.

The revenue from Group clients for financial year 2018-19 has remained the same as the previous financial

year at 19% of revenue. On the practice front, Banking practice grew by 12% compared to the previous year, contributing 38% of revenues.

Employee strength, as on March 31, 2019, for the standalone entity was 889 (consolidated 962) compared to 914 (consolidated 1,012) in the previous year. Women employees for the standalone entity count stood at 326 (37%) compared to 305 (33%) in the previous year. For the consolidated, women employees stood at 340 (35%) compared to 324 (32%) in the previous year. The attrition rate stood at 24% for the year ended March 31, 2019 compared to 20% in the previous year.

### **3. Capital expenditure:**

During the financial year 2018-19, we added Rs. 23.47 Mn to our gross block with capital expenditure, which comprised of Rs. 12.04 Mn on account of technology infrastructure, Rs. 10.98 Mn through physical infrastructure, and the balance Rs. 0.45 Mn through intangible asset addition.

### **4. Liquidity:**

The Company continues to maintain comfortable cash balances to meet its strategic objectives. The liquid assets as at the end of the year stood at Rs. 1,139.96 Mn (against Rs. 1,131.05 Mn in the previous year). Our Cash balance stood at Rs. 839.71 Mn as compared to Rs. 562.60 Mn in the previous year.

### **5. Change of Name of the Company:**

During the year, the Board of Directors in their meeting held on February 11, 2019 have approved the change of name of the Company from SQS India BFSI Limited to **"EXPLEO SOLUTIONS LIMITED"**. The members of the Company, vide postal ballot results of which was declared on March 28, 2019, approved the change of Company's name. Consequently, the Company obtained new Certificate of Incorporation pursuant to change of name dated April 10, 2019 from the Registrar of Companies, Ministry of Corporate Affairs, Chennai.

### **6. Share capital:**

At the end of the financial year March 31, 2019, the Company's Paid-up Equity Share Capital stood at Rs.107.13 Mn, consisting of 1,07,13,381 fully Paid-up Equity Shares of Rs.10/- each. The exercise of employee stock options granted under Thinksoft ESOP Scheme, 2011, resulted in the allocation of 3,000 equity shares during the financial year 2018-19 to employees. As a result, the Company's Paid-up Equity Share capital increased to Rs.107.13 Mn from Rs. 107.10 Mn. The details of the Thinksoft ESOP Scheme, 2011 and the requirement as specified under

Regulation 14 of SEBI (Share Based Employee Benefits) Regulations, 2014 is available at the Company's website at <http://www.sqs-bfsi.com/corporate-governance-policies.php>. The disclosure in compliance of Rule 12 of Companies (Share Capital and Debentures) Rules, 2014, is attached to this report as **Annexure I**.

### **7. Net worth:**

The Company's net worth stood at Rs. 1,068.82 Mn as at March 31, 2019 as against Rs. 1,013.96 Mn at the end of the previous year.

### **8. Transfer to general reserve:**

During the financial year, the Company transferred Rs. 31.00 Mn (previous year - Rs. 28.00 Mn) to the general reserve, which represents 10% of the net profit of the Company. As a result, the total amount of general reserve as on March 31, 2019 was Rs. 212.09 Mn (previous year - Rs. 181.09 Mn).

### **9. Dividend:**

The Company has not declared or recommended any Dividend during the Financial Year 2018-19.

### **10. Subsidiaries:**

During the year, your Company had initiated change of name of its wholly owned subsidiary Companies to reflect the Group Brand **"Expleo"**. The names of wholly owned subsidiaries located in Singapore and United kingdom are changed and the wholly owned subsidiaries in USA and UAE are in the process of change.

The Company operates internationally through four wholly-owned subsidiaries:

- a) Expleo Solutions Pte. Ltd., Singapore (formerly known as SQS BFSI PTE. LTD)
- b) Expleo Solutions UK Ltd., UK (formerly known as SQS BFSI UK LTD)
- c) SQS BFSI Inc., USA
- d) SQS BFSI FZE., UAE

The Board of Directors of the Company reviewed the affairs of the wholly owned subsidiaries of the Company for the financial year 2018-19. In accordance with Section 129(3) of the Companies Act, 2013, the Company has prepared the Consolidated Financial Statements of the Company, which forms part of this Annual Report. Further, a separate section on the salient features, performance and financial position of each of the subsidiaries or associate companies and their contribution to the overall performance of the Company during the period under report, as prescribed under