Saksoft Limited

Annual Report FY19-20

SAKSOFT
your digital transformation partner

Caution regarding forward-looking statements

This document contains statements about expected future events and financial and operating results of Saksoft Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of the Saksoft Limited Annual Report FY19-20.

DOCUMENT CONTENTS

Corporate Information

BOARD OF DIRECTORS

Chairman & Managing Director
Aditya Krishna

Independent Non-Executive Directors
Ajit Thomas
VVR. Babu
Ganesh Chella
Malini Thadani

Non-Executive Director
Kanika Krishna

EXECUTIVE COMMITTEE

Chairman & Managing Director
Aditya Krishna

Chief Financial Officer
Niraj Kumar Ganeriwala

Executive Vice President
Dhiraj Kumar Mangla

Senior Vice President & Global Head - Information Management Services
Gopakumar N Kavunkal

Vice President - APAC Sales
Bhaskar Narayanan

Chief Commercial Officer - Acuma Solutions (A Saksoft Company)
Jonathan Eeley

CEO, DreamOrbit (A Saksoft company)
Sanchit Jain

CTO, DreamOrbit (A Saksoft company)
Abhishek Porwal

Head - Testing Services
Soumya Sashi

Vice President Sales - US Region
Swaraj Kumar Dash

Account Director
Avantika Krishna

COMPANY SECRETARY & COMPLIANCE OFFICER

S. Muthukrishnan

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www.dreamorbit.com
www.faichi.com

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HDFC Bank, Chennai
IndusInd Bank, Chennai
Citibank N.A, Chennai
Deutsche Bank, Chennai
State Bank of India, Chennai

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Saksoft Solutions Limited, UK
Electronic Data Professionals, Inc., US
Faichi Solutions Inc, US
Acuma Solutions Limited, UK
Threesixty Logica Testing Services Private Limited, India
Threesixty Logica Testing Services Pte Limited, Singapore
Dreamorbit Softech Private Limited, India
Dreamorbit Inc, US
Saksoft Ireland Limited, UK

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‘Inch wide. Mile deep!’ at work at Saksoft

At a time when the global economy slowed in FY19-20, Saksoft reported profitable growth.

Revenues remained flat while EBITDA strengthened 3.2% and EBITDA margin strengthened 49 bps to 17%.

This profitable growth was the result of a consistent focus on doing what the Company has always been good at: deepening our brand, enhancing our market visibility and helping us generate a superior return on invested resources.

How Saksoft makes a difference

Rich experience
Saksoft, founded and promoted by Mr. Autar Krishna and stewarded by Mr. Aditya Krishna, has emerged as global leader in providing digital transformation solutions, enabling businesses to stay highly connected in a rapidly evolving world.

Presence
Headquartered in Chennai (India), the Company has 14 offices across the USA, Europe and Asia. The US accounts for the Company's largest market, generating ~ 50% of revenues in FY19-20, followed by Europe at 27% and APAC & others at 23%.

Clientele
The Company provides services across verticals such as Fintech, Retail E-commerce and Health care, Telecom, Transportation & Logistics and Public Sector.

Values
At Saksoft, we believe in a culture of innovation, customer focus, openness, respect and enterprising (iCORE). This represents the foundation of the organisation and is reflected in everything that we do.

Diversified services
The Company offers a bouquet of digital transformation services covering the following: analytics solutions, strategic consulting, IoT and mobility solutions, technology training, application development, robotic process automation, digital testing services, managed & infrastructure services and cloud services.

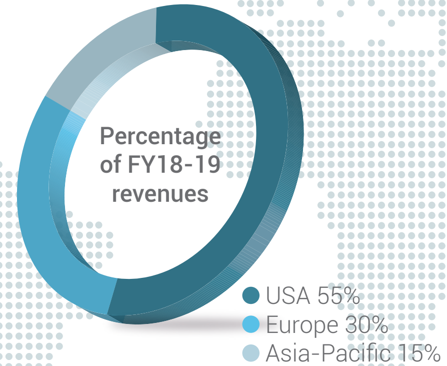
Employee base
The Company had on its payrolls 1258 employees as on March 31, 2020. The average age of the Company's workforce stood at 32 years as on March 31, 2020.

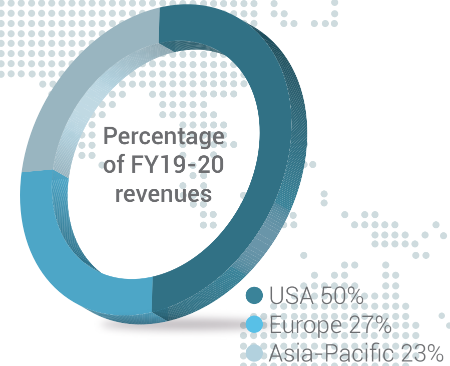
Credibility
The credit rating of the Company strengthened from CARE BBB+ to CARE A- in FY19-20.

Listing
Saksoft Limited is listed on the National Stock Exchange and the Bombay Stock Exchange. The Company's market capitalisation was Rs.136 crore at the close of FY19-20.

Compliant
The Company has been accredited with the ISO 9001:2015 certification for its quality management system and ISO 27001:2013 certification for information security management system, showcasing its process excellence.

Our geographic footprint





The year 2019-20 dashboard

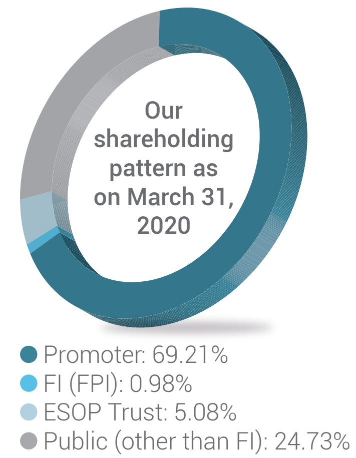
Business highlights, FY19-20

- The Company strengthened its Predictive Analytics capabilities
- The Company strengthened its marketing, deepening its presence in sectors
- The Company strengthened its offshore strength during the year

Financial highlights, FY19-20

- Revenues increased 0.2% to Rs.358.78 crore
- EBITDA margin increased 49 bps to 17%
- RoCE was 24.7%
- Debtors' turnover was 67.38 days
- Net profit (after minority interest) grew by 5.5% to Rs.38.45 crore
- EPS increased by 5.5% to Rs.38.67

Value dashboard
Our debt-equity ratio improved from 0.19 as on March 31, 2019 to 0.13 to March 31, 2020



Our NSE security code and equity share face value
(SAKSOFT EQ) Rs.10 per equity share.

The dividend for FY19-20
First Interim Dividend of Rs.2.00 per equity share and Second Interim Dividend of Rs.2.50 per equity share.

Total dividend of Rs.4.50 per equity share.

Financial highlights, FY19-20

Revenue from operations
(Rs. in crore)

+0.73
(Rs. in crore)

Why we measure
To assess the effectiveness of our product/solutions mix, geographic presence, sales focus efficiency, execution and network strength, brand equity and market competitiveness.

What it discloses
Saksoft reported flat revenues in FY19-20 following a reduction in share of a prominent customer, which was recouped with some customer wins in the later part of the year.

Operating profit (EBITDA)
(Rs. in crore)

+1.87
(Rs. in crore)

Why we measure
To evaluate overall business efficiency – an improvement in operating revenues indicates a sharper increase in revenues over costs.

What it discloses
At Saksoft, we focus on driving operating leverage through offshoring/near-shoring that enables us to ensure billing in foreign currency billing while expensing costs in INR.

Cash profit (PAT+Depreciation)
(Rs. in crore)

+3.44
(Rs. in crore)

Why we measure
To get an estimate of an organisation's ability to grow its business without risking the Balance Sheet.

What it discloses
At Saksoft, our incremental cash profit of Rs.3.44 crore was attractive, indicating our commitment to grow margins, benefit from operating leverage, manage our working capital efficiently and reducing our debtors' cycle.

Return on capital employed
(%)

-200
(bps)

Why we measure
RoCE is a fundamental financial metric indicating the health of a business. A steady improvement in a Company's RoCE validates our growing financial efficiency.

What it discloses
The above medium-term impact reflects the effect of our investments, coupled with prudent capital allocation towards high margin services.

Interest cover
(x)

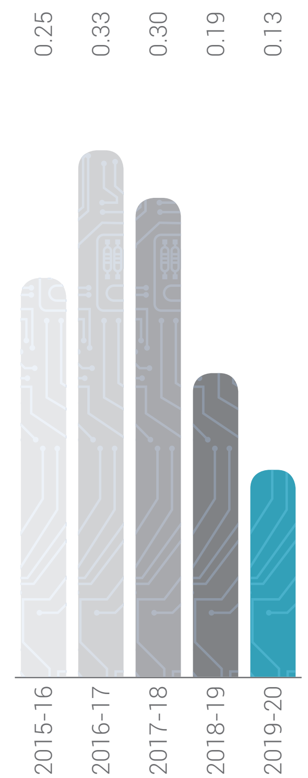
-5.67
(%)

Why we measure
The interest coverage ratio is used to determine how comfortably a company can pay its interest liabilities on outstanding debt.

What it discloses
A growing EBITDA and tightening interest outflow have enabled comfortable debt servicing, improving the interest cover over the medium-term.

Debt-equity ratio
(x)

-31.58
(%)



Why we measure
It indicates how much debt a company is using to finance its growth relative to the amount of value represented in shareholders' equity.

What it discloses
Saksoft's focus on creating an asset-light, solutions-driven business and increasing use of accruals in funding its growth strengthened its gearing to 0.13 in FY19-20.

Earning per share
(Rs.)

+5.48
(%)

Why we measure
Earnings per share serves as an indicator of a company's profitability (in terms of a portion of profit allocated to each outstanding share).

What it discloses
At Saksoft, our focus on growing shareholder value has been reinforced through an undiluted equity base (over the past few years) and sustainable growth in net profits and earning per share.

Dividend per share
(Rs.)

+12.50
(%)

Why we measure
Dividend per share (DPS) is the sum of declared dividends issued by a company for every ordinary share outstanding.

What it discloses
Consistent with our focus on rewarding our shareholders with a solid and stable value creation platform, we steadily focus on disbursing dividends, after putting aside funds for plough-back.

Our governance commitment

In a VUCA world, the insurance comes from governance.

At Saksoft, governance is doing the right things more than doing things right – a focus on integrity more than efficiency – because we are convinced that organisations that are high on their ethical commitment can also be hugely successful.

This is the vision with which we went into business: not necessarily to be the largest in our space at any cost as much to be counted as one of the best; not as much to be a company driven by the quantity of our revenues only, as much a company driven by the quality of respect.

Some of the principles of our governance commitment have been described in this section. They provide a perspective of what we are, where we come from and what we hold dear.

Integrity

At Saksoft, the one word that we placed at the centre of our business model was 'integrity'. We resolved that when stakeholders referred to us, they would with a sense of respect; that when one asked about what kind company we were, the principal recall would be one of trust. We believe that if we could inspire a recollection based around credibility and integrity, it would be the glue that would attract a credible eco-system: longstanding customers, enduring employees and stable investors

Discipline

At Saksoft, at one level we desired to be a company that stakeholders could take for granted on issues of principle. By the virtue of their experience with us, they would be able to assess and predict our response on issues of ethics and integrity. In this predictability would be their own conduct: they would know how they would need to conduct themselves if they were to stay engaged with us. We are pleased that when we are discussed in public domain, one of the first reactions we evoke is one associated with the highest ethical standard.

Doing things the right way

At Saksoft, this ethical respect is the result of life clarity: that we will continue to do the right things in the right way. Over the years, this commitment has manifested in various ways within: our gender respect, zero tolerance for sexual harassment, similar impatience with ethical transgressions, commitment to recruit without prejudice and appraise without partialness, respect for the dignity of people and the integrity of the environment. The list of values we hold dear is long; suffice it to say that we believe in a progressive world that champions fairness, equality and fraternity.

Long-term

At Saksoft, we have invested in our business with the conviction that the Company will exist perpetually. Whether this will transpire or not is secondary; that we take our existence with corresponding seriousness means that we plan for the long-term and believe that whatever we do today will generate an echo across the years. The result of this perspective is that our investments and initiatives are not inspired by short-term arbitrage but by the long-term value we can generate in a sustainable way. This is visible in the verticals of our presence: some of the spaces can be considered relatively nascent; we believe that the value of our presence will only deepen, strengthening our relevance and sustainability.

Singular focus

At Saksoft, we believe that a narrow field of competence is possibly the biggest insurance against market shakeouts and industry attrition. In view of this, we have consciously selected to focus on digitalisation; within this space we have selected to work with transformative technologies that we believe will endure well into the long-term; in turn, we seek to transform the competitiveness of our customers through digitalisation initiatives. The result is that within our peer group, our brand is that of a company that graduates customers from one level to another.

Matching of values

At Saksoft, we believe that the stability of our eco-system is derived from the coming together of the value systems of our various stakeholders. This was one of the critical filters through which we appraised some of the acquisition targets that we prospected, pursued and eventually absorbed into our system. The success of the absorption was not based as much on managerial professionalism as much on a convergence of value systems of the acquirer and acquired. We believe that by being on the same ethical page, we were able to leverage the acquisitions more effectively and grow our Company faster.

Controlled growth

At Saksoft, we believe that business sustainability is best derived from controlled growth as opposed to one-off profitability spikes. The company has consciously allocated accruals into business growth without stretching the Balance Sheet. We have remained a liquid and profitable company through various market cycles. The result is that we have progressively moderated our net debt position and improved the efficiency of capital employed.

Board of Directors

At Saksoft, we believe that the success of our strategic direction is largely influenced by our Board of Directors. We have placed a premium on our Board composition, comprising achievers of standing. These individuals have enriched our values, bandwidth, business understanding and strategic direction. The Board comprises a good proportion of Independent Directors, who can speak their mind and influence the Board.

Process-driven

At Saksoft, we believe that growth can be best derived when the promoter charts out a strategic direction, remains engaged in the business and delegates day-to-day management to professionals. The Company deepened its investment in processes and systems. This framework – processes as well as IT foundation - represents a scalable foundation that will enable the Company to grow profitably and without a significant increase in employees required to manage operations. As an extension, a framework of checks and balances provide effective de-risking to our growth appetite.

Audit and compliance-driven

At Saksoft, we believe that business predictability is derived from a strong review system. We strengthened an audit-driven and compliance-driven approach, enhancing the credibility of our reported numbers. When faced with an accounting treatment that required interpretation, we took a conservative view. The result is that whatever we reported in our books was a faithful indication of what actually existed.

Transparency

At Saksoft, we do not just think and do; we communicate faithfully as well. We hold our transparency commitment dear – whether it is in the form of honest appraisals with our people or how we communicate our financial performance with financial stakeholders every quarter or how we engage with our stakeholders and customers regularly.

Stakeholder value

And lastly, we exist for the benefit of all stakeholders: the customer must experience enhanced competitiveness arising out of our business solution; the employee must derive pride, remuneration, career advancement and engagement stability; the investor must generate a superior return on employed capital over competing investment opportunities; the community must benefit from our presence; the government must benefit through taxes and livelihood creation; our vendors must benefit through the outsourcing of products and services.

In short, if we didn't exist, the world should be poorer in some way. That is our vision. This is the intended effectiveness of our governance – professed, practiced and lived.

Summary report

Letter to shareholders

ADITYA KRISHNA
Chairman and Managing Director

Dear shareholders,

The world is passing through uncertain times and it would be incorrect to begin a review of the last financial year without a mention of it.

The Novel Corona virus has created the largest pandemic in the recent history of the world, affecting most countries and companies.

The abruptness of the virus incidence, the speed of its spread and the extent of its impact represent a watershed in the history of humankind.

At Saksoft Limited, we were not substantially affected by the virus impact during the financial year under review and the first quarter of the current financial year.

However, an unpredictable environment as the one that we are passing through puts a premium on strategic de-risking and the need for managed growth. This is a time when we believe that the truly sustainable companies will effectively resist a sharp revenue, profit and margins downside while the going is difficult, but be quicker off the blocks once conditions revive.

> We believe that companies that have extended beyond a generic positioning and address only a specific market segment – like Saksoft is positioned - stand a better chance of competitiveness across market cycles.

So what companies are expected to endure?

At Saksoft, we believe that companies that are in existence to address a specific purpose – in our case, the providing of solutions that facilitate the digitalisation of companies - will find it easier to survive and sustain during such challenging periods.

We believe that companies that are specialised and address specific market niches – like where Saksoft is positioned - stand a better chance of remaining competitive in these challenging times

We believe that companies where the organisational structure is adequately sized and compatible with the business size – as at Saksoft - will be better equipped to survive and succeed.

We believe that there is a greater priority in being debt-light than ever before. At Saksoft, we were net-debt-free during the year under review, managing our growth from the annual surplus generation and the cash on our books.

And lastly, we believe that companies like Saksoft that have been able to retain their talent and generate superior people productivity will be better equipped to provide effective knowledge-based solutions that transform the business health of their customers.

The principal message that I wish to convey to our shareholders is that Saksoft is securely positioned to retain and service clients on one hand and outperform sectoral growth as soon as conditions improve.

Review of the last financial year

Saksoft reported a topline of Rs.358.78 crore during the year under review compared to Rs.358.05 crore in FY18-19.

The EBITDA margin strengthened from 16.5% in FY18-19 to 17% in FY19-20, largely due to our ability to moderate costs, effectively amortise fixed costs and enhance our people productivity.

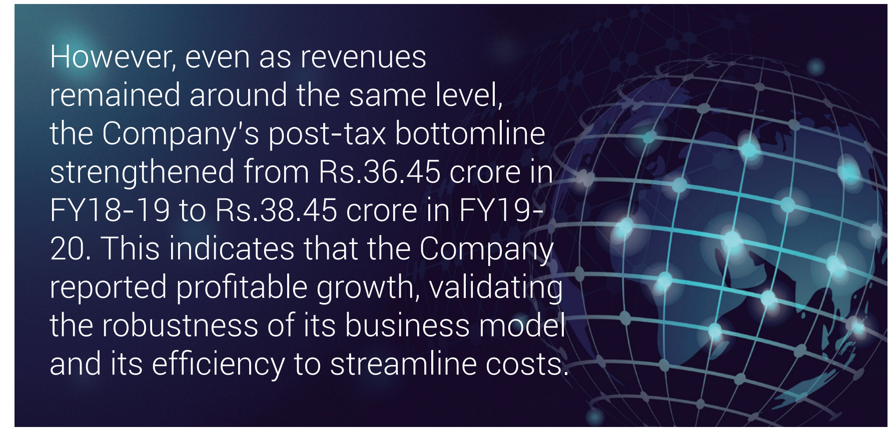
However, even as revenues remained around the same level, the Company's post-tax bottomline strengthened from Rs.36.45 crore in FY18-19 to Rs.38.45 crore in FY19-20. This indicates that the Company reported profitable growth, validating the robustness of its business model and its efficiency to streamline costs.

The flatness in our revenues was on account of a large customer, who we had worked with for years, selecting to move business to a captive solutions centre in India from the start of the financial year. The company could not begin work with enough new customer relationships of the required deal size to offset this loss of revenue However, in spite of this revenue loss, the Company increased its revenues marginally during the financial year under review.

The revenue sluggishness explained

Over the last number of years, Saksoft selected to focus on a distinct bulge of the market for reasons of opportunity size and capability.

We segregated customers across three categories: the A category comprised large and marquee customers usually serviced by some of the largest software solution providers in the world; the C category customers were marked by small



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budgets and infrequent engagements where the cost of engagement was disproportionate to the quantum of revenues generated, and finally the B category represented the sweet spot of the market marked by a relatively large deal size, multi-year engagement prospects, corresponding skill sets and attractive profitability.

During the past, the Company generated a majority of revenues from B category customers. However, during the year under review, the Company failed to penetrate deeper into this large market. The reason for this ineffectiveness was the decision of the Company to empower its solutions delivery team working inside the customer premises to generate new business. The rationale of this decision was well-founded: we believed that our technology experts working inside the customer's premises would gradually evolve into 'customer experts' possessing an intimate knowledge of the customer's business, systems needs and projected technology spending. This, we felt, would graduate our technology experts from solutions delivery to being able to propose or predict the next round of informed technology spending and then marketing our proposition as resident experts. This, we felt, would empower us to carve away emerging opportunities within customers, growing our business.

This approach sounded credible in theory. However, the challenge lay in its successful implementation. Our solutions delivery professionals delivered a high degree of solution but could not extend their capability to generating fresh business from the same customer. The Company has since corrected its approach from the latter part of the last financial year. We are optimistic that upsides should yield better results in the current financial year.

Banking on efficiency

At Saksoft, we moved with proactive speed when we recognised a delay in ramping our revenues.

The company strengthened its business control across a number of fronts with the objective to become organisationally leaner, moderate people costs, strengthen KRAs for the senior managers in line with enhanced delivery efficiency and increased resource utilisation. The complement of these initiatives strengthened our margins.

Summary report

Letter to shareholders

360Logica revenues
Rs.330
million in FY19-20

Dream Orbit revenues
Rs.540
million in FY19-20

I am pleased to communicate that we finished the year with EBITDA margin and net margin comparable with some of the best large IT companies. From this point onwards any increase in revenues – the only feature of our business holding us back – should only strengthen our profitability and sustainability further.

Bringing our strengths into play

At Saksoft, we bring into play a business model that has transformed in line with customer needs.

We believe that our 'Inch wide mile deep' positioning is increasingly relevant as the world seeks specialists. The world is willing to pay more for vendors with demonstrated track records, would rather trust one vendor across a larger number of projects across time than keep shifting across them and would prefer to evolve a transaction into an enduring partnership.

I am pleased that Saksoft ticks all these boxes. By the virtue of focusing on select verticals and digitalisation-empowered business transformation, the Company has sent out a distinctive message: that it is not everything to all kinds of customers but stands for a distinctive recall for a distinctive customer. At our Company, we believe that this positioning is prudent and will generate outsized value across the long-term.

We have selected to focus on four business verticals – Fintech, Transport & Logistics, Retail/E-commerce, Health care and Telecom that account for 72% of our revenues, strengthening our competence and brand. We have graduated to an ongoing engagement model covering the complete engagement lifecycle.

Our use of accelerators and reusable components has helped moderate project turnaround tenures and costs. Our deployment of small focused teams of specialised professionals has reduced our project turnaround time. Our account management emphasis is to carve out a larger share of the customer's wallet.

We provide technology-plus solutions that address the customer's challenges. Our emotional ownership of the customer's project generates proactive suggestions of how we can benefit their business.

We also believe that each of the verticals where we are present hold out multi-year growth possibilities; the countries that we are present in (United Kingdom and United States) hold out attractive business opportunities in the verticals and market categories of our presence. In view of these realities, we believe that it is only a matter of time before our customer acquisition strategy generates traction, returning Saksoft to its erstwhile growth rate.

During the challenging lockdown days extending from March into April 2020, Saksoft lived its credo of customer-centricity: the Company's technology and business professionals worked from their residences, protecting the integrity of mission-critical projects for demanding customers half the world away. I will go a step further: during these challenging days, we only strengthened our dependability and if we were to hypothetically disappear I have no doubt that our customers would miss us.

How our acquisitions played out

One of the other reasons behind our optimism is that our String of Pearls strategy – following the acquisition of subsidiaries with different competencies – has empowered our Company with a holistic digital customer proposition. This was validated in the last financial year when we acquired new customers on this basis.

Our String of Pearls strategy was reinforced through complementary acquisitions. The investments that we made across six years have now been completely integrated into our business, strengthening our customer proposition.

Saksoft acquired the UK-based Acuma, a business information enterprise, in 2006. Acuma reported revenues of 10.17 million GBP during the year under review.

Saksoft acquired 360Logica in 2015. The testing services business under 360Logica reported revenues of Rs.330.23 million during the year under review.

Saksoft acquired Dream Orbit Softech, a Bengaluru-based IoT specialising company addressing the logistics domain, in December 2016. The Dream Orbit acquisition empowered our offerings in the logistics service sector.

This acquisition delivered Rs.540.37 million in revenues in FY19-20.

Looking ahead

Saksoft will continue to invest prudently in its sales and marketing team across the foreseeable future with regard to balancing the need to grow topline on the one hand and the need to report presentable quarterly performance on the other. I am optimistic that given the Company's long-term positioning in two of the most attractive markets and its verticals widening, Saksoft is at the cusp of generating outsized shareholder returns.

Thank you for your continued support.

With my best wishes,

Aditya Krishna
Chairman and Managing Director

Milestones

- **2000** Incorporated company in Singapore. Launched first development centre in Chennai
- **2001** Launched an office in UK and US
- **2004** Commissioned a second development centre in Noida
- **2005** Took Saksoft public; listed on NSE
- **2006** Acquired Acuma Solutions UK - Information Management Specialist
- **2009** Introduced Prima: framework for Loyalty Management
- **2013** Acquired Electronic Data Professionals - USA
- **2014** Acquired Three Sixty Logica testing Services - inroads into independent testing
- **2015** Migrated from being a traditional service provider to a digital transformation service provider
- **2016** Acquired Dream Orbit - Focus on Transportaion and Logistics Vertical, specialised in IOT
- **2017** Graduated from service-focused sales approach to vertical-focused sales approach
- **2018** Acquired Faichi, making an inroad into the health care space
- **2020** Selected as the Digital Transformation partner for Aegon India

Financial Review of FY19-20

NIRAJ KUMAR GANERIWAL
Chief Financial Officer

Overview of the last financial year

The company's performance during the financial year under review can be described as creditable, given the challenges that the Company faced with a number of companies postponing their IT spending. Our key markets of US and Europe reported subdued demand as a result of global uncertainties, Brexit apprehensions and eventually the COVID-19 pandemic.

Profitable growth

The company reported virtually unchanged topline numbers during FY19-20: Rs.358.78 crore in FY20 compared with 358.05 crore in FY19, a marginal growth of 0.2%. However, EBITDA for FY20 stood at Rs.61.03 crore against Rs.59.16 crore in FY19, an increase of 3.2%. This underlined the reality that the Company reported profitable growth, even though the management would have been happier if revenues had been higher.

“The fact that the Company could marginally increase its margins without any support from revenue growth reflects favourably on the Company's cost management and pricing strategy.

Business health

The highlight of the Company's performance during the year under review was reflected in the steadiness in the Company's EBITDA margin. Normally when revenues remain flat in a financial year, there is a tendency of an increase in costs eroding margins. The fact that the Company could marginally increase its margins without any support from revenue growth reflects favourably on the Company's cost efficiency and pricing strategy. The Company strengthened its EBITDA margin by 49 bps from 16.5% to 17% through the course of the year. Correspondingly on steady revenues, there was an increase in EBITDA by Rs.5 crore on account of the adoption of Ind-AS, which resulted in a positive impact of 1.4%. The sluggish growth in EBITDA was on account of an increase in headcount during the year combined with a marginal decline in utilisation. Besides, RoE stood at 19% and RoCE at 25% during the year under review.

Broadbased business

The company's revenues were largely broadbased across three geographies – USA, Europe and Asia-Pacific. USA accounted for 50% of revenues, Europe around 27% and Asia-Pacific (and other regions) 23%. The US contribution declined from 55% of revenues in FY19 to 50% in FY20, largely on account of a realignment of certain contracts from US to APAC geographies.

The onsite and offshore revenue mix was 49% onsite and 51% offshore in FY20; our endeavor is to increase the concentration from offshore revenues to around 55% as a hedge against nationalistic tendencies translating into a lower access for professionals with work permits.

The company generated revenues from verticals with Fintech and Telecom contributing 29% and 20% respectively, while Logistics, Retail, and Health care and the Public Sector contributed 10%, 13% and 11% respectively. We believe that the distribution of revenues is balanced with no segment accounting for more than 30% of revenues.

From a customer concentration perspective, Saksoft had six customers generating revenues in excess of million dollars and seven customers generating revenues in excess of USD 0.5 million. This indicates that the business is adequately broadbased without an excessive dependence on a handful of customers. The utilisation level of employees, excluding trainees, stood at 83% for FY20 against 84% in FY19.

Balance Sheet right-sizing

The company leveraged its performance during the last financial year to right-size its Balance Sheet. The company repaid Rs.12.48 crore of debt down to Rs.28.45 crore as on March 31, 2020. In addition to this reduction, the Company invested Rs.7.65 crore in acquiring the final tranche of Dream Orbit, making it a 100% wholly-owned subsidiary of Saksoft effective from July 2019. This strengthened our economic interest in that subsidiary during the year under review. This debt reduction and incremental investment notwithstanding, the Company ended the year under review with a cash position of Rs.42.93 crore compared with Rs.40.05 crore as at March 31, 2019.

Business positioning

At Saksoft, we believe that we are attractively positioned within each of our verticals. The company is engaged in the Fintech space, not to be confused with large banks facing headwinds in this pandemic. The second vertical is Transportation and Logistics, which will continue to remain relevant as products need to be transported across the markets of our presence. The Health care vertical is attractive and gaining traction following the pandemic. We believe that e-commerce resides at the centre of a post-Covid world marked by social distancing.

The point that needs to be emphasised is that in these four verticals our customers are predominantly Small Medium Enterprises when seen from the perspective of global scale – companies with revenue sizes ranging from USD 200 million to USD 2 billion. These companies, unlike large organisations, are still in the positive stage of their technology capex cycle and our applications represent mission-critical importance to keep them in business. In view of this mission-criticality, the management does not foresee any significant spending decline across the foreseeable future (though the fresh sales accretion cycle could become longer).

The company will continue to deepen its presence in the US and UK geographies, marked by extensive opportunities within existing verticals on the one hand and the preferred customer size on the other.

Outlook

As realities normalise, we believe that our verticals will grow faster. Saksoft is attractively placed to leverage this opportunity. Besides, the Company's offerings are focused around Cloud and digital transformation, deepening its relevance. The pandemic represents a game-changing development for our business: it places an even bigger priority for companies to digitalise, strengthening our relevance and positioning across the foreseeable future.

Niraj Kumar Ganeriwal
Chief Financial Officer

Saksoft and the COVID-19 impact

The outbreak of the pandemic

The COVID-19 pandemic is a defining global crisis that can transform the way we think, live and work. The spread of the virus disrupted the global economy and consumer sentiment starting December 2019. The virus was declared a global pandemic by the World Health Organisation.

General response

Most global governments declared lockdowns in successive phases. The Indian government implemented a national lockdown in late March 2020, which covered the comprehensive closure of offices, factories and public places. All international, inter-state and intra-state travel was restricted and borders sealed to limit the pandemic's impact.

Saksoft's responsiveness

Saksoft moved with proactive speed in temporarily shutting its offices across all Indian locations and globally in line with the official lockdown imposition. The Company leveraged the services of its Crisis Management Committee (COVID-19 Sub-Committee) to protect business continuity, service client needs pan-globally and deepen its relevance. The Company leveraged modern remote digital communication technologies, comprehensively implemented government directives and implemented 'Work from Home' for all its employees, protecting its business continuity with no latency.

Impact on Saksoft's business

The company expects that the fallout of the pandemic would be business-strengthening for good reasons.

Digitalisation
We believe that the pandemic has accelerated the maturing of the digital revolution, making it imperative for companies to invest in automation, technology-led cost moderation and digitalisation-induced increase in organisational productivity.

Vertical relevance
We believe that we are present in business verticals, each of whose relevance has only deepened following the pandemic.

Mission criticality
We offer solutions and engagements in areas that are core to our customers, making us mission-critical to the existence and profitability. As a result, we protected a majority of our customer engagements following the pandemic – with insignificant attrition.

De-centralisation
We believe that the work-from-home phenomenon is a precursory to tomorrow's distributed organisation where employees may no longer need to be physically present in a brick-and-mortar office, widening our prospects to recruit anyone from anywhere.

Competitiveness
We believe that the work-from-home prospect could help software companies moderate people costs during recruitment, strengthening the competitiveness of the sector and Saksoft.

Lower transportation
We believe that the complement of work-from-home and video-conferencing could moderate the need to travel, increasing the incidence of sales pitches being concluded through non-physical interaction.

On the other hand, we expect that new sales engagements could be concluded across longer tenures for as long as the pandemic fallout persists.

The impact of the pandemic on our verticals

Fintech
Temporary slowdown
Future relevance intact
29% of Saksoft revenues

Health care, Retail and e-commerce
Increased awareness
Increased future relevance
13% of Saksoft revenues

Transportation and Logistics
Temporary slowdown
Future relevance impact
10% of Saksoft revenues

Public sector
Continued importance
Increased relevance
5% of Saksoft revenues

Telecom
Enhanced usage
Increased
20% of Saksoft revenues

How Saksoft responded and protected the interest of stakeholders during the pandemic

Customers
- Protected high client uptime in US & UK (99.5%)
- Delivered seamless and secure customer engagement
- Enhanced productivity of the solutions delivery and sales teams
- Enhanced customer confidence that their data would remain secure
- Validated the respect for customer focus

Employees
- Provided security-embedded laptops
- Initiated work from home across all software development centres
- Provided adequate hardware to all employees
- Uploaded critical information to Cloud for easy accessibility and security

Investors
- Focused on protecting the Balance Sheet
- Retained cash and cash equivalents of Rs.42.93 crore (March 31, 2020)
- Focused on cost rationalisation
- Protected the client base and realisations