UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM __________ TO __________

COMMISSION FILE NUMBER 001-33089

EXLSERVICE HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**82-0572194**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
320 Park Avenue, 29th Floor, New York, New York	**10022**
(Address of principal executive offices)	**(Zip code)**

(212) 277-7100

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class:	Trading symbol(s)	Name of Each Exchange on Which Registered:
Common Stock, par value $0.001 per share	EXLS	NASDAQ

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and
(2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of July 25, 2023, there were 33,144,409 shares of the registrant's common stock outstanding, par value $0.001 per share.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

EXLSERVICE HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In thousands, except per share amount and share count)

	As of	
	June 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 93,960	$ 118,669
Short-term investments	156,098	179,027
Restricted cash	4,628	4,897
Accounts receivable, net	288,305	259,222
Other current assets	70,186	50,979
Total current assets	**613,177**	**612,794**
Property and equipment, net	93,688	82,828
Operating lease right-of-use assets	58,423	55,347
Restricted cash	2,072	2,055
Deferred tax assets, net	68,612	55,791
Intangible assets, net	56,487	64,819
Goodwill	405,903	405,637
Long-term investments	16,085	34,779
Other assets	48,255	32,069
Total assets	**$ 1,362,702**	**$ 1,346,119**
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 3,019	$ 7,789
Current portion of long-term borrowings	30,000	30,000
Deferred revenue	20,755	18,782
Accrued employee costs	82,044	108,100
Accrued expenses and other current liabilities	104,480	95,352
Current portion of operating lease liabilities	14,482	14,978
Income taxes payable, net	4,283	2,945
Total current liabilities	**259,063**	**277,946**
Long-term borrowings, less current portion	190,000	220,000
Operating lease liabilities, less current portion	50,575	48,155
Deferred tax liabilities, net	507	547
Other non-current liabilities	28,343	41,292
Total liabilities	**528,488**	**587,940**
Commitments and contingencies (Refer to Note 25)		
ExlService Holdings, Inc. Stockholders' equity:		
Preferred stock, $0.001 par value; 15,000,000 shares authorized, none issued	—	—
Common stock, $0.001 par value; 100,000,000 shares authorized, 40,349,727 shares issued and 33,152,670 shares outstanding as of June 30, 2023 and 39,987,976 shares issued and 33,234,444 shares outstanding as of December 31, 2022	40	40
Additional paid-in capital	472,124	445,108
Retained earnings	999,504	899,105
Accumulated other comprehensive loss	(124,147)	(144,143)
Total including shares held in treasury	**1,347,521**	**1,200,110**

Less: 7,197,057 shares as of June 30, 2023 and 6,753,532 shares as of December 31, 2022, held in treasury, at cost	(513,307)	(441,931)
Total stockholders' equity	**834,214**	**758,179**
Total liabilities and stockholders' equity	**$ 1,362,702**	**$ 1,346,119**

See accompanying notes to unaudited consolidated financial statements.

EXLSERVICE HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(In thousands, except per share amount and share count)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Revenues, net	$ 404,996	$ 346,782	$ 805,639	$ 675,990
Cost of revenues [1]	253,220	221,207	504,689	428,723
Gross profit [1]	**151,776**	**125,575**	**300,950**	**247,267**
Operating expenses:				
General and administrative expenses	45,605	40,434	92,351	80,379
Selling and marketing expenses	28,238	23,985	57,731	48,155
Depreciation and amortization expense	13,122	14,075	26,609	27,677
Total operating expenses	86,965	78,494	176,691	156,211
Income from operations	**64,811**	**47,081**	**124,259**	**91,056**
Foreign exchange gain, net	324	1,423	429	3,179
Interest expense	(3,240)	(1,502)	(6,625)	(2,378)
Other income/(loss), net	2,661	(174)	5,816	2,237
Income before income tax expense and earnings from equity affiliates	**64,556**	**46,828**	**123,879**	**94,094**
Income tax expense	15,554	11,125	23,612	22,327
Income before earnings from equity affiliates	**49,002**	**35,703**	**100,267**	**71,767**
Gain from equity-method investment	66	143	132	257
Net income attributable to ExlService Holdings, Inc. stockholders	**$ 49,068**	**$ 35,846**	**$ 100,399**	**$ 72,024**
Earnings per share attributable to ExlService Holdings, Inc. stockholders:				
Basic	$ 1.47	$ 1.07	$ 3.01	$ 2.15
Diluted	$ 1.46	$ 1.06	$ 2.97	$ 2.13
Weighted average number of shares used in computing earnings per share attributable to ExlService Holdings, Inc. stockholders:				
Basic	33,355,354	33,403,411	33,397,226	33,422,618
Diluted	33,688,449	33,830,539	33,809,555	33,862,597

(1) Exclusive of depreciation and amortization expense.

See accompanying notes to unaudited consolidated financial statements.

EXLSERVICE HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(In thousands)

	Three months ended June 30,		Six months ended June 30,	
	2023	**2022**	**2023**	**2022**
Net income	$ 49,068	$ 35,846	$ 100,399	$ 72,024
Other comprehensive income/(loss):				
Unrealized gain/(loss) on cash flow hedges	8,851	(14,632)	16,145	(15,149)
Foreign currency translation gain/(loss)	(136)	(22,782)	5,177	(30,227)
Reclassification adjustments				
(Gain)/loss on cash flow hedges[1]	1,164	(1,459)	4,229	(3,448)
Retirement benefits[2]	(23)	149	(48)	304
Income tax effects relating to above[3]	(2,516)	3,656	(5,507)	4,620
Total other comprehensive income/(loss)	**$ 7,340**	**$ (35,068)**	**$ 19,996**	**$ (43,900)**
Total comprehensive income	**$ 56,408**	**$ 778**	**$ 120,395**	**$ 28,124**

(1) *These are reclassified to net income and are included in cost of revenues, operating expenses and interest expense, as applicable in the unaudited consolidated statements of income. Refer to Note 17 - Derivatives and Hedge Accounting to the unaudited consolidated financial statements.*

(2) *These are reclassified to net income and are included in other income/(loss), net in the unaudited consolidated statements of income. Refer to Note 20 - Employee Benefit Plans to the unaudited consolidated financial statements.*

(3) *These are income tax effects recognized on cash flow hedges, retirement benefits and foreign currency translation gain/(loss). Refer to Note 22 - Income Taxes to the unaudited consolidated financial statements.*

See accompanying notes to unaudited consolidated financial statements.

EXLSERVICE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
For the three months ended June 30, 2023 and 2022
(In thousands, except share count)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/(loss)	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
Balance as of March 31, 2023	**40,334,368**	**$ 40**	**$ 460,527**	**$ 950,436**	**$ (131,487)**	**(7,012,913)**	**$ (484,294)**	**$ 795,222**
Stock issued against stock-based compensation plans	15,359	—	86	—	—	—	—	86
Stock-based compensation	—	—	11,511	—	—	—	—	11,511
Acquisition of treasury stock	—	—	—	—	—	(184,144)	(29,013)	(29,013)
Other comprehensive income	—	—	—	—	7,340	—	—	7,340
Net income	—	—	—	49,068	—	—	—	49,068
Balance as of June 30, 2023	**40,349,727**	**$ 40**	**$ 472,124**	**$ 999,504**	**$ (124,147)**	**(7,197,057)**	**$ (513,307)**	**$ 834,214**

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
Balance as of March 31, 2022	**39,794,154**	**$ 40**	**$ 406,966**	**$ 792,315**	**$ (98,306)**	**(6,465,410)**	**$ (400,674)**	**$ 700,341**
Stock issued against stock-based compensation plans	1,007	—	—	—	—	—	—	—
Stock-based compensation	—	—	13,340	—	—	—	—	13,340
Acquisition of treasury stock	—	—	—	—	—	(205,716)	(28,806)	(28,806)
Other comprehensive loss	—	—	—	—	(35,068)	—	—	(35,068)
Net income	—	—	—	35,846	—	—	—	35,846
Balance as of June 30, 2022	**39,795,161**	**$ 40**	**$ 420,306**	**$ 828,161**	**$ (133,374)**	**(6,671,126)**	**$ (429,480)**	**$ 685,653**

EXLSERVICE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
For the six months ended June 30, 2023 and 2022
(In thousands, except share count)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/(loss)	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
January 1, 2023	**39,987,976**	**$ 40**	**$ 445,108**	**$ 899,105**	**$ (144,143)**	**(6,753,532)**	**$ (441,931)**	**$ 758,179**
Stock issued against stock-based compensation plans	361,751	—	1,098	—	—	—	—	1,098
Stock-based compensation	—	—	25,918	—	—	—	—	25,918
Acquisition of treasury stock	—	—	—	—	—	(443,525)	(71,376)	(71,376)
Other comprehensive income	—	—	—	—	19,996	—	—	19,996
Net income	—	—	—	100,399	—	—	—	100,399
Balance as of June 30, 2023	**40,349,727**	**$ 40**	**$ 472,124**	**$ 999,504**	**$ (124,147)**	**(7,197,057)**	**$ (513,307)**	**$ 834,214**

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
January 1, 2022	**39,508,340**	**$ 40**	**$ 395,742**	**$ 756,137**	**$ (89,474)**	**(6,216,858)**	**$ (369,289)**	**$ 693,156**
Stock issued against stock-based compensation plans	286,821	—	—	—	—	—	—	—
Stock-based compensation	—	—	24,564	—	—	—	—	24,564
Acquisition of treasury stock	—	—	—	—	—	(454,268)	(60,191)	(60,191)
Other comprehensive loss	—	—	—	—	(43,900)	—	—	(43,900)
Net income	—	—	—	72,024	—	—	—	72,024
Balance as of June 30, 2022	**39,795,161**	**$ 40**	**$ 420,306**	**$ 828,161**	**$ (133,374)**	**(6,671,126)**	**$ (429,480)**	**$ 685,653**

See accompanying notes to unaudited consolidated financial statements.

EXLSERVICE HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

	Six months ended June 30,	
	2023	**2022**
Cash flows from operating activities:		
Net income	$ 100,399	$ 72,024
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	26,464	27,739
Stock-based compensation expense	25,918	24,564
Amortization of operating lease right-of-use assets	10,332	12,005
Unrealized (gain)/loss on investments	7,222	(275)
Unrealized foreign currency exchange (gain)/loss, net	1,288	(10,280)
Deferred income tax benefit	(18,283)	(1,462)
Allowance for expected credit losses	479	170
Fair value changes in contingent consideration	—	1,000
Others, net	1,202	526
Change in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(28,375)	(46,385)
Other current assets	(4,387)	2,861
Income taxes payable, net	(10,610)	8,684
Other assets	(12,772)	(6,584)
Accounts payable	(4,796)	(1,107)
Deferred revenue	5,380	4,276
Accrued employee costs	(24,331)	(34,016)
Accrued expenses and other liabilities	(742)	11,190
Operating lease liabilities	(10,829)	(11,922)
Net cash provided by operating activities	63,559	53,008
Cash flows from investing activities:		
Purchases of property and equipment	(26,113)	(25,054)
Proceeds from sale of property and equipment	547	154
Business acquisition (net of cash and cash equivalents acquired)	—	(2,572)
Purchases of investments	(113,823)	(96,082)
Proceeds from redemption of investments	151,178	82,567
Net cash provided by/(used for) investing activities	11,789	(40,987)
Cash flows from financing activities:		
Principal payments of finance lease liabilities	(80)	(75)
Proceeds from borrowings	70,000	35,000
Repayments of borrowings	(100,000)	(10,000)
Acquisition of treasury stock	(70,638)	(60,191)
Payment of contingent consideration	(5,000)	—
Proceeds from ESPP contribution	3,800	—
Proceeds from exercise of stock options	85	—
Net cash used for financing activities	(101,833)	(35,266)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	1,524	(5,365)
Net decrease in cash, cash equivalents and restricted cash	(24,961)	(28,610)
Cash, cash equivalents and restricted cash at the beginning of the period	125,621	143,810
Cash, cash equivalents and restricted cash at the end of the period	$ 100,660	$ 115,200
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 6,914	$ 2,694
Income taxes, net of refunds	$ 53,299	$ 14,301
Supplemental disclosure of non-cash investing and financing activities:		
Assets acquired under finance lease	$ 91	$ 118

See accompanying notes to unaudited consolidated financial statements.

EXLSERVICE HOLDINGS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023
(In thousands, except per share amount and share count)

1. Organization

ExlService Holdings, Inc. (“ExlService Holdings”) is organized as a corporation under the laws of the state of Delaware. ExlService Holdings, together with its subsidiaries and affiliates (collectively, the “Company”), is a leading data analytics and digital operations and solutions company that partners with clients to improve business outcomes and unlock growth. By bringing together deep domain expertise with robust data, powerful analytics, cloud, artificial intelligence and machine learning, the Company creates agile, scalable solutions and executes complex operations for the world’s leading corporations in industries including insurance, healthcare, banking and financial services, media, and retail, among others. The Company’s data-led value creation framework enables better and faster decision making, leveraging its end-to-end data and analytics capabilities to drive improved business outcomes, and re-designing of operating models to integrate advanced technology into operational workflows. The Company embeds digital operations and solutions into clients’ businesses and introduces its data led approach to transform operations.

The Company’s clients are located principally in the United States of America (“U.S.”) and the United Kingdom (“U.K.”).

2. Summary of Significant Accounting Policies

(a) Basis of Preparation and Principles of Consolidation

The unaudited consolidated financial statements have been prepared in conformity with United States generally accepted accounting principles (“U.S. GAAP”) for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for annual financial statements and therefore should be read in conjunction with the audited consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

The unaudited consolidated financial statements reflect all adjustments (of a normal and recurring nature) that management considers necessary for a fair presentation of such statements for the interim periods presented. The unaudited consolidated statements of income for the interim periods presented are not necessarily indicative of the results for the full year or for any subsequent period.

The accompanying unaudited consolidated financial statements include the financial statements of ExlService Holdings and all of its subsidiaries. The standalone financial statements of subsidiaries are fully consolidated on a line-by-line basis. Intra-group balances and transactions, and gains and losses arising from intra-group transactions, are eliminated while preparing consolidated financial statements.

The Company’s investments in equity affiliates are initially recorded at cost and any excess purchase consideration paid over proportionate share of the fair value of the net assets of the investee at the acquisition date is recognized as goodwill. The proportionate share of net income or loss of the investee after its acquisition is recognized in the unaudited consolidated statements of income.

Accounting policies of the respective individual subsidiaries and equity affiliates are aligned wherever necessary, so as to ensure consistency with the accounting policies that are adopted by the Company under U.S. GAAP.

(b) Use of Estimates

The preparation of the unaudited consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited consolidated financial statements and the unaudited consolidated statements of income during the reporting period. Although these estimates are based on management’s best assessment of the current business environment, actual results may be different from those estimates. The significant estimates and assumptions that affect the unaudited consolidated financial statements include, but are not limited to, estimates of the fair value of the identifiable intangible assets and contingent consideration, purchase price allocation, including revenue projections and the discount rate applied within the discounted cash flow model for business acquisitions, credit risk of customers, the nature and timing of the satisfaction of performance obligations, the standalone selling price of performance obligations, and variable consideration in a customer contract, expected recoverability from customers with contingent fee arrangements, estimated costs to complete fixed price contracts, recoverability of dues from statutory authorities, assets and obligations related to employee benefit plans, deferred tax valuation allowances, income-tax uncertainties and other contingencies, valuation of derivative financial instruments, stock-based awards, and debt instruments, assumptions used to calculate stock-based compensation expense, assumptions used to determine the incremental borrowing rate to calculate lease liabilities and right-of-use ("ROU") assets, lease term to calculate amortization of ROU, depreciation and amortization periods, and recoverability of long-lived assets, goodwill and intangibles.

(c) Recent Accounting Pronouncements

In March 2023, the Financial Accounting Standard Board ("FASB") issued Accounting Standard Update ("ASU") No. 2023-01, *Leases ("ASC Topic 842"): Common Control Arrangements*. This ASU provides guidance in ASC Topic 842 that leasehold improvements associated with common control leases should be (i) amortized by the lessee over the useful life of the leasehold improvements to the common control group, regardless of the lease term, as long as the lessee controls the use of the underlying asset through a lease, and (ii) accounted for as a transfer between entities under common control through an adjustment to equity if and when the lessee no longer controls the use of the underlying asset. The ASU is effective for fiscal years beginning after December 15, 2023. Early adoption is permitted for both interim and annual financial statements that have not yet been issued. When adopted in an interim period, it must be adopted from the beginning of the year that includes that interim period. The Company is currently evaluating the impact of this ASU on its consolidated financial statements.

(d) ***Recently adopted Accounting Pronouncements***

In October 2021, FASB issued ASU No. 2021-08, *Business Combinations ("ASC Topic 805")*: *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. This ASU provides guidance in ASC Topic 805 to require the acquirer entity to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC Topic 606, *Revenue from Contract with Customers*, as if it had originated the contracts. Generally, this should result in an acquirer recognizing and measuring the acquired contract assets and contract liabilities consistent with how they were recognized and measured in the acquiree's financial statements, if the acquiree prepared financial statements in accordance with U.S. GAAP. The ASU is effective for fiscal years beginning after December 15, 2022. An entity may early adopt the ASU including adoption in an interim period, with retrospective application to all business combinations within the fiscal year that includes such interim period. The adoption of this ASU is applicable for future business combinations.

3. Segment and Geographical Information

The Company is a provider of data analytics and digital operations and solutions.

The Company manages and reports financial information through its four reportable segments: Insurance, Healthcare, Analytics and Emerging Business, which reflects how management reviews financial information and makes operating decisions. These business units develop client-specific solutions, build capabilities, maintain a unified go-to-market approach and are integrally responsible for service delivery, customer satisfaction, growth and profitability.

The chief operating decision maker ("CODM") generally reviews financial information such as revenues, cost of revenues and gross profit, disaggregated by the operating segments to allocate an overall budget among the operating segments.

The Company does not allocate, and therefore the CODM does not evaluate, certain operating expenses, interest expense or income taxes by segment. Many of the Company's assets are shared by multiple operating segments. The Company manages these assets on a total Company basis, not by operating segment, and therefore asset information and capital expenditures by operating segment are not presented.

Revenues and cost of revenues for the three months ended June 30, 2023 and 2022, respectively, for each of the reportable segments, are as follows:

EXLSERVICE HOLDINGS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(continued)
June 30, 2023
(In thousands, except per share amount and share count)

	Three months ended June 30, 2023				
	Insurance	Healthcare	Emerging Business	Analytics	Total
Revenues, net	$ 128,457	$ 27,156	$ 67,200	$ 182,183	$ 404,996
Cost of revenues[(1)]	84,322	17,540	37,845	113,513	253,220
Gross profit[(1)]	$ 44,135	$ 9,616	$ 29,355	$ 68,670	$ 151,776
Operating expenses					86,965
Foreign exchange gain, net, interest expense and other income, net					(255)
Income tax expense					15,554
Gain from equity-method investment					66
Net income					$ 49,068

(1) Exclusive of depreciation and amortization expense.

	Three months ended June 30, 2022				
	Insurance	Healthcare	Emerging Business	Analytics	Total
Revenues, net	$ 108,557	$ 23,051	$ 53,873	$ 161,301	$ 346,782
Cost of revenues[(1)]	70,645	17,694	31,214	101,654	221,207
Gross profit[(1)]	$ 37,912	$ 5,357	$ 22,659	$ 59,647	$ 125,575
Operating expenses					78,494
Foreign exchange gain, net, interest expense and other loss, net					(253)
Income tax expense					11,125
Gain from equity-method investment					143
Net income					$ 35,846

(1) Exclusive of depreciation and amortization expense.

Revenues and cost of revenues for the six months ended June 30, 2023 and 2022, respectively, for each of the reportable segments, are as follows:

	Six months ended June 30, 2023				
	Insurance	Healthcare	Emerging Business	Analytics	Total
Revenues, net	$ 254,393	$ 53,859	$ 133,361	$ 364,026	$ 805,639
Cost of revenues[(1)]	166,646	36,349	73,815	227,879	504,689
Gross profit[(1)]	$ 87,747	$ 17,510	$ 59,546	$ 136,147	$ 300,950
Operating expenses					176,691
Foreign exchange gain, net, interest expense and other income, net					(380)
Income tax expense					23,612
Gain from equity-method investment					132
Net income					$ 100,399

(1) Exclusive of depreciation and amortization expense.

EXLSERVICE HOLDINGS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(continued)
June 30, 2023
(In thousands, except per share amount and share count)

	Six months ended June 30, 2022				
	Insurance	Healthcare	Emerging Business	Analytics	Total
Revenues, net	$ 211,823	$ 49,207	$ 104,620	$ 310,340	$ 675,990
Cost of revenues[1]	135,727	35,345	60,427	197,224	428,723
Gross profit[1]	$ 76,096	$ 13,862	$ 44,193	$ 113,116	$ 247,267
Operating expenses					156,211
Foreign exchange gain, net, interest expense and other income, net					3,038
Income tax expense					22,327
Gain from equity-method investment					257
Net income					$ 72,024

[1] Exclusive of depreciation and amortization expense.

Revenues, net by service type, were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Digital operations and solutions[1]	$ 222,813	$ 185,481	$ 441,613	$ 365,650
Analytics services	182,183	161,301	364,026	310,340
Revenues, net	$ 404,996	$ 346,782	$ 805,639	$ 675,990

[1] Digital operations and solutions include revenues of the Company’s Insurance, Healthcare and Emerging Business reportable segments. Refer to the reportable segment disclosure above.

The Company attributes the revenues to regions based upon the location of its customers.

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Revenues, net				
United States	$ 340,675	$ 298,520	$ 679,748	$ 580,899
Non-United States				
United Kingdom	43,648	32,090	85,222	64,863
Rest of World	20,673	16,172	40,669	30,228
Total Non-United States	64,321	48,262	125,891	95,091
Revenues, net	$ 404,996	$ 346,782	$ 805,639	$ 675,990

Long-lived assets by geographic area, which consist of property and equipment, net and operating lease right-of-use assets were as follows:

	As of	
	June 30, 2023	December 31, 2022
Long-lived assets		
United States	$ 62,181	$ 60,709
India	45,769	50,118
Philippines	23,983	18,406
Rest of World	20,178	8,942
Long-lived assets	$ 152,111	$ 138,175

(In thousands, except per share amount and share count)

4. Revenues, net

Refer to Note 3 - Segment and Geographical Information to the unaudited consolidated financial statements for revenues disaggregated by reportable segments and geography.

Contract balances

The following table provides information about accounts receivable, contract assets and contract liabilities from contracts with customers:

	As of	
	June 30, 2023	December 31, 2022
Accounts receivable, net	$ 288,305	$ 259,222
Contract assets	$ 7,632	$ 2,768
Contract liabilities:		
Deferred revenue (consideration received in advance)	$ 18,909	$ 17,079
Consideration received for process transition activities	$ 9,122	$ 5,423

Accounts receivable includes $148,370 and $126,027 as of June 30, 2023 and December 31, 2022, respectively, representing unbilled receivables. The Company has accrued the unbilled receivables for work performed in accordance with the terms of contracts with customers and considers no significant performance risk associated with its unbilled receivables.

Contract assets represent upfront payments such as deal signing discounts or deal signing bonuses made to customers. These costs are amortized over the expected period of the benefit and are recorded as an adjustment to transaction price and reduced from revenues. The Company's assessment did not indicate any impairment losses on its contract assets for the periods presented.

Contract liabilities represent that portion of deferred revenue for which payments have been received in advance from customers. The Company also defers revenues attributable to certain process transition activities for which costs have been capitalized by the Company as contract fulfillment costs. Consideration received from customers, if any, relating to such transition activities are classified under contract liabilities and are included within "Deferred revenues" and "Other non-current liabilities" in the consolidated balance sheets. The revenues are recognized as (or when) the performance obligation is fulfilled under the contract with customer.

Revenue recognized during the three and six months ended June 30, 2023 and 2022, which was included in the contract liabilities balance at the beginning of the respective periods:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Deferred revenue (consideration received in advance)	$ 2,990	$ 4,306	$ 15,992	$ 13,870
Consideration received for process transition activities	$ 305	$ 298	$ 1,008	$ 664

(In thousands, except per share amount and share count)

Contract acquisition and fulfillment costs

The following table provides details of the Company's contract acquisition and fulfillment costs:

	Contract Acquisition Costs				
	Three months ended		Six months ended		Year ended
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	December 31, 2022
Opening Balance	$ 1,994	$ 927	$ 1,095	$ 511	$ 511
Additions	397	180	1,476	727	1,014
Amortization	(208)	(124)	(388)	(255)	(430)
Closing Balance	**$ 2,183**	**$ 983**	**$ 2,183**	**$ 983**	**$ 1,095**

	Contract Fulfillment Costs				
	Three months ended		Six months ended		Year ended
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	December 31, 2022
Opening Balance	$ 17,873	$ 7,435	$ 13,871	$ 5,795	$ 5,795
Additions	4,225	3,308	8,843	5,485	15,509
Amortization	(653)	(576)	(1,269)	(1,113)	(7,433)
Closing Balance	**$ 21,445**	**$ 10,167**	**$ 21,445**	**$ 10,167**	**$ 13,871**

There was no impairment for contract acquisition and contract fulfillment costs as of June 30, 2023 and December 31, 2022. The capitalized costs are amortized over the expected period of benefit of the contract.

Allowance for expected credit losses

The Company evaluates the credit risk of its customers based on a combination of various financial and qualitative factors that may affect the ability of each customer to pay. The Company considered current and anticipated future economic conditions relating to the industries of the Company's customers and the countries where it operates. In calculating expected credit loss, the Company also considered past payment trends, credit rating and other related credit information for its significant customers to estimate the probability of default in the future.

	As of	
	June 30, 2023	December 31, 2022
Accounts receivable, including unbilled receivables	$ 290,105	$ 260,554
Less: Allowance for expected credit losses	(1,800)	(1,332)
Accounts receivable, net	**$ 288,305**	**$ 259,222**

(In thousands, except per share amount and share count)

The movement in “Allowance for expected credit losses” on customer balances was as follows:

	Three months ended		Six months ended		Year ended
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	December 31, 2022
Opening Balance	$ 1,671	$ 588	$ 1,332	$ 573	$ 573
Additions	134	571	477	743	815
Reductions due to write-off of Accounts Receivables	(5)	(314)	(8)	(472)	(60)
Currency translation adjustments	—	(1)	(1)	—	4
Closing Balance	**$ 1,800**	**$ 844**	**$ 1,800**	**$ 844**	**$ 1,332**

Concentration of credit risk

To reduce credit risk, the Company conducts ongoing credit evaluations of its customers. No customer accounted for more than 10% of accounts receivable, net, as of June 30, 2023 and December 31, 2022.

5. Earnings Per Share

Basic earnings per share is computed by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding, adjusted for outstanding shares that are subject to repurchase during each period. Diluted earnings per share is computed using the weighted average number of common shares plus the potentially dilutive effect of common stock equivalents (outstanding stock options, restricted stock, restricted stock units and employee stock purchase plans) issued and outstanding at the reporting date, using the treasury stock method. Common stock equivalents that are anti-dilutive are excluded from the computation of weighted average shares outstanding.

The following table sets forth the computation of basic and diluted earnings per share:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Numerators:				
Net income	$ 49,068	$ 35,846	$ 100,399	$ 72,024
Denominators:				
Basic weighted average common shares outstanding	33,355,354	33,403,411	33,397,226	33,422,618
Dilutive effect of share-based awards	333,095	427,128	412,329	439,979
Diluted weighted average common shares outstanding	33,688,449	33,830,539	33,809,555	33,862,597
Earnings per share attributable to ExlService Holdings, Inc. stockholders:				
Basic	$ 1.47	$ 1.07	$ 3.01	$ 2.15
Diluted	$ 1.46	$ 1.06	$ 2.97	$ 2.13
Weighted average potentially dilutive shares considered anti-dilutive and not included in computing diluted earnings per share	249,831	—	179,550	541

(In thousands, except per share amount and share count)

6. Other Income/(Loss), net

Other income/(loss), net consists of the following:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Gain on sale and mark-to-market on investments	$ 1,095	$ 634	$ 2,739	$ 1,870
Interest and dividend income	1,653	847	3,374	2,217
Others, net	(87)	(1,655)	(297)	(1,850)
Other income/(loss), net	$ 2,661	$ (174)	$ 5,816	$ 2,237

7. Cash, Cash Equivalents and Restricted Cash

For the purposes of unaudited statements of cash flows, cash, cash equivalents and restricted cash consist of the following:

	As of		
	June 30, 2023	June 30, 2022	December 31, 2022
Cash and cash equivalents	$ 93,960	$ 106,304	$ 118,669
Restricted cash (current)	4,628	6,840	4,897
Restricted cash (non-current)	2,072	2,056	2,055
Cash, cash equivalents and restricted cash	$ 100,660	$ 115,200	$ 125,621

Restricted cash (current) primarily represents funds held on behalf of clients in dedicated bank accounts. The corresponding liability against the same is included under “Accrued Expenses and other current liabilities.” Restricted cash (non-current) represents amounts on deposit with banks against bank guarantees issued through banks in favor of relevant statutory authorities for equipment imports, deposits for obtaining indirect tax registrations and for demands against pending income tax assessments. These deposits with banks will mature one year after the balance sheet date.

8. Investments

Investments consist of the following:

	As of	
	June 30, 2023	December 31, 2022
Short-term investments		
Mutual funds	$ 68,891	$ 110,964
Term deposits	87,207	68,063
Total Short-term investments	**$ 156,098**	**$ 179,027**
Long-term investments		
Term deposits	$ 12,515	$ 31,341
Investment in equity affiliate	3,570	3,438
Total Long-term investments	**$ 16,085**	**$ 34,779**

Refer to Note 16 - Fair Value Measurements to the unaudited consolidated financial statements for further details.

(In thousands, except per share amount and share count)

9. Property and Equipment, net

Property and equipment, net consists of the following:

	Estimated useful lives (Years)	As of June 30, 2023	As of December 31, 2022
Owned Assets:			
Network equipment and computers	3-5	$ 141,728	$ 130,218
Software	2-5	99,828	88,487
Leasehold improvements	3-8	40,566	42,890
Office furniture and equipment	3-8	19,938	20,211
Motor vehicles	2-5	738	605
Buildings	30	970	961
Land	—	634	629
Capital work in progress	—	13,532	14,459
		317,934	298,460
Less: Accumulated depreciation and amortization		(224,764)	(216,132)
		93,170	82,328
Right-of-use assets under finance leases*:			
Network equipment and computers		58	82
Leasehold improvements		611	1,013
Office furniture and equipment		435	662
Motor vehicles		802	742
		1,906	2,499
Less: Accumulated depreciation and amortization		(1,388)	(1,999)
		518	500
Property and equipment, net		$ 93,688	$ 82,828

*Depreciation on assets held under finance leases are computed using the straight-line method over the shorter of the assets estimated useful lives or the lease term.

Capital work in progress represents advances paid towards acquisition of property and equipment and costs incurred on internally developed software not yet ready to be placed in service.

During the three and six months ended June 30, 2023, there were no material changes in estimated useful lives of property and equipment during the ordinary course of operations.

The depreciation and amortization expense, excluding amortization of acquisition-related intangibles, recognized in the unaudited consolidated statements of income was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Depreciation and amortization expense	$ 8,918	$ 9,929	$ 18,256	$ 19,045

(In thousands, except per share amount and share count)

The effect of foreign exchange gain/(loss) upon settlement of cash flow hedges recorded under depreciation and amortization expense, was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Effect of foreign exchange gain/(loss)	$ (66)	$ (5)	$ (145)	$ 62

Internally developed software costs, included under Software, was as follows:

	As of	
	June 30, 2023	December 31, 2022
Cost	$ 42,478	$ 31,544
Less : Accumulated amortization	(20,540)	(16,134)
Internally developed software, net	$ 21,938	$ 15,410

The amortization expense on internally developed software recognized in the unaudited consolidated statements of income was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Amortization expense	$ 2,425	$ 1,549	$ 4,400	$ 2,582

As of June 30, 2023 and December 31, 2022, the Company believes no impairment exists because the long-lived asset's future undiscounted net cash flows expected to be generated exceeds its carrying value; however, there can be no assurance that long-lived assets will not be impaired in future periods. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining which undiscounted cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount, the asset’s residual value, if any. It is reasonably possible that the judgments and estimates described above could change in future periods.

10. Goodwill and Other Intangible Assets

Goodwill

The following table sets forth details of changes in goodwill by reportable segment of the Company:

	Insurance	Healthcare	Emerging Business	Analytics	Total
Balance as of January 1, 2023	$ 49,929	$ 21,875	$ 47,101	$ 286,732	$ 405,637
Currency translation adjustments	119	5	142	—	266
Balance as of June 30, 2023	$ 50,048	$ 21,880	$ 47,243	$ 286,732	$ 405,903

As of June 30, 2023, the Company performed an assessment to determine whether events or circumstances exist that may lead to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The Company considered current and forecasted economic and market conditions and qualitative factors, such as the Company’s performance during the first half of the current fiscal year, business forecasts for the remainder of the year, stock price movements, generation and availability of cash and expansion plans. The Company reviewed key assumptions, including revisions of projected future revenues for reporting units against the results of the annual impairment test performed during the fourth quarter of 2022. The Company did not identify any triggers or indications of potential impairment for its reporting units as of June 30, 2023.

The recoverability of goodwill is dependent upon the continued growth of cash flows from the Company’s business activities. This growth is based on business forecasts and improvement in profitability of its reporting units. The Company continues to maintain its focus on cultivating long-term client relationships as well as attracting new clients.

(In thousands, except per share amount and share count)

Other Intangible Assets

Information regarding the Company’s intangible assets is set forth below:

	As of June 30, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Finite-lived intangible assets:			
Customer relationships	$ 99,146	$ (45,463)	$ 53,683
Developed technology	3,542	(2,092)	1,450
Trade names and trademarks	1,700	(1,447)	253
Non-compete agreements	336	(135)	201
	104,724	(49,137)	55,587
Indefinite-lived intangible assets:			
Trade names and trademarks	900	—	900
Total intangible assets	$ 105,624	$ (49,137)	$ 56,487

	As of December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Finite-lived intangible assets:			
Customer relationships	$ 99,146	$ (39,848)	$ 59,298
Developed technology	24,878	(20,902)	3,976
Trade names and trademarks	1,700	(1,303)	397
Non-compete agreements	336	(88)	248
	126,060	(62,141)	63,919
Indefinite-lived intangible assets:			
Trade names and trademarks	900	—	900
Total intangible assets	$ 126,960	$ (62,141)	$ 64,819

The amortization expense recognized in the unaudited consolidated statements of income was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Amortization expense	$ 4,204	$ 4,146	$ 8,353	$ 8,632

The remaining weighted average life of intangible assets is as follows:

	(in years)
Customer relationships	5.0
Developed technology	1.9
Trade names and trademarks (finite lived)	1.1
Non-compete agreements	2.3

(In thousands, except per share amount and share count)

Estimated future amortization expense related to finite-lived intangible assets as of June 30, 2023 was as follows:

2023 (July 1 - December 31)	$ 6,315
2024	12,140
2025	10,705
2026	10,366
2027	9,364
2028 and thereafter	6,697
Total	$ 55,587

11. Other Current Assets

Other current assets consist of the following:

	As of	
	June 30, 2023	December 31, 2022
Prepaid expenses	$ 19,811	$ 18,132
Advance income tax, net	17,787	5,716
Receivables from statutory authorities	16,338	15,724
Derivative instruments	5,062	1,526
Advances to suppliers	2,851	1,944
Deferred contract fulfillment costs	2,112	1,178
Contract assets	1,527	904
Others	4,698	5,855
Other current assets	$ 70,186	$ 50,979

12. Other Assets

Other assets consist of the following:

	As of	
	June 30, 2023	December 31, 2022
Deferred contract fulfillment costs	$ 19,333	$ 12,693
Lease deposits	6,925	6,621
Deposits with statutory authorities	6,318	6,276
Contract assets	6,105	1,864
Derivative instruments	5,238	820
Others	4,336	3,795
Other assets	$ 48,255	$ 32,069

(In thousands, except per share amount and share count)

13. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	As of	
	June 30, 2023	December 31, 2022
Accrued expenses	$ 50,714	$ 47,854
Payable to statutory authorities	17,966	20,430
Contingent consideration	13,100	5,000
Accrued capital expenditures	7,021	4,032
Client liabilities	5,179	5,110
Derivative instruments	3,295	10,059
Other current liabilities	7,205	2,867
Accrued expenses and other current liabilities	$ 104,480	$ 95,352

14. Other Non-Current Liabilities

Other non-current liabilities consist of the following:

	As of	
	June 30, 2023	December 31, 2022
Retirement benefits	$ 15,265	$ 12,982
Deferred transition revenue	7,981	4,408
Unrecognized tax benefits	2,329	2,329
Derivative instruments	613	6,218
Contingent consideration	589	13,689
Others	1,566	1,666
Other non-current liabilities	$ 28,343	$ 41,292

15. Accumulated Other Comprehensive Income/(Loss)

Accumulated other comprehensive income/(loss) ("AOCI") consists of actuarial gain/(loss) on retirement benefits and foreign currency translation adjustments. In addition, the Company enters into foreign currency forward contracts and interest rate swaps, which are designated as cash flow hedges and net investment hedges, as applicable, in accordance with ASC Topic 815, *Derivatives and Hedging*. Cumulative changes in the fair values of cash flow hedges are recognized in AOCI on the Company's consolidated balance sheets. The fair value changes are reclassified from AOCI to unaudited consolidated statements of income upon settlement of foreign currency forward contracts designated as cash flow hedges of a forecast transaction, whereas such changes for interest rate swaps are reclassified over the term of the contract. Fair value changes related to net investment hedges are included in AOCI and are reclassified to unaudited consolidated statements of income when a foreign operation is disposed or partially disposed. The following table sets forth the changes in AOCI during the six months ended June 30, 2023 and 2022:

(In thousands, except per share amount and share count)

	Accumulated Other Comprehensive Income/(Loss)			
	Foreign currency translation gain/(loss)	Unrealized gain/(loss) on cash flow hedges	Retirement benefits	Total
Balance as of January 1, 2023	**$ (133,139)**	**$ (11,303)**	**$ 299**	**$ (144,143)**
Gains recognized during the period	5,177	16,145	—	21,322
Reclassification to net income [(1)]	—	4,229	(48)	4,181
Income tax effects [(2)]	(1,136)	(4,334)	(37)	(5,507)
Accumulated other comprehensive income/(loss) as of June 30, 2023	**$ (129,098)**	**$ 4,737**	**$ 214**	**$ (124,147)**
Balance as of January 1, 2022	**$ (95,437)**	**$ 8,420**	**$ (2,457)**	**$ (89,474)**
Losses recognized during the period	(30,227)	(15,149)	—	(45,376)
Reclassification to net income [(1)]	—	(3,448)	304	(3,144)
Income tax effects [(2)]	979	3,733	(92)	4,620
Accumulated other comprehensive income/(loss) as of June 30, 2022	**$ (124,685)**	**$ (6,444)**	**$ (2,245)**	**$ (133,374)**

(1) *Refer to Note 17 - Derivatives and Hedge Accounting and Note 20 - Employee Benefit Plans to the unaudited consolidated financial statements for reclassification to net income.*

(2) *These are income tax effects recognized on cash flow hedges, retirement benefits and foreign currency translation gain/(loss). Refer to Note 22 - Income Taxes to the unaudited consolidated financial statements.*

16. Fair Value Measurements

Assets and Liabilities Measured at Fair Value

The following table sets forth the Company's assets and liabilities that were recognized at fair value:

As of June 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total
Assets				
Cash equivalents - Money market funds*	$ 17,972	$ —	$ —	$ 17,97
Mutual funds**	68,891	—	—	68,89
Derivative financial instruments	—	10,300	—	10,30
Total	$ 86,863	$ 10,300	$ —	$ 97,16
Liabilities				
Derivative financial instruments	$ —	$ 3,908	$ —	$ 3,90
Contingent consideration***	—	—	13,689	13,68
Total	$ —	$ 3,908	$ 13,689	$ 17,59

(In thousands, except per share amount and share count)

As of December 31, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total
Assets				
Cash equivalents - Money market funds*	$ 1,137	$ —	$ —	$ 1,13
Mutual funds**	110,964	—	—	110,96
Derivative financial instruments	—	2,346	—	2,34
Total	$ 112,101	$ 2,346	$ —	$ 114,44
Liabilities				
Derivative financial instruments	$ —	$ 16,277	$ —	$ 16,27
Contingent consideration***	—	—	18,689	18,68
Total	$ —	$ 16,277	$ 18,689	$ 34,96

** Represents money market funds which are carried at the fair value option under ASC Topic 825 "Financial Instruments".*

*** Represents those short-term investments which are carried at the fair value option under ASC Topic 825 "Financial Instruments".*

**** Contingent consideration is presented under "Accrued Expenses and Other Current Liabilities" and "Other Non-Current Liabilities," as applicable, in the consolidated balance sheets.*

Derivative Financial Instruments:

The Company's derivative financial instruments consist of foreign currency forward contracts and interest rate swaps. Fair values for derivative financial instruments are based on independent sources including highly rated financial institutions and are classified as Level 2. Refer to Note 17 - Derivatives and Hedge Accounting to the unaudited consolidated financial statements for further details.

Fair Value of Contingent Consideration:

The fair value measurement of contingent consideration is determined using Level 3 inputs. The Company's contingent consideration represents a component of the total purchase consideration for business acquisitions. The measurement is calculated using unobservable inputs based on the Company's own assessment of achievement of certain performance goals. The Company estimated the fair value of the contingent consideration based on the Monte Carlo simulation model and scenario-based method.

The following table summarizes the changes in the fair value of contingent consideration:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Opening balance	$ 18,689	$ 9,000	$ 18,689	$9,000
Acquisitions	—	1,439	—	1,439
Fair value changes	—	1,000	—	1,000
Payments	(5,000)	—	(5,000)	—
Closing balance	$ 13,689	$ 11,439	$ 13,689	$ 11,439

During the three and six months ended June 30, 2023 and 2022, there were no transfers among Level 1, Level 2 and Level 3.

(In thousands, except per share amount and share count)

Financial Instruments Not Carried at Fair Value:

The Company's other financial instruments not carried at fair value consist primarily of cash and cash equivalents (except investments in money market funds, as disclosed above), short-term investments (except investments in mutual funds, as disclosed above), restricted cash, accounts receivable, net, long-term investments, accrued capital expenditures, accrued expenses, client liabilities and interest payable on borrowings for which fair values approximate their carrying amounts. The carrying value of the Company's outstanding revolving credit facility approximates its fair value because the Company's interest rate yield is near current market rates for comparable debt instruments.

17. Derivatives and Hedge Accounting

The Company uses derivative instruments to mitigate cash flow volatility from risk of fluctuations in foreign currency exchange rates and interest rates. The Company enters into foreign currency forward contracts to hedge cash flow risks from forecasted transactions denominated in certain foreign currencies, and interest rate swaps to hedge cash flow risks from its revolving credit facility having variable interest rate obligations. These contracts qualify as cash flow hedges under ASC Topic 815, *Derivatives and Hedging*, and are with counterparties that are highly rated financial institutions. For derivatives in cash flow hedging relationships as of June 30, 2023 and December 31, 2022, the Company had outstanding foreign currency forward contracts totaling $831,250 and $841,620, respectively and interest rate swaps totaling $75,000, each.

The Company estimates that approximately $1,578 of derivative gains, net, excluding tax effects, included in AOCI, representing changes in the value of cash flow hedges based on exchange rates prevailing as of June 30, 2023, could be reclassified into earnings within the next twelve months. As of June 30, 2023, the maximum outstanding term of the cash flow hedges was approximately 39 months.

The Company also enters into foreign currency forward contracts to hedge its intercompany balances and other monetary assets and liabilities denominated in currencies other than functional currencies, against the risk of fluctuations in foreign currency exchange rates associated with remeasurement of such assets and liabilities to functional currency. These foreign currency forward contracts do not qualify as fair value hedges under ASC Topic 815, *Derivatives and Hedging*. Changes in the fair value of these financial instruments are recognized in the unaudited consolidated statements of income and are included in the foreign exchange gain/(loss) line item. The Company's primary exchange rate exposure is with the Indian rupee, the Philippine peso and the U.K. pound sterling (GBP). The Company also has exposure to Colombian pesos (COP), the Euro (EUR), South African ZAR, the Australian dollar (AUD), the Canadian dollar (CAD) and other local currencies in which it operates.

The following table sets forth the aggregate notional principal amounts of outstanding foreign currency forward contracts for derivatives not designated as hedging instruments:

	As of	
Foreign currency forward contracts denominated in:	**June 30, 2023**	**December 31, 2022**
U. S. dollar (USD)	165,793	163,990
U.K. pound sterling (GBP)	11,235	8,351
Euro (EUR)	3,947	1,956
Australian dollar (AUD)	4,471	1,951
South African ZAR	102,249	—
Colombian peso (COP)	2,449,676	—

(In thousands, except per share amount and share count)

The following table sets forth the fair value of the foreign currency forward contracts and interest rate swaps and their location on the consolidated balance sheets:

	Derivatives in cash flow hedging relationships		Derivatives not designated as hedging instruments	
	As of		As of	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Assets:				
Other current assets	$ 4,775	$ 1,271	$ 287	$ 2
Other assets	$ 5,238	$ 820	$ —	$ —
Liabilities:				
Accrued expenses and other current liabilities	$ 3,197	$ 10,044	$ 98	$
Other non-current liabilities	$ 613	$ 6,218	$ —	$ —

The following table sets forth the effect of foreign currency forward contracts and interest rate swaps on AOCI and the unaudited consolidated statements of income:

	Three months ended June 30,		Six months ended June 30,	
Derivative financial instruments:	2023	2022	2023	2022
Unrealized gain/(loss) recognized in AOCI				
Derivatives in cash flow hedging relationships	$ 8,851	$ (14,632)	$ 16,145	$ (15,149)
Gain/(loss) recognized in unaudited consolidated statements of income				
Derivatives not designated as hedging instruments	$ (370)	$ (5,457)	$ 2,158	$ (6,356)

(In thousands, except per share amount and share count)

The following table sets forth the location and amount of gain/(loss) recognized in unaudited consolidated statements of income for derivatives in cash flow hedging relationships and derivatives not designated as hedging instruments:

	Three months ended June 30,			
	2023		2022	
	As per unaudited consolidated statements of income	Gain/(loss) on derivative financial instruments	As per unaudited consolidated statements of income	Gain/(loss) on derivative financial instruments
Derivatives in cash flow hedging relationships				
Location in unaudited consolidated statements of income where gain/(loss) was reclassified from AOCI				
Cost of revenues	$ 253,220	$ (1,141)	$ 221,207	$ 1,194
General and administrative expenses	$ 45,605	(133)	$ 40,434	181
Selling and marketing expenses	$ 28,238	(13)	$ 23,985	15
Depreciation and amortization expense	$ 13,122	(43)	$ 14,075	69
Interest expense	$ 3,240	166	$ 1,502	—
Total before tax		(1,164)		1,459
Income tax effects on above		231		(420)
Net of tax		$ (933)		$ 1,039
Derivatives not designated as hedging instruments				
Location in unaudited consolidated statements of income where gain/(loss) was recognized				
Foreign exchange gain/(loss), net	$ 324	$ (370)	$ 1,423	$ (5,457)
	$ 324	$ (370)	$ 1,423	$ (5,457)

(In thousands, except per share amount and share count)

The following table sets forth the location and amount of gain/(loss) recognized in unaudited consolidated statements of income for derivatives in cash flow hedging relationships and derivatives not designated as hedging instruments:

	Six months ended June 30,			
	2023		2022	
	As per unaudited consolidated statements of income	Gain/(loss) on derivative financial instruments	As per unaudited consolidated statements of income	Gain/(loss) on derivative financ[illegible] instruments
Derivatives in cash flow hedging relationships				
Location in unaudited consolidated statements of income where gain/(loss) was reclassified from AOCI				
Cost of revenues	$ 504,689	$ (3,896)	$ 428,723	$ 2,[illegible]
General and administrative expenses	$ 92,351	(375)	$ 80,379	[illegible]
Selling and marketing expenses	$ 57,731	(32)	$ 48,155	
Depreciation and amortization expense	$ 26,609	(166)	$ 27,677	
Interest expense	$ 6,625	240	$ 2,378	
Total before tax		(4,229)		3,[illegible]
Income tax effects on above		765		([illegible]
Net of tax		$ (3,464)		$ 2,[illegible]
Derivatives not designated as hedging instruments				
Location in unaudited consolidated statements of income where gain/(loss) was recognized				
Foreign exchange gain/(loss), net	$ 429	$ 2,158	$ 3,179	$ (6,[illegible]
	$ 429	$ 2,158	$ 3,179	$ (6,[illegible]

18. Borrowings

The following table summarizes the Company’s debt position:

	As of	
	June 30, 2023	December 31, 2022
	Revolving credit facility	
Current portion of long-term borrowings	$ 30,000	$ 30,000
Long-term borrowings	190,000	220,000
Total borrowings	$ 220,000	$ 250,000

Unamortized debt issuance costs for the Company’s revolving credit facility of $1,040 and $1,177 as of June 30, 2023 and December 31, 2022, respectively, are presented under “Other current assets” and “Other assets,” as applicable in the consolidated balance sheets.

Credit Agreement

(In thousands, except per share amount and share count)

The Company held a $300,000 revolving credit facility pursuant to its credit agreement (the "Credit Agreement"), dated as of November 21, 2017 with certain lenders and Citibank N.A. as Administrative Agent. The revolving credit facility originally had a maturity date of November 21, 2022 and was voluntarily pre-payable from time to time without premium or penalty.

On April 18, 2022, the Company and each of the Company's wholly owned material domestic subsidiaries entered into an Amendment and Restatement Agreement with Citibank, N.A. as Administrative Agent and certain lenders (the "2022 Credit Agreement"), pursuant to which the parties thereto amended and restated the Credit Agreement. Among other things, the 2022 Credit Agreement (a) provides for the issuance of new revolving credit commitments such that the aggregate amount of revolving credit commitments available to the Company is equal to $400,000; (b) extends the maturity date of the revolving credit facility from November 21, 2022 to April 18, 2027; and (c) replaces LIBOR with Secured Overnight Financing Rate ("SOFR") as the reference rate for the U.S. dollar borrowings.

The 2022 Credit Agreement provides an option to increase the commitments by up to $200,000, subject to certain approvals and conditions. The 2022 Credit Agreement includes a letter of credit sub facility and is voluntarily pre-payable from time to time without premium or penalty. Borrowings under the 2022 Credit Agreement can be used for working capital and general corporate purposes, including permitted acquisitions.

Obligations under the 2022 Credit Agreement are guaranteed by the Company's material domestic subsidiaries and are secured by all or substantially all of the Company's and its material domestic subsidiaries' assets. The 2022 Credit Agreement contains customary affirmative and negative covenants, including, but not limited to, restrictions on the ability to incur indebtedness, create liens, make certain investments, make certain dividends and related distributions, enter into, or undertake, certain liquidations, mergers, consolidations or acquisitions and dispose of certain assets or subsidiaries.

The revolving credit facility carried an effective interest rate as shown below:

	Three months ended June 30,		Six months ended June 30,	
	2023	**2022**	**2023**	**2022**
Effective Interest Rate	6.2 %	2.0 %	6.1 %	1.7 %

As of June 30, 2023 and December 31, 2022, the Company was in compliance with all financial and non-financial covenants listed under the revolving credit facility.

Expected payments for all of the Company's borrowings as of June 30, 2023 were as follows:

	Revolving credit facility	
	Principal Payments	**Interest Payments***
2023 (July 1 - December 31)	$ 30,000	$ 6,216
2024	—	11,522
2025	—	11,522
2026	—	11,522
2027	190,000	4,321
Total	$ 220,000	$ 45,103

* Interest payments are based on interest rate prevailing as of June 30, 2023.

Letters of Credit

In the ordinary course of business, the Company provides standby letters of credit to third parties primarily for facility leases. As of each of June 30, 2023 and December 31, 2022, the Company had outstanding letters of credit of $461, that were not recognized in the consolidated balance sheets.

(In thousands, except per share amount and share count)

19. Capital Structure

Common Stock

The Company has one class of common stock outstanding.

The Company purchased shares of its common stock from employees in connection with withholding tax payments related to the vesting of restricted stock units and performance-based restricted stock units, as below:

	Shares repurchased	Total consideration	Weighted average purchase price per share [1]
Three months ended June 30, 2023	—	$ —	$ —
Three months ended June 30, 2022	—	$ —	$ —
Six months ended June 30, 2023	38,356	$ 6,529	$ 170.22
Six months ended June 30, 2022	27,219	$ 3,191	$ 117.23

[1] The weighted average purchase price per share is based on the closing price of the Company's common stock on the Nasdaq Global Select Market on the trading day prior to the applicable vesting date of the shares of restricted stock.

On October 5, 2021, the Company's board of directors authorized a $300,000 common stock repurchase program beginning January 1, 2022 (the "2022 Repurchase Program").

Under the 2022 Repurchase Program, shares may be purchased by the Company from time to time from the open market and through private transactions, or otherwise, as determined by the Company's management as market conditions warrant. Repurchases may be discontinued at any time by the management.

The Company purchased shares of its common stock, for a total consideration including commissions, under the 2022 Repurchase Program, as below:

	Shares repurchased	Total consideration	Weighted average purchase price per share
Three months ended June 30, 2023	184,144	$ 29,013	$ 157.56
Three months ended June 30, 2022	205,716	$ 28,806	$ 140.03
Six months ended June 30, 2023	405,169	$ 64,847	$ 160.05
Six months ended June 30, 2022	427,049	$ 57,000	$ 133.47

Repurchased shares have been recorded as treasury shares and will be held until the Company's board of directors designates that these shares be retired or used for other purposes.

20. Employee Benefit Plans

The Company's Gratuity Plan in India (the "India Plan") provides for a lump sum payment to vested employees on retirement or upon termination of employment in an amount based on the respective employee's salary and years of employment with the Company. In addition, the Company's subsidiary operating in the Philippines conforms to the minimum regulatory benefit, which provide for lump sum payment to vested employees on retirement from employment in an amount based on the respective employee's salary and years of employment with the Company (the "Philippines Plan"). Liabilities with regard to the India Plan and the Philippines Plan are determined by actuarial valuation using the projected unit credit method. Current service costs for these plans are accrued in the year to which they relate. Actuarial gains or losses or prior service costs, if any, resulting from amendments to the plans are recognized and amortized over the remaining period of service of the employees.

(In thousands, except per share amount and share count)

The India Plan is partially funded whereas the Philippines Plan is unfunded. The Company makes annual contributions to the India Plan established with insurance companies. Fund managers manage these funds and calculate the annual contribution required to be made by the Company and manage the India Plan, including any required payouts. These funds are managed on a cash accumulation basis and interest is declared retrospectively on March 31 of each year. The Company expects to earn a return of approximately 7.0% per annum on the India Plan for the year ending on December 31, 2023.

Change in Plan Assets		
Plan assets as of January 1, 2023	$	14,449
Actual return		692
Employer contribution		—
Benefits paid*		(542)
Effect of exchange rate changes		121
Plan assets as of June 30, 2023	$	14,720

** Benefits payments were substantially made through the plan assets during the six months ended June 30, 2023.*

Components of net periodic benefit costs recognized in unaudited consolidated statements of income and actuarial (gain)/loss reclassified from AOCI, were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Service cost	$ 953	$ 958	$ 1,909	$ 1,948
Interest cost	393	313	788	636
Expected return on plan assets	(264)	(221)	(527)	(449)
Amortization of actuarial (gain)/loss, gross of tax	(23)	149	(48)	304
Net gratuity cost	$ 1,059	$ 1,199	$ 2,122	$ 2,439
Amortization of actuarial (gain)/loss, gross of tax	$ (23)	$ 149	$ (48)	$ 304
Income tax effects on above	(18)	(45)	(37)	(92)
Amortization of actuarial (gain)/loss, net of tax	$ (41)	$ 104	$ (85)	$ 212

The Company maintains several 401(k) plans (the “401(k) Plans”) under Section 401(k) of the Internal Revenue Code of 1986, as amended (the “Code”), covering all eligible employees, as defined in the Code as a defined social security contribution plan. The Company may make discretionary contributions of up to a maximum of 3.0% of employee compensation within certain limits.

The Company’s accrual for contribution to the 401(k) Plans was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Contribution to the 401(k) Plans	$ 1,178	$ 1,026	$ 3,564	$ 3,043

The Company’s contribution for various defined social security contribution plans on behalf of employees in foreign subsidiaries of the Company was as follows:

(In thousands, except per share amount and share count)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Contributions to the defined social security contribution plans	$ 5,604	$ 4,549	$ 10,996	$ 8,762

21. Leases

The Company conducts its operations using facilities leased under operating lease agreements that expire at various dates. The Company finances its use of certain motor vehicles and other equipment under various lease arrangements provided by financial institutions. The lease agreements do not contain any covenants to impose any restrictions except for market-standard practice for similar lease arrangements.

The Company had performed an evaluation of its contracts with suppliers in accordance with ASC Topic 842, *Leases*, and had determined that, except for leases for office facilities, motor vehicles and other equipment as described above, none of the Company's contracts contain a lease. As part of the Company's efforts to optimize its existing network of operations centers, the Company continued to evaluate its office facilities to determine where it can exit or consolidate its use of office space.

Supplemental balance sheet information

	As of	
	June 30, 2023	December 31, 2022
Operating Lease		
Operating lease right-of-use assets	$ 58,423	$ 55,347
Operating lease liabilities - Current	$ 14,482	$ 14,978
Operating lease liabilities - Non-current	50,575	48,155
Total operating lease liabilities	$ 65,057	$ 63,133
Finance Lease		
Property and equipment, gross	$ 1,906	$ 2,499
Accumulated depreciation	(1,388)	(1,999)
Property and equipment, net	$ 518	$ 500
Finance lease liabilities - Current	$ 167	$ 164
Finance lease liabilities - Non-current	373	355
Total finance lease liabilities	$ 540	$ 519

Finance lease liabilities are presented as a part of "Accrued expenses and other current liabilities" and "Other non-current liabilities," as applicable, in the Company's consolidated balance sheets.

(In thousands, except per share amount and share count)

The components of lease cost, which are included in the Company’s unaudited consolidated statements of income, are as follows:

Lease cost	Three months ended June 30,		Six months ended June 30,	
Finance lease:	**2023**	**2022**	**2023**	**2022**
Amortization of right-of-use assets	$ 39	$ 50	$ 77	$ 88
Interest on lease liabilities	18	14	38	28
	57	64	115	116
Operating lease[(a)]	5,449	5,962	10,332	12,005
Variable lease costs	1,157	1,408	2,164	2,529
Total lease cost	$ 6,663	$ 7,434	$ 12,611	$ 14,650

(a) Includes short-term leases, which are immaterial.

Supplemental cash flow and other information related to leases are as follows:

	Six months ended June 30,	
	2023	**2022**
Cash payments for amounts included in the measurement of lease liabilities :		
Operating cash outflows for operating leases	$ 10,829	$ 11,922
Operating cash outflows for finance leases	$ 38	$ 28
Financing cash outflows for finance leases	$ 80	$ 75
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 10,929	$ 3,540
Right-of-use assets obtained in exchange for new finance lease liabilities	$ 91	$ 118
Weighted average remaining lease term (in years)		
Finance lease	2.7 years	2.5 years
Operating lease	5.6 years	5.5 years
Weighted average discount rate		
Finance lease	14.0 %	14.5 %
Operating lease	7.3 %	7.0 %

The Company modified certain of its operating leases, resulting in a decrease of its lease liabilities by $2,466 and an increase of its lease liabilities by $263, during the six months ended June 30, 2023 and June 30, 2022, respectively, with a corresponding adjustment to ROU assets.

As of June 30, 2023 and December 31, 2022, the Company did not have any significant leases that have not yet commenced but that create significant rights and obligations for the Company.

Maturities of lease liabilities as of June 30, 2023 were as follows:

	Operating Leases	Finance Leases
2023 (July 1 - December 31)	$ 9,445	$ 133
2024	17,314	187
2025	12,908	125
2026	11,926	113
2027	9,151	112
2028 and thereafter	20,554	22
Total lease payments	81,298	692
Less: Imputed interest	16,241	152
Present value of lease liabilities	$ 65,057	$ 540

(In thousands, except per share amount and share count)

Maturities of lease liabilities as of December 31, 2022 were as follows:

	Operating Leases	Finance Leases
2023	$ 18,711	$ 228
2024	14,846	162
2025	10,037	114
2026	8,941	88
2027	6,474	79
2028 and thereafter	19,624	—
Total lease payments	78,633	671
Less: Imputed interest	15,500	152
Present value of lease liabilities	$ 63,133	$ 519

22. Income Taxes

The Company determines the tax provision for interim periods using an estimate of its annual effective tax rate. Each quarter, the Company updates its estimate of annual effective tax rate, and if its estimated tax rate changes, the Company makes a cumulative adjustment.

The effective tax rate increased from 23.8% during the three months ended June 30, 2022 to 24.1% during the three months ended June 30, 2023. The Company recorded income tax expense of $15,554 and $11,125 for the three months ended June 30, 2023 and 2022, respectively. The increase in income tax expense was primarily as a result of higher profit during the three months ended June 30, 2023, compared to the three months ended June 30, 2022, and an increase in non-deductible expenses during the three months ended June 30, 2023, partially offset by higher excess tax benefits related to stock-based compensation during the three months ended June 30, 2023, compared to the three months ended June 30, 2022.

The effective tax rate decreased from 23.7% during the six months ended June 30, 2022 to 19.1% during the six months ended June 30, 2023. The Company recorded income tax expense of $23,612 and $22,327 for the six months ended June 30, 2023 and June 30, 2022, respectively. The increase in income tax expense was primarily as a result of higher profit during the six months ended June 30, 2023, compared to the six months ended June 30, 2022, and an increase in non-deductible expenses, partially offset by higher excess tax benefits related to stock-based compensation during the six months ended June 30, 2023, compared to the six months ended June 30, 2022.

During the six months ended June 30, 2023, the Company's subsidiaries in India, the United Kingdom and Australia repatriated $76,000 (net of $4,015 withholding taxes), $15,598 and $9,081, respectively, to the United States. These distributions do not constitute a change in the Company's permanent reinvestment assertion.

Deferred income taxes recognized in AOCI were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Deferred taxes benefit / (expense) recognized on:				
Unrealized gain/(loss) on cash flow hedges	$ (2,269)	$ 2,801	$ (3,569)	$ 2,798
Reclassification adjustment for cash flow hedges	(231)	420	(765)	935
Reclassification adjustment for retirement benefits	(18)	(45)	(37)	(92)
Foreign currency translation adjustments	2	480	(1,136)	979
Total	**$ (2,516)**	**$ 3,656**	**$ (5,507)**	**$ 4,620**

(In thousands, except per share amount and share count)

23. Stock-Based Compensation

Stock-based compensation expense by nature of function, as below, are included in the unaudited consolidated statements of income:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Cost of revenues	$ 3,341	$ 3,131	$ 6,907	$ 5,772
General and administrative expenses	3,210	5,305	9,035	9,700
Selling and marketing expenses	4,960	4,904	9,976	9,092
Total	$ 11,511	$ 13,340	$ 25,918	$ 24,564
Income tax benefit related to share-based compensation[(1)]	$ 2,789	$ 3,216	$ 12,619	$ 6,022

(1) Includes $190 and $14 during the three months ended June 30, 2023 and 2022, respectively, and $12,710 and $3,624 during the six months ended June 30, 2023 and 2022, respectively, related to discrete benefits recognized in income tax expense in accordance with ASU No. 2016-09, Compensation - Stock Compensation.

As of June 30, 2023 and December 31, 2022, the Company had 678,615 and 1,324,755 shares, respectively, available for grant under the 2018 Omnibus Incentive Plan.

Stock Options

Stock options activity under the Company's stock-based compensation plans is shown below:

	Number of Stock Options	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Life (Years)
Outstanding as of December 31, 2022	3,093	$ 27.62	$ 362	1.0
Granted	331,336	150.75	—	10.0
Exercised	(3,093)	27.62	384	—
Forfeited	—	—	—	—
Outstanding as of June 30, 2023	331,336	$ 150.75	$ 103	10.0
Vested and exercisable as of June 30, 2023	—	$ —	$ —	—
Weighted average grant date fair value of Stock options granted during the period	$ 60.13			

Stock options granted under the 2018 Omnibus Incentive Plan during the three and six months ended June 30, 2023, have a contractual period of ten years and vest ratably over four years.

The fair value of each stock option granted to employees is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Three and Six months ended June 30, 2023
Dividend yield	—
Expected life (years)	6.25
Risk free interest rate for expected life	3.8 %
Volatility for expected life	32.4 %

(In thousands, except per share amount and share count)

The Company does not anticipate paying any cash dividends in the foreseeable future and therefore uses an expected dividend yield of zero in the option valuation model.

As of June 30, 2023, unrecognized compensation cost of $19,801 is expected to be expensed over a weighted average period of 4.0 years. The total grant date fair value of stock options exercised during the three and six months ended June 30, 2023 and 2022, was $30 and $nil, respectively.

Share Matching Program

Under the Company’s 2018 Omnibus Incentive Plan (the “2018 Plan”), the Company established a share matching program (“SMP”) for executive officers and other specified employees. Under the SMP, the Company agreed to issue a number of restricted stock units equal to the number of newly acquired shares of the Company's common stock.

Restricted stock unit activity under the SMP is shown below:

	Restricted Stock Units (SMP)	
	Number	Weighted Average Fair Value
Outstanding as of December 31, 2022	47,623	$ 124.76
Granted	—	—
Vested	—	—
Forfeited	(4,177)	124.76
Outstanding as of June 30, 2023	43,446	$ 124.76

As of June 30, 2023, unrecognized compensation cost of $3,165 is expected to be expensed over a weighted average period of 1.8 years.

Restricted Stock Units

Restricted stock unit activity under the Company’s stock-based compensation plans is shown below:

	Restricted Stock Units	
	Number	Weighted Average Fair Value
Outstanding as of December 31, 2022*	923,126	$ 98.71
Granted	238,431	171.38
Vested	(307,060)	90.47
Forfeited	(61,323)	104.53
Outstanding as of June 30, 2023*	793,174	$ 123.29

** As of June 30, 2023 and December 31, 2022 restricted stock units vested for which the underlying common stock is yet to be issued are 130,528 and 174,490 respectively.*

As of June 30, 2023, unrecognized compensation cost of $77,100 is expected to be expensed over a weighted average period of 2.7 years.

Performance Based Stock Awards

Under the 2018 Plan, the Company grants performance-based restricted stock units (“PRSUs”) to executive officers and other specified employees. During the six months ended June 30, 2023, the Company granted 40% of each award recipient’s equity grants in the form of PRSUs that cliff vest at the end of a three-year period based on an aggregated revenue target for a three-year period (“PU”). The remaining 60% of each award recipient’s equity grants are PRSUs that are based on market conditions, contingent on the Company’s meeting a total shareholder return relative to a group of peer companies specified under the 2018 Plan, and are measured over a three-year performance period (“MU”).

(In thousands, except per share amount and share count)

PRSU activity under the Company's stock plans is shown below:

	Revenue Based PRSUs		Market Condition Based PRSUs	
	Number	Weighted Average Fair Value	Number	Weighted Average Fair Value
Outstanding as of December 31, 2022	49,591	$ 119.99	178,712	$ 134.72
Granted	43,948	172.80	65,849	223.61
Vested	—	—	—	—
Forfeited	(5,399)	127.56	(17,252)	141.19
Outstanding as of June 30, 2023	88,140	$ 145.86	227,309	$ 159.98

As of June 30, 2023, unrecognized compensation cost of $35,048 is expected to be expensed over a weighted average period of 2.1 years.

Employee Stock Purchase Plan

On June 21, 2022, at the annual meeting of stockholders of the Company, the Company's stockholders approved the ExlService Holdings, Inc. 2022 Employee Stock Purchase Plan (the "2022 ESPP").

The 2022 ESPP allows eligible employees to purchase the Company's shares of common stock through payroll deductions at a pre-specified discount to the lower of closing price of the Company's common shares on the date of offering or the last business day of each purchase interval. The dollar amount of shares of common stock that can be purchased under the 2022 ESPP must not exceed 15% of the participating employee's compensation during the offering period, subject to a cap of $25 per employee per calendar year. The Company has reserved 800,000 shares of common stock for issuance over the term of the 2022 ESPP.

The second offering period under the 2022 ESPP commenced on January 1, 2023 with a term of six months.

Activity under the Company's 2022 ESPP is shown below:

	Number of Shares	Total Proceeds Received
Shares available for issuance as of December 31, 2022	800,000	
Issuance of common stock related to the first offering period	(7,636)	$ 1,060
Shares available for issuance as of June 30, 2023	792,364	
Issuance of common stock related to the second offering period made subsequent to June 30, 2023	26,099	$ 3,800

The ESPP is compensatory and results in compensation expense. The fair value of common stock to be issued under the ESPP was determined using the Black-Scholes option pricing model with the following assumptions:

	Six months ended June 30, 2023
Dividend yield	—
Expected life (years)	0.5
Risk free interest rate for expected life	4.7 %
Volatility for expected life	38.9 %
Discount for illiquidity	10.3 %

The weighted average fair value of employee stock purchase rights granted pursuant to the ESPP during the six months ended June 30, 2023 was $25.86.

24. Related Party Disclosures

In April 2022, the Company entered into a service contract for providing analytics services to The Vanguard Group Inc. which beneficially owns more than 10% of the Company's common stock as of June 30, 2023. During the three months ended June 30, 2023 and 2022, the Company recognized revenues, net of $379 and $574, respectively, related to this service contract. During the six months ended June 30, 2023 and 2022, the Company recognized revenues, net of $1,330 and $574, respectively, related to this service contract. The Company had outstanding accounts receivable, net of $383 and $856, related to this service contract as of June 30, 2023 and December 31, 2022, respectively.

25. Commitments and Contingencies

Capital Commitments

As of June 30, 2023, the Company had committed to spend approximately $6,600 under agreements to purchase property and equipment. This amount is net of capital advances paid which are recognized in unaudited consolidated balance sheets as "Capital work in progress" under "Property and equipment, net."

On June 15, 2023, the Company, along with other limited partners, entered into a limited partnership agreement with the general partner, PNP Financial Services Fund GP I, LLC and initial limited partner and outgoing partner, to form a partnership with the name Plug and Play Financial Services Fund I, L.P. (the "Partnership") for the primary purpose of making investments in growth-stage technology companies. The Company is committed under the Partnership to make investments up to an amount of $4,000.

Other Commitments

Certain units of the Company's Indian subsidiaries were established as 100% Export-Oriented units or under the Software Technology Parks of India or Special Economic Zone scheme promulgated by the Government of India. These units are exempt from customs, central excise duties, and levies on imported and indigenous capital goods, stores, and spares. The Company has undertaken to pay custom duties, service taxes, levies, and liquidated damages payable, if any, in respect of imported and indigenous capital goods, stores and spares consumed duty free, in the event that certain terms and conditions are not fulfilled. The Company believes, however, that these units have in the past satisfied, and will continue to satisfy, the required conditions.

The Company's operations centers in the Philippines are registered as qualified Philippines Economic Zone Authority units, which provides the Company fiscal incentives on the import of capital goods and local purchase of services and materials. The Company is required to meet certain requirements to retain the incentives. The Company has complied, and intends to continue compliance, with the requirements to avail itself of the incentives.

Contingencies

The transfer pricing regulations in the countries in which the Company operates require that controlled intercompany transactions be at arm's-length. Accordingly, the Company determines and documents pricing for controlled intercompany transactions based on an economic analysis as prescribed in the respective regulations. The tax authorities have jurisdiction to review the Company's transfer pricing. If the Company's transfer pricing is challenged by the authorities, they could assess additional tax, interest and penalties, thereby impacting the Company's profitability and cash flows.

The Company is currently involved in transfer pricing and related income tax disputes with Indian tax authorities. The aggregate amount demanded by Indian tax authorities (net of advance payments) as of June 30, 2023 and December 31, 2022 is $37,130 and $37,088, respectively. The Company has made payments and/or provided bank guarantees against these demands in the amounts of $7,328 and $7,532, as of June 30, 2023 and December 31, 2022, respectively. The Company believes that its positions will more likely than not be sustained upon final examination by the tax authorities, and accordingly has not accrued any liabilities with respect to these matters in its consolidated financial statements.

India's Value Added Tax ("VAT") regime ended in June 2017 and was replaced by the current Goods and Service Tax ("GST") regime. Pursuant to reviewing the Company's annual VAT filings, the Indian tax authorities raised aggregate VAT demands for tax years 2015 and 2017, in the amounts of $5,572 and $5,526, as of June 30, 2023 and December 31, 2022, respectively. The GST authorities rejected the Company's refunds claims in the amounts of $$4,305 and $3,866 as of June 30, 2023 and December 31, 2022, respectively. The Company has filed appeals against these matters and believes that it is more likely than not that upon final examination its position will be sustained based on its technical merits. Accordingly, no provision was recognized as of June 30, 2023 and December 31, 2022, respectively.

One of the Company's subsidiaries in India has undergone an assessment with the statutory authority with respect to defined social security contribution plan. Except for some components of the assessment for which the Company has recognized a provision in the financial statements, the Company believes that the amount demanded by such authority is not a meaningful indicator of the potential liabilities of the Company, and that the matter is without merit. The Company is defending against the assessment order and has accordingly instituted an appeal against the order before the relevant tribunal while also making a payment under protest of the amount demanded. As of the reporting date, the Company's management does not believe that the ultimate assessment will have a material adverse effect on the Company's consolidated financial condition, results of operations or cash flows. The Company will continue to monitor and evaluate its position based on future events and developments in this matter.

In August 2019 and September 2020, the Indian Parliament passed various consolidating labor codes, including the Code on Social Security, 2020 (the "Indian Social Security Code") which aims to rationalize labor laws relating to employee benefits during employment and post-employment benefits. However, the rules for the Indian Social Security Code are yet to be published and the effective date from which these changes are applicable is yet to be notified. The Company will complete its evaluation once the subject rules are notified and will give appropriate impact in the financial statements in the period in which, the Indian Social Security Code becomes effective and the related rules to determine the financial impact are published.

From time to time, the Company, its subsidiaries, and/or their present officers or directors, may be or have been, named as a defendant in litigation matters, including employment-related claims. The plaintiffs in those cases seek damages, including, where applicable, compensatory damages, punitive damages and attorney's fees. With respect to pending litigation matters as of the reporting date, the Company believes that the damages claimed are without merit, and the Company intends to vigorously defend them. The Company will continuously monitor developments on these matters to assess potential impacts to the financial statements.

The outcomes of legal actions are unpredictable and subject to significant uncertainties, and thus it is inherently difficult to determine the likelihood of the Company incurring a material loss or quantification of any such loss. With respect to pending litigation matters as of the reporting date, based on information currently available, including the Company's assessment of the facts underlying each matter and advice of counsel, the amount or range of reasonably possible losses, if any, cannot be reasonably estimated. Based on the Company's assessment, including the availability of insurance recoveries, the Company's management does not believe that currently pending litigation, individually or in aggregate, will have a material adverse effect on the Company's consolidated financial condition, results of operations or cash flows. The Company will continuously monitor these matters to assess potential impacts to the financial statements.

26. Subsequent Events

On June 20, 2023, the Company's stockholders approved an amendment to the Company's Amended and Restated Certificate of Incorporation, which upon filing with the State of Delaware, and effectiveness thereof, will effect a 5-for-1 forward stock split of the Company's common stock (the "2023 Stock Split") and an increase in the number of authorized shares of the Company's common stock from 100,000,000 shares to 400,000,000 shares. The par value of each share of common stock, $0.001, shall remain unchanged. The 2023 Stock Split was considered to not have been consummated as the common shares were not trading on Nasdaq Global Select Market on a post-split basis as of the date of issuance of the consolidated financial statements.

Pursuant to the 2023 Stock Split, each stockholder of record on July 25, 2023 holding shares of the Company's common stock will receive four additional shares of the Company's common stock for every one share held. The additional shares are to be distributed after the close of business on August 1, 2023.

All share count and per share amounts in these consolidated financial statements are presented on a pre-split basis.

Below are the pro forma weighted average common stock outstanding and earnings per share (basic and diluted) as if 2023 Stock Split had been effective for all years presented:

(In thousands, except per share amount and share count)

	Pro Forma (Unaudited)			
	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Numerator:				
Net income	$ 49,068	$ 35,846	$ 100,399	$ 72,024
Denominator:				
Basic weighted average common shares outstanding	166,776,770	167,017,055	166,986,130	167,113,090
Dilutive effect of share based awards	1,665,475	2,135,640	2,061,645	2,199,895
Diluted weighted average common shares outstanding	168,442,245	169,152,695	169,047,775	169,312,985
Earnings per share attributable to ExlService Holdings, Inc. stockholders:				
Basic	$ 0.29	$ 0.21	$ 0.60	$ 0.43
Diluted	$ 0.29	$ 0.21	$ 0.59	$ 0.43
Weighted average potentially dilutive shares considered anti-dilutive and not included in computing diluted earnings per share	1,249,155	—	897,750	2,705

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion in connection with our unaudited consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q and our audited consolidated financial statements and the related notes included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022. Some of the statements in the following discussion are forward looking statements.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. You should not place undue reliance on these statements because they are subject to numerous uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. These statements often include words such as "may," "will," "should," "believe," "expect," "anticipate," "intend," "plan," "estimate" or similar expressions. These statements are based on assumptions that we have made in light of our experience in the industry as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. As you read and consider this Quarterly Report on Form 10-Q, you should understand that these statements are not guarantees of performance or results. They involve known and unknown risks, uncertainties and assumptions. Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect our actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements. These factors include but are not limited to:

- our ability to maintain and grow client demand for our services and solutions, including anticipating and incorporating the latest technology into our offerings;
- impact on client demand by the selling cycle and terms of our client contracts;
- fluctuations in our earnings;
- our ability to hire and retain enough sufficiently trained employees to support our operations or any changes in the senior management team;
- our ability to accurately estimate and/or manage costs;
- our ability to adjust our pricing terms or effectively manage our asset utilization levels to meet the changing demands of our clients and potential clients;
- cyber security incidents, data breaches, or other unauthorized disclosure of sensitive or confidential client and employee data;
- reliance on third parties to deliver services and infrastructure for client critical services;
- employee wage increases;
- failure to protect our intellectual property;
- our dependence on a limited number of clients in a limited number of industries and our ability to withstand the loss of a significant client;
- our ability to grow our business or effectively manage growth and international operations;
- our ability to successfully consummate or integrate strategic acquisitions including the impact from the impairment of goodwill and other intangible assets, if any;
- our ability to adhere to regulations or accreditation or licensing standards that govern our business;
- increasing competition in our industry;
- telecommunications or technology disruptions or breaches, natural or other disasters, medical epidemics or pandemics, such as COVID-19, or acts of violence or war;
- operational and information security failures arising as a result of remote work solutions adopted due to COVID-19;
- legal liability arising out of customer and third party contracts;
- adverse outcome of our disputes with the tax authorities in the geographies where we operate;
- the introduction of new or unfavorable tax legislation;

- changes in tax laws or decisions regarding repatriation of funds held abroad;
- exposure to currency exchange rate fluctuations in the various currencies in which we do business including the potential effects of Russian-Ukraine conflict, rising inflation, high interest rates and economic recessionary trends on currency exchange rates;
- restrictions on immigration;
- ability to service debt or obtain additional financing on favorable terms. Inception of interest rate swaps to hedge interest rate risk;
- negative public reaction in the U.S. or elsewhere to offshore outsourcing;
- effects of political and economic conditions globally, particularly in the geographies where we operate;
- ability to make accurate estimates and assumptions in connection with the preparation of our consolidated financial statements;
- regulatory, legislative and judicial developments, including changes to or the withdrawal of governmental fiscal incentives;
- credit risk fluctuations in the market values of our investment and derivatives portfolios; and
- our ability to meet our environmental, social and governance-related goals and targets.

These and other factors are more fully discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022. These and other risks could cause actual results to differ materially from those implied by forward-looking statements in this Quarterly Report on Form 10-Q.

The forward-looking statements made by us in this Quarterly Report on Form 10-Q, or elsewhere, speak only as of the date on which they were made. New risks and uncertainties may occur from time to time, and it is impossible for us to predict those events or how they may affect us. We have no obligation to update any forward-looking statements in this Quarterly Report on Form 10-Q after the date of this Quarterly Report on Form 10-Q, except as required by federal securities laws.

Executive Overview

We are a leading data analytics and digital operations and solutions company that partners with clients to improve business outcomes and unlock growth. By bringing together deep domain expertise with robust data, powerful analytics, cloud, AI and ML, we create agile, scalable solutions and execute complex operations for the world’s leading corporations in industries including insurance, healthcare, banking and financial services, media, and retail, among others.

We deliver data analytics and digital operations and solutions to our clients, driving enterprise-scale business transformation initiatives that leverage our deep expertise in advanced analytics, AI, ML and cloud. We manage and report financial information through our four strategic business units: Insurance, Healthcare, Analytics and Emerging Business, which reflects how management reviews financial information and makes operating decisions.

Our reportable segments are as follows:

- Insurance,
- Healthcare,
- Analytics, and
- Emerging Business

Our global delivery network, which includes highly trained industry and process specialists across the United States, Latin America, South Africa, Europe and Asia (primarily India and the Philippines), is a key asset. We have operations centers in India, the United States, the United Kingdom, the Republic of Ireland, the Philippines, Bulgaria, Colombia, South Africa, Romania and the Czech Republic.

Revenues

For the three months ended June 30, 2023, we generated revenues of $405.0 million compared to revenues of $346.8 million for the three months ended June 30, 2022, an increase of $58.2 million, or 16.8%. For the six months ended June 30, 2023, we generated revenues of $805.6 million compared to revenues of $676.0 million for the six months ended June 30, 2022, an increase of $129.6 million, or 19.2%.

We serve clients mainly in the United States and the United Kingdom, with these two regions generating 84.1% and 10.8%, respectively, of our total revenues for the three months ended June 30, 2023, and 86.1% and 9.3%, respectively, of our total revenues for the three months ended June 30, 2022. For the six months ended June 30, 2023, these two regions generated 84.4% and 10.6%, respectively, of our total revenues and 85.9% and 9.6%, respectively, of our total revenues for the six months ended June 30, 2022.

For the three months ended June 30, 2023 and 2022, our total revenues from our top ten clients accounted for 33.8% and 36.2% of our total revenues, respectively. For the six months ended June 30, 2023 and 2022, our total revenues from our top ten clients accounted for 34.3% and 36.2% of our total revenues, respectively. Although we continue to develop relationships with new clients to diversify our client base, we believe that the loss of any of our top ten clients could have a material adverse effect on our financial performance.

Our Business

We provide data analytics and digital operations and solutions to our clients. We market our services to our existing and prospective clients through our sales and client management teams, which are aligned by key industry verticals and cross-industry domains such as finance and accounting. Our sales and client management teams operate primarily from the United States, Europe and Australia.

Digital Operations and Solutions: We provide our clients with a range of digital operations and solutions from our Insurance, Healthcare and Emerging Business strategic business units, which are focused on solving complex industry challenges such as the insurance claims life cycle, financial transactions processing and provider and member experiences. This typically involves the use of agile delivery models to implement digital technologies and interventions like hyper-automation, customer experience transformation, advanced automation, robotics, enterprise architecture, end-to-end business function management and transformations. We either administer and manage these functions on an ongoing basis via longer-term arrangements or project work. For a portion of our digital operations and solutions, we hire and train employees to work at our operations centers on the relevant business operations, implement a process migration to these operations centers and then provide services either to the client or directly to the client's customers. Each client contract has different terms based on the scope, deliverables and complexity of the engagement. We also provide consulting services related to digital operations and solutions that include industry-specific digital transformational services as well as cross-industry finance and accounting services as part of the Emerging Business strategic business unit.

We provide our services under contracts with our clients, which typically have terms of three or more years, with some being contracts with no end dates. These contracts provide us with a relatively predictable revenue base for a substantial portion of our digital operations and solutions business. However, our clients can typically terminate these contracts with or without cause and with short notice periods. We have a long selling cycle for our services and the budget and approval processes of prospective clients make it difficult to predict the timing of entering into definitive agreements with new clients. Similarly, new license sales and implementation projects for our technology service platforms and other software-based services have a long selling cycle, however ongoing annual maintenance and support contracts for existing arrangements provide us with a relatively predictable revenue base.

We charge for our services using various pricing models like time-and-material pricing, full-time-equivalent pricing, transaction-based pricing, outcome-based pricing, subscription-based pricing and other alternative pricing models. Outcome-based pricing arrangements are examples of non-linear pricing models where clients link revenues from platforms and solutions and the services we provide to usage or savings rather than the efforts deployed to provide these services. We continue to observe a shift in the industry pricing models toward transaction-based pricing, outcome-based pricing and other alternative pricing models. We believe this trend will continue and we use such alternative pricing models with some of our current clients and are seeking to move certain other clients from a full-time-equivalent pricing model to a transaction-based or other alternative pricing model. These alternative pricing models place the focus on operating efficiency in order to maintain or improve our gross margins.

We have also observed that prospective larger clients are entering into multi-vendor relationships with regard to their digital operations and solutions needs to seek more favorable contract terms and diversification of the risk of concentration on a few vendors. We believe that the trend toward multi-vendor relationships will continue. A multi-vendor relationship allows a client to seek more favorable pricing and other contract terms from each vendor, which can result in significantly reduced gross margins from the provision of services to such client for each vendor. To the extent our large clients expand their use of multi-vendor relationships and are able to extract more favorable contract terms from other vendors, our gross margins and revenues may be reduced with regard to such clients if we are required to modify the terms of our relationships with such clients to meet competition.

Analytics: Our analytics services aim to drive better business outcomes for our clients by unlocking deep insights from data and creating data-led solutions across all parts of our clients' business. We provide care optimization and reimbursement optimization services, for our clients through our healthcare analytics solutions and services. We also offer integrated solutions to help our clients in cost containment by leveraging technology platforms, customizable and configurable analytics and expertise in healthcare reimbursements to help clients enhance their claim payment accuracy. Our Analytics teams deliver predictive and prescriptive analytics in the areas of customer acquisition and life cycle management, risk underwriting and pricing, operational effectiveness, credit and operational risk monitoring and governance, regulatory reporting and data management. We enhance, modernize and enrich structured and unstructured data and use a spectrum of advanced analytical tools and techniques, including our in-house AI and ML capabilities and proprietary solutions to create insights, improve decision making for our clients and address a range of complex industry-wide priorities. Our acquisition of Clairvoyant AI, Inc. ("Clairvoyant") in December 2021 strengthened our data analytics capabilities with additional expertise in data and product engineering, cloud enablement and managed services, further supporting our clients in the insurance, healthcare, banking and financial services and retail industries. We actively cross-sell and, where appropriate, integrate our analytics services with other digital operations and solutions as part of a comprehensive offering for our clients. Our projects-based analytics services are cyclical and can be significantly affected by variations in business cycles. In addition, our projects-based analytics services are documented in contracts with terms generally not exceeding one year and may not produce ongoing or recurring business for us once the project is completed. These contracts also usually contain provisions permitting termination of the contract after a short notice period. The short-term nature and specificity of these projects could lead to fluctuations and uncertainties in the revenues generated from providing analytics services.

We anticipate that revenues from our analytics services will grow as we expand our service offerings and client base, both organically and through acquisitions.

2023 Stock Split

On June 20, 2023, subsequent to the approval and recommendation of our board of directors, our stockholders approved an amendment to our Amended and Restated Certificate of Incorporation, which upon filing with the State of Delaware, and effectiveness thereof, will effect a 5-for-1 forward stock split of our common stock and an increase in the number of authorized shares of our common stock from 100,000,000 shares to 400,000,000 shares (see Note 26 – Subsequent Events to our unaudited consolidated financial statements herein for further details.)

Critical Accounting Policies and Estimates

There have been no significant changes in our critical accounting policies and estimates during the three and six months ended June 30, 2023, as compared to the critical accounting policies and estimates referred in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" under "Critical Accounting Policies and Estimates" and Note 2 - Summary of Significant Accounting Policies to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Results of Operations

The following table summarizes our results of operations:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	(dollars in millions)		(dollars in millions)	
Revenues, net	$ 405.0	$ 346.8	$ 805.6	$ 676.0
Cost of revenues[1]	253.2	221.2	504.7	428.7
Gross profit[1]	**151.8**	**125.6**	**300.9**	**247.3**
Operating expenses:				
General and administrative expenses	45.6	40.5	92.3	80.4
Selling and marketing expenses	28.2	24.0	57.7	48.2
Depreciation and amortization expense	13.1	14.1	26.6	27.7
Total operating expenses	86.9	78.6	176.6	156.3
Income from operations	**64.9**	**47.0**	**124.3**	**91.0**
Foreign exchange gain, net	0.3	1.4	0.4	3.2
Interest expense	(3.2)	(1.5)	(6.6)	(2.4)
Other income/(loss), net	2.6	(0.2)	5.8	2.2
Income before income tax expense and earnings from equity affiliates	**64.6**	**46.7**	**123.9**	**94.0**
Income tax expense	15.5	11.1	23.6	22.3
Income before earnings from equity affiliates	**49.1**	**35.6**	**100.3**	**71.7**
Gain from equity-method investment	—	0.2	0.1	0.3
Net income attributable to ExlService Holdings, Inc. stockholders	**$ 49.1**	**$ 35.8**	**$ 100.4**	**$ 72.0**

(1) Exclusive of depreciation and amortization expense.

Due to rounding, the numbers presented in the tables included in this Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" may not add up precisely to the totals provided.

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

Revenues.

The following table summarizes our revenues by reportable segments:

	Three months ended June 30, 2023	Three months ended June 30, 2022	Change	Percentage change
	(dollars in millions)			
Insurance	$ 128.5	$ 108.5	$ 20.0	18.3 %
Healthcare	27.2	23.1	4.1	17.8 %
Emerging Business	67.1	53.9	13.2	24.7 %
Analytics	182.2	161.3	20.9	12.9 %
Total revenues, net	$ 405.0	$ 346.8	$ 58.2	16.8 %

Revenues for the three months ended June 30, 2023 were $405.0 million, up $58.2 million, or 16.8%, compared to the three months ended June 30, 2022, driven primarily by revenue growth from our new and existing clients in all of our reportable segments.

Revenue growth in Insurance of $20.0 million was primarily driven by expansion of business from our new and existing clients of $20.9 million. This was partially offset by a loss of $0.9 million, mainly attributable to the depreciation of the Australian dollar, the South African ZAR and the Indian rupee against the U.S. dollar during the three months ended June 30, 2023, compared to the three months ended June 30, 2022. Insurance revenues were 31.7% and 31.3% of our total revenues during the three months ended June 30, 2023 and June 30, 2022, respectively.

Revenue growth in Healthcare of $4.1 million was primarily driven by expansion of business from our new and existing clients during the three months ended June 30, 2023. Healthcare revenues were 6.7% of our total revenues for each of the three months ended June 30, 2023 and June 30, 2022.

Revenue growth in Emerging Business of $13.2 million was primarily driven by expansion of business from our new and existing clients of $13.7 million. This was partially offset by a loss of $0.5 million, mainly attributable to the depreciation of the Indian rupee against the U.S. dollar during the three months ended June 30, 2023, compared to the three months ended June 30, 2022. Emerging Business revenues were 16.6% and 15.5% of our total revenues during the three months ended June 30, 2023 and June 30, 2022, respectively.

Revenue growth in Analytics of $20.9 million was primarily driven by higher volumes in our annuity and project based engagements from our new and existing clients. Analytics revenues were 45.0% and 46.5% of our total revenues during the three months ended June 30, 2023 and June 30, 2022, respectively.

Cost of Revenues and Gross Margin**:** The following table sets forth cost of revenues and gross margin of our reportable segments:

	Cost of Revenues				Gross Margin		
	Three months ended June 30,		Change	Percentage change	Three months ended June 30,		Change
	2023	2022			2023	2022	
	(dollars in millions)						
Insurance	$ 84.3	$ 70.6	$ 13.7	19.4 %	34.4 %	34.9 %	(0.5)%
Healthcare	17.6	17.7	(0.1)	(0.9)%	35.4 %	23.2 %	12.2 %
Emerging Business	37.8	31.2	6.6	21.2 %	43.7 %	42.1 %	1.6 %
Analytics	113.5	101.7	11.8	11.7 %	37.7 %	37.0 %	0.7 %
Total	$ 253.2	$ 221.2	$ 32.0	14.5 %	37.5 %	36.2 %	1.3 %

For the three months ended June 30, 2023, cost of revenues was $253.2 million compared to $221.2 million for the three months ended June 30, 2022, an increase of $32.0 million, or 14.5%. The increase in cost of revenues was primarily due to increases in employee-related costs, partially offset by foreign exchange gain, net of hedging. Our gross margin for the three months ended June 30, 2023 was 37.5%, compared to 36.2% for the three months ended June 30, 2022, an increase of 130 basis points ("bps") primarily driven by higher revenues, operational efficiencies and foreign exchange gain, net of hedging during the three months ended June 30, 2023, compared to the three months ended June 30, 2022.

The increase in cost of revenues in Insurance of $13.7 million for the three months ended June 30, 2023 was primarily due to increases in employee-related costs of $13.8 million on account of higher headcount and wage inflation and higher technology costs of $2.0 million on account of increased use of the hybrid and remote working models, partially offset by foreign exchange gain, net of hedging of $2.1 million. Gross margin in Insurance decreased by 50 bps during the three months ended June 30, 2023, compared to the three months ended June 30, 2022, primarily due to lower margins associated with higher costs during ramp-ups in certain existing and new clients and higher employee costs during the three months ended June 30, 2023, compared to the three months ended June 30, 2022.

The decrease in cost of revenues in Healthcare of $0.1 million for the three months ended June 30, 2023 was primarily due to lower other operating costs of $0.6 million and foreign exchange gain, net of hedging of $0.5 million, partially offset by increases in employee-related costs of $1.0 million on account of higher headcount and wage inflation. Gross margin in Healthcare increased by 1,220 bps during the three months ended June 30, 2023, compared to the three months ended June 30, 2022, primarily due to higher revenues, operational efficiencies and foreign exchange gain, net of hedging during the three months ended June 30, 2023, compared to the three months ended June 30, 2022.

The increase in cost of revenues in Emerging Business of $6.6 million for the three months ended June 30, 2023 was primarily due to increases in employee-related costs of $6.1 million on account of higher headcount and wage inflation, higher technology costs of $1.0 million on account of increased use of the hybrid and remote working models and higher other operating costs of $0.6 million, partially offset by foreign exchange gain, net of hedging of $1.1 million. Gross margin in Emerging Business increased by 160 bps during the three months ended June 30, 2023, compared to the three months ended June 30, 2022, primarily due to higher revenues and operational efficiencies during the three months ended June 30, 2023, compared to the three months ended June 30, 2022.

The increase in cost of revenues in Analytics of $11.8 million for the three months ended June 30, 2023 was primarily due to increases in employee-related costs of $15.6 million on account of higher headcount and wage inflation, partially offset by lower other operating costs of $1.9 million and foreign exchange gain, net of hedging of $1.9 million. Gross margin in Analytics increased by 70 bps during the three months ended June 30, 2023, compared to the three months ended June 30, 2022, primarily due to higher revenues and foreign exchange gain, net of hedging during the three months ended June 30, 2023, compared to the three months ended June 30, 2022.

Selling, General and Administrative ("SG&A") Expenses.

	Three months ended June 30, 2023	2022	Change	Percentage change
	(dollars in millions)			
General and administrative expenses	$ 45.6	$ 40.5	$ 5.1	12.8 %
Selling and marketing expenses	28.2	24.0	4.2	17.7 %
Selling, general and administrative expenses	$ 73.8	$ 64.5	$ 9.3	14.6 %
As a percentage of revenues	18.2 %	18.6 %		

The increase in SG&A expenses of $9.3 million was primarily due to higher employee-related costs of $5.9 million on account of higher headcount and wage inflation, higher technology costs of $1.2 million on account of increased use of the hybrid and remote working models, increase in travel costs of $0.8 million and higher other operating costs of $2.2 million. This was partially offset by foreign exchange gain, net of hedging of $0.8 million, during the three months ended June 30, 2023, compared to the three months ended June 30, 2022.

Depreciation and Amortization.

	Three months ended June 30, 2023	2022	Change	Percentage change
	(dollars in millions)			
Depreciation expense	$ 8.9	$ 10.0	$ (1.1)	(10.2)%
Intangible amortization expense	4.2	4.1	0.1	1.4 %
Depreciation and amortization expense	$ 13.1	$ 14.1	$ (1.0)	(6.8)%
As a percentage of revenues	3.2 %	4.1 %		

The decrease in depreciation expense of $1.1 million was primarily due to lower depreciation of $0.8 million on assets related to operations centers closed as a result of optimization of office space and increased use of the hybrid and remote working models and foreign exchange gain, net of hedging of $0.3 million during the three months ended June 30, 2023, compared to the three months ended June 30, 2022. The increase in intangibles amortization expense of $0.1 million during the three months ended June 30, 2023, compared to the three months ended June 30, 2022 was primarily due to amortization of intangibles associated with our acquisition of Inbound Media Group, LLC in June 2022.

Income from Operations. Income from operations increased by $17.9 million, or 37.7%, from $47.0 million for the three months ended June 30, 2022 to $64.9 million for the three months ended June 30, 2023, primarily due to higher revenues, partially offset by higher cost of revenues and higher SG&A expenses during the three months ended June 30, 2023. As a percentage of revenues, income from operations increased from 13.6% for the three months ended June 30, 2022 to 16.0% for the three months ended June 30, 2023.

Foreign Exchange Gain, net. Foreign exchange gains and losses are primarily attributable to the movement of the U.S. dollar against the Indian rupee, the Philippine peso, the U.K. pound sterling and the South African ZAR during the three months ended June 30, 2023, compared to the three months ended June 30, 2022. The average exchange rate of the U.S. dollar against the Indian rupee increased from 77.68 during the three months ended June 30, 2022 to 82.20 during the three months ended June 30, 2023. The average exchange rate of the U.S. dollar against the Philippine peso increased from 53.18 during the three months ended June 30, 2022 to 55.58 during the three months ended June 30, 2023. The average exchange rate of the U.K. pound sterling against the U.S. dollar increased from 1.24 during the three months ended June 30, 2022 to 1.25 during the three months ended June 30, 2023. The average exchange rate of the U.S. dollar against the South African ZAR increased from 15.94 during the three months ended June 30, 2022 to 19.02 during the three months ended June 30, 2023.

We recorded a foreign exchange gain, net of $1.4 million for the three months ended June 30, 2022 compared to a foreign exchange gain, net of $0.3 million for the three months ended June 30, 2023.

Interest expense. Interest expense increased from $1.5 million for the three months ended June 30, 2022 to $3.2 million for the three months ended June 30, 2023, primarily due to a higher effective interest rate of 6.2% during the three months ended June 30, 2023, compared to 2.0% during the three months ended June 30, 2022, partially offset by a lower average outstanding balance under our revolving credit facility during the three months ended June 30, 2023, compared to the three months ended June 30, 2022.

Other Income/(Loss), net.

	Three months ended June 30,			
	2023	2022		
	(dollars in millions)		Change	Percentage change
Gain on sale and mark-to-market on investments	$ 1.1	$ 0.7	$ 0.4	72.7 %
Interest and dividend income	1.7	0.8	0.9	95.2 %
Other, net	(0.2)	(1.7)	1.5	(94.7)%
Other income/(loss), net	$ 2.6	$ (0.2)	$ 2.8	(1,629.3)%

Other income/(loss), net increased by $2.8 million, from Other loss, net of $0.2 million for the three months ended June 30, 2022 to Other income, net of $2.6 million for the three months ended June 30, 2023. The increase is primarily due to higher return on mutual fund investments of $0.4 million, higher interest income on our short-term and long-term investments of $0.6 million during the three months ended June 30, 2023, compared to the three months ended June 30, 2022, and an increase of $1.0 million due to change in fair value of contingent consideration liability related to our Clairvoyant acquisition during the three months ended June 30, 2022.

Income Tax Expense. The effective tax rate increased from 23.8% during the three months ended June 30, 2022 to 24.1% during the three months ended June 30, 2023. We recorded income tax expense of $15.5 million and $11.1 million for the three months ended June 30, 2023 and June 30, 2022, respectively. The increase in income tax expense was primarily as a result of higher profit during the three months ended June 30, 2023, compared to the three months ended June 30, 2022, and an increase in non-deductible expenses during the three months ended June 30, 2023, partially offset by higher excess tax benefits related to stock-based compensation during the three months ended June 30, 2023, compared to the three months ended June 30, 2022.

Net Income. Net income increased from $35.8 million for the three months ended June 30, 2022 to $49.1 million for the three months ended June 30, 2023, primarily due to increase in income from operations of $17.9 million and higher other income, net of $2.6 million partially offset by higher income tax expense of $4.4 million, higher interest expense of $1.7 million and lower foreign exchange gain, net of $1.1 million. As a percentage of revenues, net income increased from 10.3% for the three months ended June 30, 2022 to 12.1% for the three months ended June 30, 2023.

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

Revenues.

The following table summarizes our revenues by reportable segments:

	Six months ended June 30, 2023	Six months ended June 30, 2022	Change	Percentage change
	(dollars in millions)			
Insurance	$ 254.4	$ 211.8	$ 42.6	20.1 %
Healthcare	53.9	49.3	4.6	9.5 %
Emerging Business	133.3	104.6	28.7	27.5 %
Analytics	364.0	310.3	53.7	17.3 %
Total revenues, net	$ 805.6	$ 676.0	$ 129.6	19.2 %

Revenues for the six months ended June 30, 2023 were $805.6 million, up $129.6 million, or 19.2%, compared to the six months ended June 30, 2022, driven primarily by revenue growth from our new and existing clients in all of our reportable segments.

Revenue growth in Insurance of $42.6 million was primarily driven by expansion of business from our new and existing clients of $44.9 million. This was partially offset by a loss of $2.3 million, mainly attributable to the depreciation of the Australian dollar, the Indian rupee and the South African ZAR against the U.S. dollar during the six months ended June 30, 2023, compared to the six months ended June 30, 2022. Insurance revenues were 31.6% and 31.3% of our total revenues during the six months ended June 30, 2023 and June 30, 2022, respectively.

Revenue growth in Healthcare of $4.6 million was primarily driven by expansion of business from our new and existing clients during the six months ended June 30, 2023. Healthcare revenues were 6.7% and 7.3% of our total revenues during the six months ended June 30, 2023 and June 30, 2022, respectively.

Revenue growth in Emerging Business of $28.7 million was primarily driven by expansion of business from our new and existing clients of $31.0 million. This was partially offset by a loss of $2.3 million, mainly attributable to the depreciation of the Indian rupee and the U.K. pound sterling against the U.S. dollar during the six months ended June 30, 2023, compared to the six months ended June 30, 2022. Emerging Business revenues were 16.6% and 15.5% of our total revenues during the six months ended June 30, 2023 and June 30, 2022, respectively.

Revenue growth in Analytics of $53.7 million was primarily driven by higher volumes in our annuity and project based engagements from our new and existing clients of $54.5 million. This was partially offset by a loss of $0.8 million, mainly attributable to the depreciation of the U.K. pound sterling against the U.S. dollar during the six months ended June 30, 2023, compared to the six months ended June 30, 2022. Analytics revenues were 45.1% and 45.9% of our total revenues during the six months ended June 30, 2023 and June 30, 2022, respectively.

***Cost of Revenues and Gross Margin*:** The following table sets forth cost of revenues and gross margin of our reportable segments:

	Cost of Revenues				Gross Margin		
	Six months ended June 30,		Change	Percentage change	Six months ended June 30,		Change
	2023	2022			2023	2022	
	(dollars in millions)						
Insurance	$ 166.6	$ 135.7	$ 30.9	22.8 %	34.5 %	35.9 %	(1.4)%
Healthcare	36.4	35.3	1.1	2.8 %	32.5 %	28.2 %	4.3 %
Emerging Business	73.8	60.4	13.4	22.2 %	44.6 %	42.2 %	2.4 %
Analytics	227.9	197.3	30.6	15.5 %	37.4 %	36.5 %	0.9 %
Total	$ 504.7	$ 428.7	$ 76.0	17.7 %	37.4 %	36.6 %	0.8 %

For the six months ended June 30, 2023, cost of revenues was $504.7 million compared to $428.7 million for the six months ended June 30, 2022, an increase of $76.0 million, or 17.7%. The increase in cost of revenues was primarily due to increases in employee-related costs, partially offset by foreign exchange gain, net of hedging. Our gross margin for the six months ended June 30, 2023 was 37.4% compared to 36.6% for the six months ended June 30, 2022, an increase of 80 basis points ("bps") primarily driven by higher revenues, operational efficiencies and foreign exchange gain, net of hedging during the six months ended June 30, 2023, compared to the six months ended June 30, 2022.

The increase in cost of revenues in Insurance of $30.9 million for the six months ended June 30, 2023 was primarily due to increases in employee-related costs of $30.8 million on account of higher headcount and wage inflation, higher technology costs of $4.9 million on account of increased use of the hybrid and remote working models and higher other operating cost of $2.0 million, partially offset by foreign exchange gain, net of hedging of $5.1 million, lower facilities cost of $0.9 million and lower travel cost of $0.8 million. Gross margin in Insurance decreased by 140 bps during the six months ended June 30, 2023, compared to the six months ended June 30, 2022, primarily due to lower margins associated with higher costs during ramp-ups in certain existing and new clients during the six months ended June 30, 2023, compared to the six months ended June 30, 2022.

The increase in cost of revenues in Healthcare of $1.1 million for the six months ended June 30, 2023 was primarily due to increases in employee-related costs of $2.8 million on account of higher headcount and wage inflation, partially offset by lower other operating costs of $0.4 million and foreign exchange gain, net of hedging of $1.3 million. Gross margin in Healthcare increased by 430 bps during the six months ended June 30, 2023, compared to the six months ended June 30, 2022, primarily due to higher revenues and foreign exchange gain, net of hedging during the six months ended June 30, 2023, compared to the six months ended June 30, 2022.

The increase in cost of revenues in Emerging Business of $13.4 million for the six months ended June 30, 2023 was primarily due to increases in employee-related costs of $13.2 million on account of higher headcount and wage inflation, higher technology costs of $1.8 million on account of increased use of the hybrid and remote working models and higher other operating costs of $1.2 million, partially offset by foreign exchange gain, net of hedging of $2.8 million. Gross margin in Emerging Business increased by 240 bps during the six months ended June 30, 2023, compared to the six months ended June 30, 2022, primarily due to higher revenues and operational efficiencies during the six months ended June 30, 2023, compared to the six months ended June 30, 2022.

The increase in cost of revenues in Analytics of $30.6 million for the six months ended June 30, 2023 was primarily due to increases in employee-related costs of $36.4 million on account of higher headcount and wage inflation, partially offset by lower other operating costs of $1.0 million and foreign exchange gain, net of hedging of $4.8 million. Gross margin in Analytics increased by 90 bps during the six months ended June 30, 2023, compared to the six months ended June 30, 2022, primarily due to higher revenues and foreign exchange gain, net of hedging during the six months ended June 30, 2023, compared to the six months ended June 30, 2022.

Selling, General and Administrative ("SG&A") Expenses.

	Six months ended June 30, 2023	Six months ended June 30, 2022	Change	Percentage change
	(dollars in millions)			
General and administrative expenses	$ 92.3	$ 80.4	$ 11.9	14.9 %
Selling and marketing expenses	57.7	48.2	9.5	19.9 %
Selling, general and administrative expenses	$ 150.0	$ 128.6	$ 21.4	16.8 %
As a percentage of revenues	18.6 %	19.0 %		

The increase in SG&A expenses of $21.4 million was primarily due to higher employee-related costs of $17.0 million on account of higher headcount and wage inflation, increase in travel costs of $2.0 million, higher technology costs of $1.1 million on account of increased use of the hybrid and remote working models and higher other operating costs of $3.5 million. This was partially offset by foreign exchange gain, net of hedging of $2.2 million, during the six months ended June 30, 2023, compared to the six months ended June 30, 2022.

Depreciation and Amortization.

	Six months ended June 30, 2023	Six months ended June 30, 2022	Change	Percentage change
	(dollars in millions)			
Depreciation expense	$ 18.3	$ 19.1	$ (0.8)	(4.1)%
Intangible amortization expense	8.3	8.6	(0.3)	(3.2)%
Depreciation and amortization expense	$ 26.6	$ 27.7	$ (1.1)	(3.9)%
As a percentage of revenues	3.3 %	4.1 %		

The decrease in depreciation expense of $0.8 million was primarily due to foreign exchange gain, net of hedging during the six months ended June 30, 2023, compared to the six months ended June 30, 2022. The decrease in intangibles amortization expense of $0.3 million during the six months ended June 30, 2023, compared to the six months ended June 30, 2022 was primarily due to end of useful lives for certain intangible assets.

Income from Operations. Income from operations increased by $33.3 million, or 36.5%, from $91.0 million for the six months ended June 30, 2022 to $124.3 million for the six months ended June 30, 2023, primarily due to higher revenues, partially offset by higher cost of revenues and higher SG&A expenses during the six months ended June 30, 2023. As a percentage of revenues, income from operations increased from 13.5% for the six months ended June 30, 2022 to 15.4% for the six months ended June 30, 2023.

Foreign Exchange Gain, net. Foreign exchange gains and losses are primarily attributable to the movement of the U.S. dollar against the Indian rupee, the Philippine peso, the U.K. pound sterling and the South African ZAR during the six months ended June 30, 2023, compared to the six months ended June 30, 2022. The average exchange rate of the U.S. dollar against the Indian rupee increased from 76.46 during the six months ended June 30, 2022 to 82.22 during the six months ended June 30, 2023. The average exchange rate of the U.S. dollar against the Philippine peso increased from 52.25 during the six months ended June 30, 2022 to 55.18 during the six months ended June 30, 2023. The average exchange rate of the U.K. pound sterling against the U.S. dollar decreased from 1.29 during the six months ended June 30, 2022 to 1.24 during the six months ended June 30, 2023. The average exchange rate of the U.S. dollar against the South African ZAR increased from 15.54 during the six months ended June 30, 2022 to 18.46 during the six months ended June 30, 2023.

We recorded a net foreign exchange gain, net of $3.2 million for the six months ended June 30, 2022, compared to the net foreign exchange gain, net of $0.4 million for the six months ended June 30, 2023.

Interest expense. Interest expense increased from $2.4 million for the six months ended June 30, 2022 to $6.6 million for the six months ended June 30, 2023, primarily due to a higher effective interest rate of 6.1% during the six months ended June 30, 2023, compared to 1.7% during the six months ended June 30, 2022, partially offset by a lower average outstanding balance under our revolving credit facility during the six months ended June 30, 2023, compared to the six months ended June 30, 2022.

Other Income/(Loss), net.

	Six months ended June 30,			
	2023	**2022**	**Change**	**Percentage change**
Gain on sale and mark-to-market on investments	$ 2.7	$ 1.9	$ 0.8	46.5 %
Interest and dividend income	3.4	2.2	1.2	52.2 %
Other, net	(0.3)	(1.9)	1.6	(83.9)%
Other income, net	$ 5.8	$ 2.2	$ 3.6	160.0 %

Other income, net increased by $3.6 million, from $2.2 million for the six months ended June 30, 2022 to $5.8 million for the six months ended June 30, 2023. The increase is primarily due to higher return on mutual fund investments of $0.8 million, higher interest income on our short-term and long-term investments of $1.5 million, higher dividend income on our investments in money market funds of $0.3 million during the six months ended June 30, 2023, partially offset by interest on income tax refunds of $0.7 million received during the six months ended June 30, 2022. There was also an increase of $0.4 million due to higher amortization of actuarial losses related to our employee benefit plans and an increase of $1.0 million due to change in fair value of contingent consideration liability related to our Clairvoyant acquisition during the six months ended June 30, 2022.

Income Tax Expense. The effective tax rate decreased from 23.7% during the six months ended June 30, 2022 to 19.1% during the six months ended June 30, 2023. We recorded income tax expense of $23.6 million and $22.3 million for the six months ended June 30, 2023 and 2022, respectively. The increase in income tax expense was primarily as a result of higher profit during the six months ended June 30, 2023, compared to the six months ended June 30, 2022, and an increase in non-deductible expenses, partially offset by higher excess tax benefits related to stock-based compensation during the six months ended June 30, 2023, compared to the six months ended June 30, 2022.

Net Income. Net income increased from $72.0 million for the six months ended June 30, 2022 to $100.4 million for the six months ended June 30, 2023, primarily due to increase in income from operations of $33.3 million and higher other income, net of $3.4 million, partially offset by higher interest expense of $4.2 million, lower foreign exchange gain, net of $2.8 million and higher income tax expense of $1.3 million. As a percentage of revenues, net income increased from 10.7% for the six months ended June 30, 2022 to 12.5% for the six months ended June 30, 2023.

Liquidity and Capital Resources

	Six months ended June 30,	
	2023	2022
	(dollars in millions)	
Opening cash, cash equivalents and restricted cash	$ 125.6	$ 143.8
Net cash provided by operating activities	63.6	53.1
Net cash provided by/(used for) investing activities	11.8	(41.0)
Net cash used for financing activities	(101.8)	(35.3)
Effect of exchange rate changes	1.5	(5.4)
Closing cash, cash equivalents and restricted cash	$ 100.7	$ 115.2

As of June 30, 2023 and 2022, we had $250.0 million and $266.0 million, respectively, in cash, cash equivalents and short-term investments, of which $224.0 million and $242.0 million, respectively, is located in foreign jurisdictions that upon distribution may be subject to withholding and other taxes. We periodically evaluate opportunities to distribute cash among our group entities to fund our operations, expand our business and make strategic acquisitions in the United States and other geographies, and as and when we decide to distribute, we may have to accrue additional taxes in accordance with local tax laws, rules and regulations in the relevant foreign jurisdictions. During the six months ended June 30, 2023, our subsidiaries in India, the United Kingdom and Australia repatriated $76.0 million (net of $4.0 million withholding taxes), $15.6 million and $9.1 million, respectively, to the United States. These distributions do not constitute a change in our permanent reinvestment assertion.

Operating Activities:

Net cash provided by operating activities was $63.6 million for the six months ended June 30, 2023 as compared to net cash provided by operating activities of $53.1 million for the six months ended June 30, 2022, reflecting our cash earnings and effective management of working capital needs. The major drivers contributing to the increase of $10.5 million year-over-year included the following:

- Increase in cash earnings including adjustments for non-cash and other items contributed higher cash flow of $29.0 million during the six months ended June 30, 2023 compared to the six months ended June 30, 2022. These adjustments comprise of deferred tax effects, depreciation and amortization of long-lived assets and intangibles acquired in business combinations, share-based employee compensation, unrealized foreign currency exchange gain/(loss), unrealized gain/(loss) on investments, among others.

- Changes in accounts receivable, including advance billings, contributed higher cash flow of $19.1 million in the six months ended June 30, 2023 compared to the six months ended June 30, 2022. Collections in accounts receivable, including advance billings, was driven by revenue growth during the six months ended June 30, 2023. This was partially offset by increase in our days sales outstanding which was 63 days as of June 30, 2023 as compared to 60 days as of June 30, 2022.

- Higher income tax payments, net of refunds, contributed higher cash payouts of $39.0 million, partially offset by provision for income tax and changes in deferred tax assets and liabilities of $19.7 million during the six months ended June 30, 2023 compared to the six months ended June 30, 2022.

- Changes in other assets, accounts payables including other liabilities contributed higher cash payouts of $18.3 million during the six months ended June 30, 2023 compared to the six months ended June 30, 2022.

Investing Activities: Cash provided by investing activities were $11.8 million for the six months ended June 30, 2023 as compared to cash used for investing activities of $41.0 million for the six months ended June 30, 2022. The increase in cash provided by investing activities of $52.8 million year-over-year is mainly due to higher net redemption of investments of $37.4 million during six months ended June 30, 2023 as compared to net purchase of investments of $13.5 million during the six months ended June 30, 2022. The increase was also due to acquisition-related payouts of $2.6 million during the six months ended June 30, 2022 with no corresponding payouts during the six months ended June 30, 2023.

Financing Activities: Cash used for financing activities were $101.8 million during the six months ended June 30, 2023 as compared to cash used for financing activities of $35.3 million during the six months ended June 30, 2022. The increase in cash used of $66.5 million year-over-year was primarily due to net repayment of our borrowings under our revolving credit facility of $30.0 million during the six months ended June 30, 2023 as compared to net proceeds of our borrowings of $25.0 million during the six months ended June 30, 2022. The increase was also due to higher purchases of treasury stock by $10.4 million under our share repurchase program, payment of contingent consideration related to our Clairvoyant acquisition of $5.0 million during the six months ended June 30, 2023, partially offset by employees' contributions under the employee stock purchase plan of $3.8 million during the six months ended June 30, 2023.

We expect to use cash from operating activities to maintain and expand our business by making investments, primarily related to building new digital capabilities and purchase telecommunications equipment and computer hardware and software in connection with managing client operations.

We incurred $26.1 million of capital expenditures during the six months ended June 30, 2023. We expect to incur total capital expenditures of between $47.0 million to $52.0 million in 2023, primarily to meet our growth requirements, including additions to our facilities as well as investments in technology applications, product development, digital technology, advanced automation, robotics and infrastructure.

In connection with any tax assessment orders that have been issued, or may be issued against us or our subsidiaries, we may be required to deposit additional amounts with the relevant authorities with respect to such assessment orders (see Note 25 - Commitments and Contingencies to our unaudited consolidated financial statements herein for further details).

We believe that our existing cash, cash equivalents and short-term investments and sources of liquidity will be sufficient to satisfy our cash requirements over the next 12 months. Our future cash requirements will depend on many factors, including our rate of revenue growth, our investments in strategic initiatives, applications or technologies, operation centers and acquisition of complementary businesses, continued stock repurchases under our board-authorized stock repurchase program, which may require the use of significant cash resources and/or additional financing. We anticipate that we will continue to rely upon cash from operating activities to finance most of our above mentioned requirements, although if we have significant growth through acquisitions, we may need to obtain additional financing.

In the ordinary course of business, we enter into contracts and commitments that obligate us to make payments in the future. These obligations include borrowings, including interest obligations, purchase commitments, operating and finance lease commitments, employee benefit payments under gratuity plans, payments for contingent consideration and uncertain tax positions. See Note 16 - Fair Value Measurements - Fair Value of Contingent Consideration, Note 18 - Borrowings, Note 21 - Leases and Note 25 - Commitments and Contingencies to our unaudited consolidated financial statements herein for further information on material cash requirements from known contractual and other obligations.

In the ordinary course of business, we provide standby letters of credit to third parties primarily for facility leases. As of June 30, 2023 and December 31, 2022, we had outstanding letters of credit of $0.5 million, each, that were not recognized in our consolidated balance sheets. These are unlikely to have, a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. We had no other off-balance sheet arrangements or obligations.

Financing Arrangements (Debt Facility)

The following table summarizes our debt position:

	As of June 30,2023	As of December 31, 2022
	(dollars in millions)	
	Revolving credit facility	
Current portion of long-term borrowings	$ 30.0	$ 30.0
Long-term borrowings	190.0	220.0
Total borrowings	$ 220.0	$ 250.0

See Note 18 - Borrowings to our unaudited consolidated financial statements herein for further details.

Recent Accounting Pronouncements

For a description of recent accounting pronouncements, see Note 2 - Summary of Significant Accounting Policies - Recent Accounting Pronouncements to our unaudited consolidated financial statements contained herein.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

During the three months ended June 30, 2023, there were no material changes in our market risk exposure. For a discussion of our market risk associated with exchange rate risk and interest rate risk, see Part II, Item 7A "Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports the Company files or submits under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), to allow timely decisions regarding required disclosure. In connection with the preparation of this Quarterly Report on Form 10-Q, the Company's management carried out an evaluation, under the supervision and with the participation of the CEO and CFO, of the effectiveness and operation of the Company's disclosure controls and procedures as of June 30, 2023. Based upon that evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures, as of June 30, 2023, were effective.

Changes in Internal Control over Financial Reporting

During the three months ended June 30, 2023, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

In the course of our normal business activities, various lawsuits, claims and proceedings may be instituted or asserted against us. Although there can be no assurance, we believe that the disposition of matters currently instituted or asserted will not have a material adverse effect on our consolidated financial position, results of operations or cash flows. See Note 25 - Commitments and Contingencies to our unaudited consolidated financial statements contained herein for details regarding our tax proceedings.

ITEM 1A. Risk Factors

We have disclosed under the heading "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, a number of risks which may materially affect our business, financial condition or results of operations. You should carefully consider those risk factors and the other information set forth elsewhere in this Quarterly Report on Form 10-Q. You should be aware that these risk factors and other information may not describe every risk facing our Company. Additional risks and uncertainties not currently known to us may also materially adversely affect our business, financial condition and/or results of operations.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

None.

Use of Proceeds

None.

Purchases of Equity Securities by the Issuer

During the three months ended June 30, 2023, purchases of common stock were as follows:

	Shares Purchased from Employees in connection with satisfaction of Withholding Tax Obligations		Shares Purchased as Part of Publicly Announced Programs		Total Number of Shares Purchased	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Programs
Period	**Number of Shares Purchased**	**Average Price Paid per share**	**Number of Shares Purchased**	**Average Price Paid per share**		
April 1, 2023 through April 30, 2023	—	$ —	85,306	$ 164.27	85,306	$ 181,632,447
May 1, 2023 through May 31, 2023	—	$ —	20,045	$ 152.23	20,045	$ 178,580,926
June 1, 2023 through June 30, 2023	—	$ —	78,793	$ 151.64	78,793	$ 166,632,565
Total	—	$ —	184,144	$ 157.56	184,144	$ —

On October 5, 2021, our board of directors authorized a $300 million common stock repurchase program beginning January 1, 2022 (the “2022 Repurchase Program”).

Under the 2022 Repurchase Program, shares may be purchased by us from time to time from the open market and through private transactions, or otherwise, as determined by our management as market conditions warrant. We have structured open market purchases under the 2022 Repurchase Program to comply with Rule 10b-18 under the Exchange Act. Repurchases may be discontinued at any time by management.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information

Rule 10b5-1 Trading Plans

During the three months ended June 30, 2023, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6. Exhibits

The following exhibits are being filed as part of this report or incorporated by reference as indicated therein:

3.1	Amended and Restated Certificate of Incorporation of the Company, as in effect on the date hereof (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K (File No. 1-33089) filed on October 25, 2006).
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Annex A to the Company's Definitive Proxy Statement on Schedule 14A (File No. 1-33089) filed on April 26, 2019).
3.3	Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.3 of the Company's Current Report on Form 8-K (File No. 1-33089) filed on June 21, 2023).
3.4	Sixth Amended and Restated By-laws of the Company (incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K (File No. 1-33089) filed on June 21, 2023).
10.1+	Form of Option Agreement (applicable to U.S. Executive Officers) under the 2018 Omnibus Incentive Plan.
10.2+	Form of Option Agreement (applicable to International Executive Officers) under the 2018 Omnibus Incentive Plan.
31.1	Certification of the Chief Executive Officer of ExlService Holdings, pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer of ExlService Holdings, pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Scheme*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase*
101.DEF	XBRL Taxonomy Extension Definition Linkbase*
101.LAB	XBRL Taxonomy Extension Label Linkbase*
101.PRE	XBRL Extension Presentation Linkbase*
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

*This exhibit will not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. Such exhibit will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.
+Indicates management contract or compensatory plan required to be filed as an Exhibit.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: July 27, 2023	**EXLSERVICE HOLDINGS, INC.**
	By: /S/ MAURIZIO NICOLELLI
	MAURIZIO NICOLELLI **Chief Financial Officer** **(Duly Authorized Signatory, Principal Financial and Accounting Officer)**

Exhibit 10.1

EXLSERVICE HOLDINGS, INC.

2018 OMNIBUS INCENTIVE PLAN

NONQUALIFIED STOCK OPTION AGREEMENT (U.S.)

THIS OPTION AGREEMENT (the "Agreement"), is made, effective as of [INSERT DATE OF GRANT] (the "Date of Grant"), by and between ExlService Holdings, Inc., a Delaware corporation (the "Company"), and _______[INSERT PARTICIPANT NAME] ____________ ("Participant").

WHEREAS, the Company has adopted the ExlService Holdings, Inc. 2018 Omnibus Incentive Plan (the "Plan"), pursuant to which options may be granted to purchase shares of the Company's Common Stock, par value $0.001 per share ("Stock"); and

WHEREAS, the Compensation and Talent Management Committee of the Board of Directors of the Company (the "Committee") has determined that it is in the best interests of the Company and its stockholders to grant to Participant the stock option award as provided herein and subject to the terms set forth herein;

NOW, THEREFORE, for and in consideration of the premises and the covenants of the parties contained in this Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. Grant of Option.

(a) Grant. The Company hereby grants to Participant an option (the "Option") to purchase [.] shares of Stock (such shares of Stock, the "Option Shares"), on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan. The Option is not intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

(b) Incorporation by Reference, Etc. The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan. The Committee shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations under them, and its decision shall be binding and conclusive upon Participant and his legal representative in respect of any questions arising under the Plan or this Agreement.

2. Terms and Conditions.

(a) Option Price. The Option Price, being the price at which Participant shall be entitled to purchase the Option Shares upon the exercise of all or any portion of the Option, shall be $_per share.

(b) Expiration Date. Subject to Section 2(d) hereof, the Option shall expire at the end of the period commencing on the Date of Grant and ending at 11:59 p.m. Eastern Time ("ET") on the day preceding the [tenth] anniversary of the Date of Grant (the "Option Period").

(c) Exercisability of the Option. Except as may otherwise be provided herein, the Option shall become vested and exercisable as follows:

(A) (i) *Vesting Schedule.* the Option shall become vested as follows:

Percent of Stock Options Units Vesting	Vesting Date
[25%]	[1st] Grant Anniversary
[25%]	[2nd] Grant Anniversary
[25%]	[3rd] Grant Anniversary
[25%]	[4th] Grant Anniversary

(ii) *Change in Control*. (A) Notwithstanding the foregoing, in the event that a "Change in Control" (which for purposes of this Agreement shall have the meaning set forth in the Plan as modified by the language at the end of this Section 2(c)) occurs at a time when any portion of the Option remains unvested, then effective upon the consummation of the Change in Control, the vesting of the portion of the Option that is not then fully vested shall accelerate such that any portion of the Option that would have become vested during the one-year period following the Change in Control shall become vested effective as of the consummation of the Change in Control.

(B) In addition: (1) in the event that Participant's employment by the Company is terminated by the Company without Cause (as defined in the Plan) (x) at any time following a Change in Control or (y) in specific contemplation of a Change in Control or (2) in the event Participant resigns with "Good Reason" (as defined below) at any time following a Change in Control, Participant shall, upon and subject to the execution within sixty (60) days following termination of employment (and non- revocation during any applicable revocation period) of a standard release of all employment-related claims against the Company and its Affiliates and each of their employees, officers and directors, be entitled to immediate vesting as of the termination date of any portion of the Option that is unvested as of the termination date.

(C) The term "Good Reason" shall have the meaning set forth in any employment, consulting or other agreement between the Company or an Affiliate and the Participant in effect on the date hereof, or, in the absence of such definition therein, the occurrence, without Participant's prior written consent, of any of the following events:

(1) a substantial reduction of Participant's duties or responsibilities, or Participant being required to report to any person other than the Board or the Company's Chief Executive Officer or President; provided that, if there is a Change

in Control and Participant retains a similar title and similar duties with the Company or any entity that acquires the Company (or any affiliate or subsidiary of such entity) following such Change in Control, any change in Participant's title shall not a constitute a significant reduction of Participant's duties and authorities hereunder;

(2) Participant's job title is adversely changed, provided that if there is a Change in Control and Participant retains a similar title and similar duties with the Company or any entity that acquires the Company (or any affiliate or subsidiary of such entity) following such Change in Control, any change in Participant's title shall not constitute a significant reduction of Participant's duties and authorities hereunder;

(3) following a Change in Control, a change in the office or location where Participant is based of more than thirty (30) miles, which new location is more than thirty (30) miles from Participant's primary residence; or

(4) following a Change in Control, a breach by the Company of any material term of any employment, consulting, or similar agreement between the Company and Participant;

provided that, a termination by Participant with Good Reason shall be effective only if, within thirty (30) days following Participant's first becoming aware of the circumstances giving rise to Good Reason, Participant delivers a "notice of termination for Good Reason" to the Company, and the Company within fifteen (15) days following its receipt of such notification has failed to cure the circumstances giving rise to Good Reason.

(iii) *Death*. Notwithstanding the foregoing, in the event that Participant's employment with the Company is terminated due to Participant's death at a time when any portion of the Option remains unvested, the portion of the Option that is unvested shall become immediately vested effective as of the date of Participant's death.

(iv) *Retirement*. Notwithstanding the foregoing, and assuming that such Option has been outstanding for at least six (6) months from the Date of Grant, in the event that Participant's employment with the Company (or its Affiliates) is terminated, other than by the Company (or its Affiliates) for Cause (as defined in the Plan),

(1) after having attained age sixty (60) with at least ten (10) years of service with the Company (or its Affiliates) at a time when any portion of the Option remains unvested, then one-hundred percent (100%) of that portion of Participant's Option (and only that portion) that is scheduled to vest within the next twelve (12) months shall become immediately vested as of the date Participant terminates employment, and any remaining unvested portion of the Option shall be immediately forfeited; and

(2) after having attained age sixty (60) with at least five (5) years and less than ten (10) years of service with the Company (or its Affiliates), at a time when any portion of the Option remains unvested, then the applicable percentage of the Participant's

Option (and only that portion) that is scheduled to vest within the next twelve (12) months, as described below (the "Prorated Percentage"), shall become immediately vested as of the date the Participant terminates employment, and any remaining unvested portion of the Option shall be immediately forfeited.

Completed Years of Service: At least	Prorated Percentage
Five (5) years	50%
Six (6) years	60%
Seven (7) years	70%
Eight (8) years	80%
Nine (9) years	90%

For purposes of this Section 2(c)(iv), years of service with the Company (or its Affiliates) does not include tenure at any organization acquired by the Company (or its Affiliates) prior to the closing date of such acquisition.

(v) *Special 409A Rule.* Notwithstanding anything to the contrary in this Section 3, to the extent necessary to comply with Section 409A of the Code, a Change in Control hereunder shall not give rise to any acceleration of the vesting of any portion of an Award hereunder unless such event satisfies the definition of a change in the ownership or effective control of a corporation, or a change in the ownership of a substantial portion of the assets of a corporation pursuant to Section 409A of the Code and any Treasury Regulations promulgated thereunder.

(d) Exercise of the Option. The Option may be exercised only by written notice, substantially in the form attached hereto as Exhibit A (or a successor form provided by the Committee, or over the current plan administrator's website) delivered in person or by mail in accordance with Section 3(b) hereof and accompanied by payment of the Option Price. The Option Price shall be paid by Participant to the Company by (A) cash, certified check, or transfer over the current plan administrator's website or such other means as may be approved by the Committee or (B) means of a net exercise whereby the number of Option Shares received by Participant shall equal the excess, if any, of (x) the number of Option Shares that would have been received by Participant upon such exercise had Participant paid the purchase price for the Option Shares in cash over (y) a number of Option Shares, the aggregate Fair Market Value of which is equal to the aggregate purchase price that would have been paid as determined pursuant to the immediately preceding clause (x).

(e) Forfeiture. Except as otherwise provided in this Agreement, the Plan, or as set forth in any employment, consulting or other agreement between the Company or an Affiliate and the Participant in effect on the date hereof, in the event that Participant ceases to be employed by the Company or its Affiliates for any reason, the unvested portion of the Option shall expire upon such cessation of employment and the vested portion of the Option (to the extent then outstanding) shall expire at 11:59 p.m., ET on the earlier of (i) the last day of the Option Period or (ii) the date that is ninety (90) days after the date of such termination. In such event, the vested portion of the Option shall remain exercisable by Participant until its expiration. In addition, the Option and any Option Shares shall be subject to cancellation, forfeiture or recoupment as determined by the Committee upon the occurrence of a violation of material Company policies, misstatement of financial or other material information about the Company, fraud, misconduct, breach of noncompetition, confidentiality, nonsolicitation, noninterference, corporate property protection, or other agreements that may apply to the Participant, or other conduct by the Participant that the Committee determines is detrimental to the business or reputation of the Company and its Affiliates, including facts and circumstances discovered after termination of service.

(f) <u>Compliance with Legal Requirements</u>. The granting and exercising of the Option, and any other obligations of the Company under this Agreement, shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. The Committee, in its sole discretion, may postpone the issuance or delivery of Option Shares as the Committee may consider appropriate and may require Participant to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of Option Shares in compliance with applicable laws, rules and regulations.

(g) <u>Restrictions</u>. The Option may not be sold, pledged or otherwise transferred (other than by will or the laws of descent and distribution) and may not be subject to lien, garnishment, attachment or other legal process.

(h) <u>Rights as Stockholder</u>. Participant shall not be deemed for any purpose to be the owner of any shares of Stock subject to this Option unless, until and to the extent that (i) this Option shall have been exercised pursuant to its terms (ii) the Company shall have issued and delivered to Participant the Option Shares and (iii) Participant’s name shall have been entered as a stockholder of record with respect to such Option Shares on the books of the Company.

(i) <u>Taxes and Withholding</u>. Prior to the delivery of a certificate or certificates representing the Option Shares, Participant must pay to the Company in the form of a certified check or wire transfer any such additional amount as the Company determines that it is required to withhold under applicable federal, state or local tax laws in respect of the exercise or the transfer of Option Shares; provided that the Participant may elect to satisfy such tax withholding obligation by having the Company withhold from the transfer of Option Shares that number of Option Shares having a Fair Market Value equal to the amount of such withholding; provided, further, that the number of Option Shares that may be so withheld by the Company shall be limited to that number of Option Shares having an aggregate Fair Market Value on the date of such withholding equal to the aggregate amount of the Participant’s income, payroll and social tax liabilities based upon the applicable minimum withholding rates.

3. <u>Miscellaneous</u>.

(a) <u>Waiver</u>. Any right of the Company contained in this Agreement may be waived in writing by the Committee. No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages. No waiver by any party of any breach of this Agreement shall be held to constitute a waiver of any other breach or a waiver of the continuation of the same breach.

(b) Notices. All notices, demands and other communications provided for or permitted hereunder shall be made in writing and shall be by registered or certified first-class mail, return receipt requested, telecopier, courier service or personal delivery:

if to the Company:
ExlService Holdings, Inc.
320 Park Avenue, 29th Floor
New York, NY 10022

Attention: General Counsel

if to the Participant: at the Participant's last known address on file with the Company.

All such notices, demands and other communications shall be deemed to have been duly given when delivered by hand, if personally delivered; when delivered by courier, if delivered by commercial courier service; five (5) business days after being deposited in the mail, postage prepaid, if mailed; and when receipt is mechanically acknowledged, if telecopied.

(c) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

(d) No Rights to Employment. Nothing contained in this Agreement shall be construed as giving Participant any right to be retained, in any position, as an employee, consultant or director of the Company or its Affiliates or shall interfere with or restrict in any way the right of the Company or its Affiliates, which are hereby expressly reserved, to remove, terminate or discharge Participant at any time for any reason whatsoever.

(e) Modifications. No change, modification or waiver of any provision of this Agreement shall be valid unless the same be in writing and signed by the parties hereto.

(f) Bound by Plan. By signing this Agreement, Participant acknowledges that he has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

(g) Beneficiary. The Participant may file with the Committee a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, amend or revoke such designation. If no designated beneficiary survives the Participant, the Participant's estate shall be deemed to be the Participant's beneficiary.

(h) Successors. The terms of this Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns, and of Participant and the beneficiaries, executors, administrators, heirs and successors of Participant.

(i) Entire Agreement. This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations in respect thereto. Except as set forth in Section 16(b) of the Plan, no change, modification or waiver of any provision of this Agreement shall be valid unless the same be in writing and signed by the parties hereto.

(j) Governing Law. This Agreement shall be construed and interpreted in accordance with the laws of the State of Delaware without regard to principles of conflicts of law thereof, or principles of conflicts of laws of any other jurisdiction which could cause the application of the laws of any jurisdiction other than the State of Delaware.

(k) Dispute Resolution and Arbitration. This Agreement is subject to the Dispute Resolution and Arbitration provisions in the Participant's employment agreement with the Company.

(l) Electronic Delivery and Acceptance. The Company has decided to deliver documents related to current or future participation in the Plan by electronic means and to request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through the current plan administrator's on-line system, or any other on-line system or electronic means that the Company may decide, in its sole discretion, to use in the future.

(m) Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

(n) Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

PLEASE NOTE: Participant's designation/election via the current plan administrator's website that Participant has read and accepted the terms of this Agreement and the terms and conditions of the Plan is considered Participant's electronic signature and Participant's express consent to this Agreement and the terms and conditions set forth in the Plan.

[Remainder of page intentionally left blank; signature page to follow]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day first written above.

ExlService Holdings, Inc.

By:
Title:

Participant

[Signature Page to Nonqualified Stock Option Agreement]

Exhibit A

NOTICE OF OPTION EXERCISE

PURSUANT TO THE EXLSERVICE HOLDINGS, INC. 2018 OMNIBUS INCENTIVE PLAN

To exercise your option to purchase shares of ExlService Holdings, Inc. (the "Company") common stock ("Shares"), please **fill out this form and return it to the Corporate Secretary of the Company**.

I hereby exercise my right to purchase Shares under the option granted to me pursuant to the Nonqualified Stock Option Agreement between myself and the Company, dated as of , 20_. I am vested in my option as to the Shares being purchased hereunder.

Payment of Exercise Price. The per-Share exercise price of the option is $_. The total exercise price for the Shares I am purchasing is $_. I elect to pay that total exercise price by one of the following methods **[CHECK ONE]**:

_______ By certified check, which is enclosed, or transfer over the current plan administrator's website.

_______ By the "net exercise" method described in Section 2(c)(d) of the Stock Option Agreement. I understand that the Company will withhold a number of Shares having a value equal to the total exercise price.

Tax Withholding. Required payroll taxes and income tax withholding in connection with this option exercise total $_. I elect to pay that withholding by one of the following methods **[CHECK ONE]**:

_______ By certified check, which is enclosed

_______ By Company withholding of the transfer of Option Shares equal to the Tax Withholding amount.

I understand that this option exercise is not effective unless and until this Notice of Option Exercise is enclosed, along with any necessary certified checks. I hereby represent that, to the best of my knowledge and belief, I am legally entitled to exercise this option.

Signature:	__________
Printed Name:	__________
Social Security Number:	__________
Date:	__________

Exhibit 10.2

EXLSERVICE HOLDINGS, INC.

2018 OMNIBUS INCENTIVE PLAN

NONQUALIFIED STOCK OPTION AGREEMENT (International)

THIS OPTION AGREEMENT (the "Agreement"), is made, effective as of [INSERT DATE OF GRANT] (the "Date of Grant"), by and between ExlService Holdings, Inc., a Delaware corporation (the "Company"), and _______[INSERT PARTICIPANT NAME] ____________ ("Participant").

WHEREAS, the Company has adopted the ExlService Holdings, Inc. 2018 Omnibus Incentive Plan (the "Plan"), pursuant to which options may be granted to purchase shares of the Company's Common Stock, par value $0.001 per share ("Stock"); and

WHEREAS, the Compensation and Talent Management Committee of the Board of Directors of the Company (the "Committee") has determined that it is in the best interests of the Company and its stockholders to grant to Participant the stock option award as provided herein and subject to the terms set forth herein;

NOW, THEREFORE, for and in consideration of the premises and the covenants of the parties contained in this Agreement, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. Grant of Option.

(a) Grant. The Company hereby grants to Participant an option (the "Option") to purchase [.] shares of Stock (such shares of Stock, the "Option Shares"), on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan. The Option is not intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

(b) Incorporation by Reference, Etc. The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan. The Committee shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations under them, and its decision shall be binding and conclusive upon Participant and his legal representative in respect of any questions arising under the Plan or this Agreement.

2. Terms and Conditions.

(a) Option Price. The Option Price, being the price at which Participant shall be entitled to purchase the Option Shares upon the exercise of all or any portion of the Option, shall be $ per share.

(b) Expiration Date. Subject to Section 2(d) hereof, the Option shall expire at the end of the period commencing on the Date of Grant and ending at 11:59 p.m. Eastern Time ("ET") on the day preceding the [tenth] anniversary of the Date of Grant (the "Option Period").

(c) Exercisability of the Option. Except as may otherwise be provided herein, the Option shall become vested and exercisable as follows:

(A) (i) *Vesting Schedule.* the Option shall become vested as follows:

Percent of Stock Options Units Vesting	Vesting Date
[25%]	[1st] Grant Anniversary
[25%]	[2nd] Grant Anniversary
[25%]	[3rd] Grant Anniversary
[25%]	[4th] Grant Anniversary

(ii) *Change in Control*. (A) Notwithstanding the foregoing, in the event that a "Change in Control" (which for purposes of this Agreement shall have the meaning set forth in the Plan as modified by the language at the end of this Section 2(c)) occurs at a time when any portion of the Option remains unvested, then effective upon the consummation of the Change in Control, the vesting of the portion of the Option that is not then fully vested shall accelerate such that any portion of the Option that would have become vested during the one-year period following the Change in Control shall become vested effective as of the consummation of the Change in Control.

(B) In addition: (1) in the event that Participant's employment by the Company is terminated by the Company without Cause (as defined in the Plan) (x) at any time following a Change in Control or (y) in specific contemplation of a Change in Control or (2) in the event Participant resigns with "Good Reason" (as defined below) at any time following a Change in Control, Participant shall, upon and subject to the execution within sixty (60) days following termination of employment (and non- revocation during any applicable revocation period) of a standard release of all employment-related claims against the Company and its Affiliates and each of their employees, officers and directors, be entitled to immediate vesting as of the termination date of any portion of the Option that is unvested as of the termination date.

(C) The term "Good Reason" shall have the meaning set forth in any employment, consulting or other agreement between the Company or an Affiliate and the Participant in effect on the date hereof, or, in the absence of such definition therein, the occurrence, without Participant's prior written consent, of any of the following events:

(1) a substantial reduction of Participant's duties or responsibilities, or Participant being required to report to any person other than the Board or the Company's Chief Executive Officer or President; provided that, if there is a Change

in Control and Participant retains a similar title and similar duties with the Company or any entity that acquires the Company (or any affiliate or subsidiary of such entity) following such Change in Control, any change in Participant's title shall not a constitute a significant reduction of Participant's duties and authorities hereunder;

(2) Participant's job title is adversely changed, provided that if there is a Change in Control and Participant retains a similar title and similar duties with the Company or any entity that acquires the Company (or any affiliate or subsidiary of such entity) following such Change in Control, any change in Participant's title shall not constitute a significant reduction of Participant's duties and authorities hereunder;

(3) following a Change in Control, a change in the office or location where Participant is based of more than thirty (30) miles, which new location is more than thirty (30) miles from Participant's primary residence; or

(4) following a Change in Control, a breach by the Company of any material term of any employment, consulting, or similar agreement between the Company and Participant;

provided that, a termination by Participant with Good Reason shall be effective only if, within thirty (30) days following Participant's first becoming aware of the circumstances giving rise to Good Reason, Participant delivers a "notice of termination for Good Reason" to the Company, and the Company within fifteen (15) days following its receipt of such notification has failed to cure the circumstances giving rise to Good Reason.

(iii) *Death*. Notwithstanding the foregoing, in the event that Participant's employment with the Company is terminated due to Participant's death at a time when any portion of the Option remains unvested, the portion of the Option that is unvested shall become immediately vested effective as of the date of Participant's death.

(iv) *Retirement*. Notwithstanding the foregoing, and assuming that such Option has been outstanding for at least six (6) months from the Date of Grant, in the event that Participant's employment with the Company (or its Affiliates) is terminated, other than by the Company (or its Affiliates) for Cause (as defined in the Plan),

(1) after having attained age sixty (60) with at least ten (10) years of service with the Company (or its Affiliates) at a time when any portion of the Option remains unvested, then one-hundred percent (100%) of that portion of Participant's Option (and only that portion) that is scheduled to vest within the next twelve (12) months shall become immediately vested as of the date Participant terminates employment, and any remaining unvested portion of the Option shall be immediately forfeited; and

(2) after having attained age sixty (60) with at least five (5) years and less than ten (10) years of service with the Company (or its Affiliates), at a time when any portion of the Option remains unvested, then the applicable percentage of the Participant's Option (and only that portion) that is scheduled to vest within the next twelve (12) months, as

described below (the "Prorated Percentage"), shall become immediately vested as of the date the Participant terminates employment, and any remaining unvested portion of the Option shall be immediately forfeited.

Completed Years of Service: At least	Prorated Percentage
Five (5) years	50%
Six (6) years	60%
Seven (7) years	70%
Eight (8) years	80%
Nine (9) years	90%

For purposes of this Section 2(c)(iv), years of service with the Company (or its Affiliates) does not include tenure at any organization acquired by the Company (or its Affiliates) prior to the closing date of such acquisition.

(v) *Special 409A Rule.* Notwithstanding anything to the contrary in this Section 3, to the extent necessary to comply with Section 409A of the Code, a Change in Control hereunder shall not give rise to any acceleration of the vesting of any portion of an Award hereunder unless such event satisfies the definition of a change in the ownership or effective control of a corporation, or a change in the ownership of a substantial portion of the assets of a corporation pursuant to Section 409A of the Code and any Treasury Regulations promulgated thereunder.

(d) Exercise of the Option. The Option may be exercised only by written notice, substantially in the form attached hereto as Exhibit A (or a successor form provided by the Committee, or over the current plan administrator's website) delivered in person or by mail in accordance with Section 3(b) hereof and accompanied by payment of the Option Price. The Option Price shall be paid by Participant to the Company by (A) cash, certified check, or transfer over the current plan administrator's website or such other means as may be approved by the Committee or (B) means of a net exercise whereby the number of Option Shares received by Participant shall equal the excess, if any, of (x) the number of Option Shares that would have been received by Participant upon such exercise had Participant paid the purchase price for the Option Shares in cash over (y) a number of Option Shares, the aggregate Fair Market Value of which is equal to the aggregate purchase price that would have been paid as determined pursuant to the immediately preceding clause (x).

(e) Forfeiture. Except as otherwise provided in this Agreement, the Plan, or as set forth in any employment, consulting or other agreement between the Company or an Affiliate and the Participant in effect on the date hereof, in the event that Participant ceases to be employed by the Company or its Affiliates for any reason, the unvested portion of the Option shall expire upon such cessation of employment and the vested portion of the Option (to the extent then outstanding) shall expire at 11:59 p.m., ET on the earlier of (i) the last day of the Option Period or (ii) the date that is ninety (90) days after the date of such termination. In such event, the vested portion of the Option shall remain exercisable by Participant until its expiration. In addition, the Option and any Option Shares shall be subject to cancellation, forfeiture or recoupment as determined by the Committee upon the occurrence of a violation of material Company policies, misstatement of financial or other material information about the Company, fraud, misconduct, breach of noncompetition, confidentiality, nonsolicitation, noninterference, corporate property protection, or other agreements that may apply to the Participant, or other conduct by the Participant that the Committee determines is detrimental to the business or reputation of the Company and its Affiliates, including facts and circumstances discovered after termination of service.

(f) Compliance with Legal Requirements. The granting and exercising of the Option, and any other obligations of the Company under this Agreement, shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. The Committee, in its sole discretion, may postpone the issuance or delivery of Option Shares as the Committee may consider appropriate and may require Participant to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of Option Shares in compliance with applicable laws, rules and regulations.

(g) Restrictions. The Option may not be sold, pledged or otherwise transferred (other than by will or the laws of descent and distribution) and may not be subject to lien, garnishment, attachment or other legal process.

(h) Rights as Stockholder. Participant shall not be deemed for any purpose to be the owner of any shares of Stock subject to this Option unless, until and to the extent that (i) this Option shall have been exercised pursuant to its terms (ii) the Company shall have issued and delivered to Participant the Option Shares and (iii) Participant's name shall have been entered as a stockholder of record with respect to such Option Shares on the books of the Company.

(i) Taxes and Withholding. Regardless of any action the Company or the Participant's employer (the "Employer") takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to the Participant or deemed by the Company or the Employer to be an appropriate charge to the Participant even if technically due by the Company or the Employer ("Tax-Related Items"), the Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and may exceed the amount actually withheld by the Company or the Employer. The Participant further acknowledges that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Option, including, but not limited to, the grant, vesting or settlement of the Option, the issuance of Option Shares upon vesting/settlement of the Option, the subsequent sale of Option Shares acquired pursuant to such issuance and the receipt of any dividends and/or any dividend equivalents; and (2) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Option to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if the Participant has become subject to tax in more than one jurisdiction between the date of grant and the date of any relevant taxable event, the Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Upon the settlement of the Award in accordance with Section 4(a) hereof in Option Shares, the Participant shall be required, as a condition of such settlement, to pay to the Company by check or wire transfer the amount of any income, payroll, or social tax withholding that the Company determines is required; provided that the Participant may elect to satisfy such tax withholding obligation by having the Company withhold from the settlement that number of Option Shares having a Fair Market Value equal to the amount of such withholding. To avoid negative accounting treatment, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates. If the obligation for Tax-Related Items is satisfied by withholding in Option Shares, for tax purposes, the Participant is deemed to have been issued the full number of Shares subject to the vested portion of the Option, notwithstanding that a number of the Option Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Participant's participation in the Plan.

3. Miscellaneous.

(a) Waiver. Any right of the Company contained in this Agreement may be waived in writing by the Committee. No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages. No waiver by any party of any breach of this Agreement shall be held to constitute a waiver of any other breach or a waiver of the continuation of the same breach.

(b) Notices. All notices, demands and other communications provided for or permitted hereunder shall be made in writing and shall be by registered or certified first-class mail, return receipt requested, telecopier, courier service or personal delivery:

if to the Company:
ExlService Holdings, Inc.
320 Park Avenue, 29th Floor
New York, NY 10022

Attention: General Counsel

if to the Participant: at the Participant's last known address on file with the Company.

All such notices, demands and other communications shall be deemed to have been duly given when delivered by hand, if personally delivered; when delivered by courier, if delivered by commercial courier service; five (5) business days after being deposited in the mail, postage prepaid, if mailed; and when receipt is mechanically acknowledged, if telecopied.

(c) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

(d) No Rights to Employment. Nothing contained in this Agreement shall be construed as giving the Participant any right to be retained, in any position, as an employee, consultant or director of the Company or its Affiliates or shall interfere with or restrict in any way the right of the Company or its Affiliates, which are hereby expressly reserved, to remove, terminate or discharge the Participant at any time for any reason whatsoever.

(e) Modifications. No change, modification or waiver of any provision of this Agreement shall be valid unless the same be in writing and signed by the parties hereto.

(f) Beneficiary. The Participant may file with the Committee a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, amend or revoke such designation. If no designated beneficiary survives the Participant, the Participant's estate shall be deemed to be the Participant's beneficiary.

(g) Successors. The terms of this Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns, and of the Participant and the beneficiaries, executors, administrators, heirs and successors of the Participant.

(h) ***Personal Data. The Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Participant's personal data as described in this Agreement by and among, as applicable, the Employer, the Company and any Affiliate of the Company for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan.***

The Participant understands that the Company and the Employer may hold certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, date of birth, social insurance or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all Options or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Participant's favor, for the exclusive purpose of implementing, administering and managing the Plan ("Data").

The Participant understands that Data will be transferred to any third party assisting the Company with the implementation, administration and management of the Plan. The Participant understands that the recipients of the Data may be located in the Participant's country, or elsewhere, and that the recipients' country may have different data privacy laws and protections than the Participant's country. The Participant understands that the Participant may request a list with the names and addresses of any potential recipients of the Data by contacting the Participant's local human resources representative. The Participant authorizes the Company and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing the Participant's participation in the Plan. The Participant understands that Data will be held only as long as is necessary to implement, administer and manage the Participant's participation in the Plan. The Participant understands that the Participant may, at any time, view Data, request additional

information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Participant's local human resources representative. The Participant understands, however, that refusal or withdrawal of consent may affect the Participant's ability to participate in the Plan. For more information on the consequences of the Participant's refusal to consent or withdrawal of consent, the Participant understands that the Participant may contact the Participant's local human resources representative.

(i) Nature of Grant. By signing the Agreement, the Participant acknowledges and agrees that:

i. the Plan is established voluntarily by the Company, it is discretionary in nature, and it may be modified, amended, suspended or terminated by the Company at any time;

ii. the grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future grants of Options, or benefits in lieu of Options, even if Options have been granted repeatedly in the past;

iii. all decisions with respect to future grants, if any, will be at the sole discretion of the Company;

iv. the Participant's participation in the Plan is voluntary;

v. the Participant's participation in the Plan shall not create a right to any employment with the Employer and shall not interfere with the ability of the Employer to terminate the Participant's employment relationship, if any, at any time;

vi. the Option and the Option Shares subject to the Option are an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Company or the Employer, and which is outside the scope of the Participant's employment or service contract, if any;

vii. the Option and the Option Shares subject to the Option are not intended to replace any pension rights or compensation;

viii. the Option and the Option Shares subject to the Option are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company, the Employer or any Affiliate of the Company;

ix. the future value of the Option Shares is unknown and cannot be predicted with certainty;

x. in consideration of the grant of the Option, no claim or entitlement to compensation or damages shall arise from forfeiture of the Option resulting from termination of the Participant's employment (for any reason whatsoever and whether or not in breach of local labor laws) and the Participant irrevocably releases the Company and the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, the Participant shall be deemed irrevocably to have waived the Participant's right to pursue or seek remedy for any such claim or entitlement;

xi. in the event of termination of the Participant's employment (whether or not in breach of local labor laws), the Participant's right to receive Option under the Plan and to vest in such Option, if any, will terminate effective as of the date that the Participant is no longer actively providing services and will not be extended by any notice period mandated under local law (e.g., active service would not include a period of "garden leave" or similar period pursuant to local law); the Committee shall have the exclusive discretion to determine when the Participant is no longer actively employed for purposes of the Option; and

xii. the Option and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability.

(j) Language. If the Participant has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

(k) Bound by Plan. By signing this Agreement, the Participant acknowledges that he has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

(l) Electronic Delivery and Acceptance. The Company has decided to deliver documents related to current or future participation in the Plan by electronic means and to request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through the current plan administrator's on-line system, or any other on-line system or electronic means that the Company may decide, in its sole discretion, to use in the future.

(m) Entire Agreement. This Agreement and the Appendix hereto, and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations in respect thereto. Except as set forth in Section 16(b) of the Plan, no change, modification or waiver of any provision of this Agreement shall be valid unless the same is in writing and signed by the parties hereto.

(n) Appendix. Notwithstanding any provision herein, the Participant's participation in the Plan shall be subject to any special terms and conditions as set forth in the appendix for the Participant's country of residence, if any (the "Appendix"). Moreover, if the Participant relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to the Participant, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix constitutes part of this Agreement.

(o) Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Participant's participation in the Plan, on the Option and on any Option Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

(p) Governing Law and Venue. This Agreement shall be construed and interpreted in accordance with the laws of the State of Delaware without regard to principles of conflicts of law thereof, or principles of conflicts of laws of any other jurisdiction which could cause the application of the laws of any jurisdiction other than the State of Delaware. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the Option or this Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of New York, and agree that such litigation shall be conducted only in the courts of the State of New York, or the federal courts for the United States for the Southern District of New York, and no other courts, where this grant is made and/or to be performed.

(q) JURY TRIAL WAIVER. THE PARTIES EXPRESSLY AND KNOWINGLY WAIVE ANY RIGHT TO A JURY TRIAL IN THE EVENT ANY ACTION ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT IS LITIGATED OR HEARD IN ANY COURT.

(r) Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

(s) Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

PLEASE NOTE: Participant's designation/election via the current plan administrator's website that Participant has read and accepted the terms of this Agreement and the terms and conditions of the Plan is considered Participant's electronic signature and Participant's express consent to this Agreement and the terms and conditions set forth in the Plan.

[Remainder of page intentionally left blank; signature page to follow]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day first written above.

ExlService Holdings, Inc.

By:
Title:

Participant

[Signature Page to Nonqualified Stock Option Agreement]

Exhibit A

NOTICE OF OPTION EXERCISE

PURSUANT TO THE EXLSERVICE HOLDINGS, INC. 2018 OMNIBUS INCENTIVE PLAN

To exercise your option to purchase shares of ExlService Holdings, Inc. (the "Company") common stock ("Shares"), please **fill out this form and return it to the Corporate Secretary of the Company**.

I hereby exercise my right to purchase Shares under the option granted to me pursuant to the Nonqualified Stock Option Agreement between myself and the Company, dated as of , 20_. I am vested in my option as to the Shares being purchased hereunder.

Payment of Exercise Price. The per-Share exercise price of the option is $_. The total exercise price for the Shares I am purchasing is $_. I elect to pay that total exercise price by one of the following methods **[CHECK ONE]**:

_______ By certified check, which is enclosed, or transfer over the current plan administrator's website.

_______ By the "net exercise" method described in Section 2(c)(d) of the Stock Option Agreement. I understand that the Company will withhold a number of Shares having a value equal to the total exercise price.

Tax Withholding. Required payroll taxes and income tax withholding in connection with this option exercise total $_. I elect to pay that withholding by one of the following methods **[CHECK ONE]**:

_______ By certified check, which is enclosed

_______ By Company withholding of the transfer of Option Shares equal to the Tax Withholding amount.

I understand that this option exercise is not effective unless and until this Notice of Option Exercise is enclosed, along with any necessary certified checks. I hereby represent that, to the best of my knowledge and belief, I am legally entitled to exercise this option.

Signature:	__________
Printed Name:	__________
Identification #:	__________
Date:	__________

Exhibit 31.1

SECTION 302 CERTIFICATION

I, Rohit Kapoor, certify that:

1. I have reviewed this Quarterly Report of ExlService Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 27, 2023

/s/ Rohit Kapoor
Rohit Kapoor
Vice-Chairman and Chief Executive Officer

Exhibit 31.2

SECTION 302 CERTIFICATION

I, Maurizio Nicolelli, certify that:

1. I have reviewed this Quarterly Report of ExlService Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 27, 2023

/s/ Maurizio Nicolelli
Maurizio Nicolelli
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of ExlService Holdings, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Rohit Kapoor, Vice-Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(a) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Rohit Kapoor

Rohit Kapoor

Vice-Chairman and Chief Executive Officer

July 27, 2023

Exhibit 32.2

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of ExlService Holdings, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Maurizio Nicolelli, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(a) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Maurizio Nicolelli

Maurizio Nicolelli
Chief Financial Officer

July 27, 2023