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eClerx Services Limited
Annual Report 2007-08

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Corporate Information

Board of Directors

V. K. Mundhra *Chairman*

P. D. Mundhra *Executive Director*

Anjan Malik *Non Executive Director*

Pradeep Kapoor *Non Executive Independent Director*

Vikram Limaye *Non Executive Independent Director*

Jimmy Bilimoria *Non Executive Independent Director*

Anish Ghoshal *Non Executive Independent Director*

Company Secretary

Gaurav Tongia

Statutory Auditors

Walker, Chandiok & Co.,

Engineering Centre, 6th Floor,

9, Matthew Road, Opera House,

Mumbai - 400 004.

Internal Auditors

Mahajan & Aibara,

1, Chawla House,

62, Wodehouse Road,

Colaba, Mumbai - 400 005.

Registered and Corporate Office

Sonawala Building,

1st Floor, 29 Bank Street,

Fort, Mumbai - 400 023.

Email: investor@eClerx.com

Registrar and Share Transfer Agent

Karvy Computer Share Private Ltd.

Plot No. 17 to 24, Vittal Rao Nagar,

Madhapur, Hyderabad - 500 081.

Ph nos.: 040 - 23420815 to 824

Fax no.: 040 - 23420814

Email: einward.ris@karvy.com

Bankers

Citibank N.A.

Hongkong & Shanghai Banking Corporation Ltd.

Bank of India

Kotak Mahindra Bank Ltd.

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Our customers speak for us.

We are industry specialists delivering innovative solutions to meet complex business needs

We are a Knowledge Process Outsourcing (KPO) company providing data analytics and data process solutions to some of the largest brands in the world. We are recognized experts in our chosen markets - Financial Services and Retail and Manufacturing - and you'll see that reflected in our client list and the accolades we regularly receive from industry forums.

We add value to our clients' businesses by providing a unique blend of consulting services and process outsourcing. Our industry knowledge helps us devise innovative solutions that help our clients improve their processes and services, and our scalable delivery model implements these solutions efficiently and cheaply for them.

Our services are core to the businesses of our clients - you can say we help them keep the lights on.

Some of the most trusted names trust us

So then, it's no surprise that some of the largest, most respected organizations come to us for help. One of the world's top three computer manufacturers, three leading PC component manufacturers, America's largest cable company, a leading US wholesaler, four global investment banks, four of the world's largest commercial banks, two of the top three travel portals in the world, two of the top three car rental companies in the world and four of the UK's top 10 retailers.

And we keep adding more…

We are respected in our client markets

We win our fair share of accolades - we've been named as one of the "Top 20 Companies to Watch" by Business Today, "Best of Breed" by AT Kearney, "Pricing Experts" by the Yankee Group and "Leading KPO" by Nelson Hall. Industry associations have also recognized us for our contribution - we are Pricing Experts at the Professional Pricing Society and the only KPO on the rolls of the International Swaps and Derivatives Association.

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Beyond cost reduction

We are thought leaders. Our customers come to us not just for lower cost, but for our expertise at providing complete solutions by combining people, process improvement and automation. Our industry specialized services win high share of mind from our business sponsors who are decision making revenue owners. So it's no surprise that the vast majority of our business comes without the mention of a Request for Proposal.

Our services demonstrate our expertise. Pricing analytics, bundling optimization, content operations, sales and marketing support, product data management, revenue management and data analytics are some of our offerings to Retail and Manufacturing clients. To our Financial Services clients, we offer real-time capital markets, middle and back office support, portfolio risk management services and various critical data management services.

The facts speak for themselves - consider some examples of what we have done for our Retail and Manufacturing clients:

- Optimized revenue management for annual sales of USD 100 billion based on analyzing 5 million competitive prices weekly
- Minimized revenue loss for clients by identifying more than USD 100 million of unauthorized gray market products per quarter
- Maximized share of wallet for clients by analyzing more than 10 million customer visits every quarter
- Helped improve product support for clients by studying more than 100,000 call center logs and forum posts

...Or what we do for our Financial Services clients:

- Helped identify and eliminate USD 1 billion of operational risk in incorrectly confirmed transactions
- Helped reduce capital requirements by helping collapse USD 500 billion of trades
- Document and confirm 120,000 derivative transactions having notional value of USD 4 trillion each month
- Calculate, reconcile and settle 50,000 cash flows worth USD 100 billion each month

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What we do is different.



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How we do it is special.

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We solve complex problems, and do so across many clients, industries and geographies. Success depends on our ability to scale the delivery of our complex services - and we think we have that mastered.

Our investment in knowledge, people and automation

We document everything we do, everything we learn, everything we change. We use this to develop our own training programmes, today covering more than 1,000 individual courses, exams and certifications. Then we put each of our employees through grueling training programmes, again and again. Imparting critical knowledge efficiently helps us to make our new staff effective quickly and mitigates the impact of attrition. Today, we employ over 1500 domain specialists working for our clients, working as *them*.

We build business logic into our proprietary IT platforms to reduce the need for scarce and costly specialist skills, and automate repetitive tasks to reduce manual intervention. It helps us reduce costs further and to provide scale and quality.

Finally, since people make all the difference in our business, we have developed high velocity recruiting processes, customized to eClerx's needs. We use online tests and stringent recruiting filters to ensure that we recruit the right people. We have aggressive career management policies and a culture of meritocracy to ensure that we provide the best environment for our staff. This drives employee satisfaction and in turn, referrals, which brings the wheel full circle to high quality hiring.

Which all means better process, higher productivity, lower costs, better control and most importantly, speedy deployment.

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Our business is not easy to replicate - neither our skill sets nor our relationships. We service customers within many parts of an organization, and understand their business as a whole. We're experts at customer processes, systems and databases, and work directly within their systems, from our facilities. This closeness helps us take our expertise from one service to another, our reach from one geography to another and our footprint from one client to another.

This drives our growth: vertically - one service leading to multiple services in a customer; horizontally - similar services across customers; and geographically - services across geographies across clients.

Do it right the first time. And the rest follows.

It's a virtuous cycle.

And we are benefiting from it now.

Our total number of customers has gone up from 22 as of March 2007 to 50 as of March 2008.

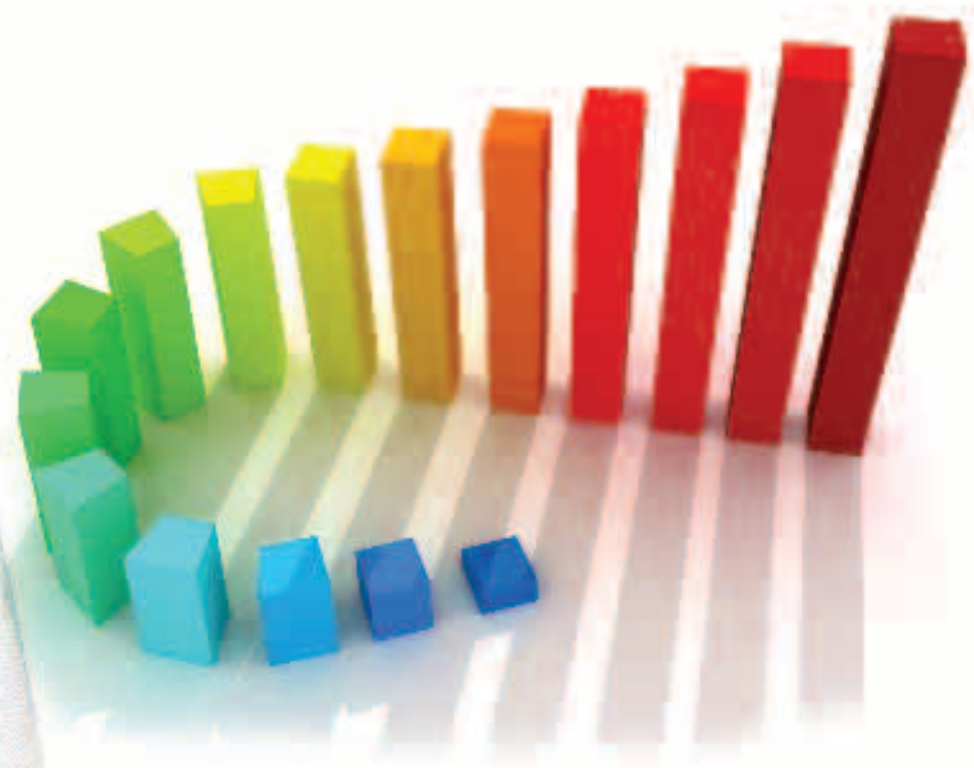
Our revenues have grown at a CAGR of 56% in the last five years.

Our profits have grown at a CAGR of 92% in the last five years.

We feel that this is just the beginning.

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All of which explains our growth, year after year.



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> We are a leading, third party data analytics KPO company. We are at an inflection point with strong tailwinds. Expect our growth to continue.

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Dear Shareowners,

Before I begin, I want to thank every one involved in the Company's Initial Public Offering (IPO), a truly landmark event in your Company's history. Your Company's IPO was subscribed by over 30 times. Your trust and belief in the eClerx business model and its people is greatly appreciated by all of us at eClerx, and it equally motivates us to strive to make your Company one of the most respected companies in India.

Given that this is my first communication with you in this forum, I want to talk to you about our vision and also what I think makes eClerx a leader in its space.

Before I start, a look at the financial performance for the year 2007-08. We recorded strong growth with total income of Rs. 1,283.15 million and an EBITDA of Rs. 558.28 million, a growth of 49% and 29% respectively over the previous year. In USD terms, we performed even better with a top line growth of 56%.

eClerx is a very different company, with industry specialized services for meeting complex client needs. We are sometimes compared to a BPO or an IT offshoring company, which we are not.

We are a data analytics KPO service provider specializing in two business verticals - Financial Services and Retail and Manufacturing. We provide solutions that do not just reduce cost, but help our clients increase sales and reduce risk, by enhancing efficiencies and by providing valuable insights that empower better decisions. We provide services to 50 large global corporations across multiple geographies.

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We have developed a deep understanding and domain knowledge in our chosen industry verticals. We devise innovative and relevant solutions that address common pain points for the industry, and implement these solutions through our scalable delivery model. These services are highly valued by our customers.

For instance, for retailers, using our own people, processes and technologies, we capture and analyze millions of prices each week, enabling our clients to optimize the revenue on their catalogue of products, most profitably. We study over 10 million customer web transactions every quarter to identify embedded buying patterns so our clients can bundle their products most effectively. Similarly, in the financial services industry, we offer capital markets, middle and back office support. We calculate, reconcile, document, confirm and settle hundreds of thousands of complex financial transactions every year. We have helped leading global financial firms eliminate over a billion dollars of operational risk by identifying and rectifying trade discrepancies in the past few years. In these volatile and risk averse markets, we have helped banks minimize their counterparty risks by netting down trade portfolios worth half a trillion dollars.

We understand our clients' businesses, our services impact them intimately, and that helps us develop long term, meaningful relationships with them.

What is really interesting about eClerx though, is the way we have made an inherently niche, high-end, KPO business scalable - by combining people, process re-engineering and automation in a potent mix to build proprietary, platform-based services.

Importantly, we have converted one of the largest challenges facing the industry into an opportunity - that of managing people. In our business, growth is usually highly dependent on the ability to hire skilled resources, which is difficult. So we have invested heavily in knowledge management to mitigate the impact of attrition and to provide us the ability to scale quickly. Today, in our internal training school, we run over a thousand courses imparting critical industry, product and process training that are customized for each of our programmes. The best compliment we receive about our training is from our clients, who often want to use our training materials to train their internal staff.

Re-engineering processes allows us to eliminate wasteful steps, and automate repetitive ones, so we minimize the need for human intervention and present our clients costs savings which exceed those from simple wage arbitrage.

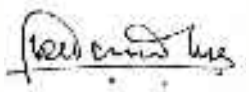
Automation and investment in proprietary platforms allows us the double benefit of reducing the need for costly, high skilled resources and also the ability to scale solutions quickly, both for existing clients and also for new ones.

So this is the company that you support. A leading, third party, data analytics KPO service provider, based in India, but supporting global clients on a real-time basis across their complex businesses.

We feel that our specialization, our portfolio of capabilities and our client base uniquely position us to grow further in our chosen markets. Our service offerings are growing. Our clients are growing. We are also looking at inorganic opportunities. We are at an inflection point with strong tailwinds. Expect our growth to continue.

Once again, I thank every shareholder for their support to the IPO and post - listing.

Sincerely,



V. K. Mundhra
Chairman

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Financial Highlights

(Rs. in million)

Particulars	2007-08	2006-07	2005-06
Net Sales/Income from Operations	1,216.57	861.20	471.98
Total Income	1,283.15	862.34	476.86
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	558.28	431.57	261.69
Depreciation and Amortisation	44.77	32.15	15.14
Goodwill Amortisation	7.04	-	-
Interest	2.57	-	-
Tax Expenses	58.06	2.69	1.93
Profit After Tax (PAT)	445.84	396.73	244.62
Equity Share Capital	188.69	10.13	10.13
Reserves excluding Revaluation	1138.1	283.19	117.41
Earnings Per Share (In Rs.)			
- Basic EPS	25.95	26.12	16.11
- Diluted EPS	25.37	25.94	15.97

* The Company did not have any subsidiary as at March 31, 2007. Hence the figures for 2006-07 and 2005-06 represent that of the standalone Company.

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