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 SEPTEMBER 30, 2020

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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. (Check one):

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 October 27, 2020, there were 33,809,550 shares of the registrant's common stock outstanding, par value $0.001 per share.

TABLE OF CONTENTS

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	As of	
	September 30, 2020 (Unaudited)	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 206,423	$ 119,165
Short-term investments	156,175	202,238
Restricted cash	7,312	5,453
Accounts receivable, net	154,983	171,864
Prepaid expenses	8,248	13,246
Advance income tax, net	1,138	4,698
Other current assets	30,784	24,594
Total current assets	**565,063**	**541,258**
Property and equipment, net	94,103	79,142
Operating lease right-of-use assets	95,873	86,396
Restricted cash	2,277	2,426
Deferred tax assets, net	13,230	11,855
Intangible assets, net	62,941	73,982
Goodwill	348,723	349,529
Other assets	34,280	36,016
Investment in equity affiliate	2,991	2,484
Total assets	**$ 1,219,481**	**$ 1,183,088**
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 6,213	$ 6,564
Current portion of long-term borrowings	10,474	40,867
Deferred revenue	13,562	13,436
Accrued employee costs	57,402	68,885
Accrued expenses and other current liabilities	73,043	74,017
Current portion of operating lease liabilities	19,048	24,148
Income taxes payable, net	5,157	1,432
Total current liabilities	**184,899**	**229,349**
Long-term borrowings, less current portion	216,235	194,131
Operating lease liabilities, less current portion	89,412	74,709
Income taxes payable	1,790	1,790
Deferred tax liabilities, net	841	966
Other non-current liabilities	16,376	12,142
Total liabilities	**509,553**	**513,087**
Commitments and contingencies (Refer to Note 24)		
Preferred stock, $0.001 par value; 15,000,000 shares authorized, none issued	—	—
ExlService Holdings, Inc. Stockholders' equity:		
Common stock, $0.001 par value; 100,000,000 shares authorized, 38,840,890 shares issued and 33,953,536 shares outstanding as of September 30, 2020 and 38,480,654 shares issued and 34,185,241 shares outstanding as of December 31, 2019	39	39
Additional paid-in capital	413,135	391,240
Retained earnings	609,161	551,903
Accumulated other comprehensive loss	(85,217)	(84,892)
Total including shares held in treasury	**937,118**	**858,290**
Less: 4,887,354 shares as of September 30, 2020 and 4,295,413 shares as of December 31, 2019, held in treasury, at cost	(227,190)	(188,289)
Stockholders' equity	**709,928**	**670,001**
Total equity	**709,928**	**670,001**
Total liabilities and stockholders' equity	**$ 1,219,481**	**$ 1,183,088**

See accompanying notes to unaudited consolidated financial statements.

EXLSERVICE HOLDINGS, INC.

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenues, net	$ 241,018	$ 251,392	$ 709,481	$ 734,474
Cost of revenues[(1)]	152,087	167,542	473,144	487,228
Gross profit[(1)]	**88,931**	**83,850**	**236,337**	**247,246**
Operating expenses:				
General and administrative expenses	26,810	29,590	84,501	93,349
Selling and marketing expenses	15,290	18,302	42,797	53,996
Depreciation and amortization expense	12,425	13,047	37,280	39,466
Impairment and restructuring charges	—	489	—	7,296
Total operating expenses	54,525	61,428	164,578	194,107
Income from operations	**34,406**	**22,422**	**71,759**	**53,139**
Foreign exchange gain, net	716	1,009	3,452	3,471
Interest expense	(2,628)	(3,180)	(8,583)	(10,626)
Other income, net	2,485	4,563	9,239	13,088
Income before income tax expense and earnings from equity affiliates	**34,979**	**24,814**	**75,867**	**59,072**
Income tax expense	8,490	5,701	18,416	12,571
Income before earnings from equity affiliates	**26,489**	**19,113**	**57,451**	**46,501**
Loss from equity-method investment	71	69	193	198
Net income attributable to ExlService Holdings, Inc. stockholders	**$ 26,418**	**$ 19,044**	**$ 57,258**	**$ 46,303**
Earnings per share attributable to ExlService Holdings, Inc. stockholders:				
Basic	$ 0.77	$ 0.55	$ 1.66	$ 1.35
Diluted	$ 0.76	$ 0.55	$ 1.65	$ 1.33
Weighted-average number of shares used in computing earnings per share attributable to ExlService Holdings Inc. stockholders:				
Basic	34,327,477	34,322,449	34,404,798	34,382,787
Diluted	34,536,049	34,699,497	34,617,830	34,744,968

(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 September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net income	$ 26,418	$ 19,044	$ 57,258	$ 46,303
Other comprehensive income/(loss):				
Unrealized gain/(loss) on cash flow hedges	12,165	(3,574)	5,040	5,631
Foreign currency translation gain/(loss)	11,327	(10,065)	524	(5,662)
Reclassification adjustments				
Loss/(gain) on cash flow hedges(1)	435	(1,704)	633	(3,259)
Retirement benefits(2)	98	(40)	296	(119)
Income tax (expense)/benefit relating to above(3)	(4,968)	3,588	(6,818)	723
Total other comprehensive income/(loss)	**$ 19,057**	**$ (11,795)**	**$ (325)**	**$ (2,686)**
Total comprehensive income	**$ 45,475**	**$ 7,249**	**$ 56,933**	**$ 43,617**

(1) These are reclassified to net income and are included either in cost of revenues or operating expenses, as applicable in the unaudited consolidated statements of income. Refer to Note 16 - Derivatives and Hedge Accounting to the unaudited consolidated financial statements.

(2) These are reclassified to net income and are included in other income, net in the unaudited consolidated statements of income. Refer to Note 19 - Employee Benefit Plans to the unaudited consolidated financial statements.

(3) These are income tax (expense)/benefit recognized on cash flow hedges, retirement benefits and foreign currency translation gains/(losses). Refer to Note 21 - Income Taxes to the unaudited consolidated financial statements.

See accompanying notes to unaudited consolidated financial statements.

EXLSERVICE HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)
For the three months ended September 30, 2020 and 2019
(In thousands, except share and per share amounts)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)/Income	Treasury Stock		Total Equity
	Shares	Amount				Shares	Amount	
Balance as of June 30, 2020	**38,818,365**	**$ 39**	**$ 404,704**	**$ 582,743**	**$ (104,274)**	**(4,497,779)**	**$ (202,284)**	**$ 680,928**
Stock issued against stock-based compensation plans	22,525	—	85	—	—	—	—	85
Stock-based compensation	—	—	8,346	—	—	—	—	8,346
Acquisition of treasury stock	—	—	—	—	—	(389,575)	(24,906)	(24,906)
Other comprehensive income	—	—	—	—	19,057	—	—	19,057
Net income	—	—	—	26,418	—	—	—	26,418
Balance as of September 30, 2020	**38,840,890**	**$ 39**	**$ 413,135**	**$ 609,161**	**$ (85,217)**	**(4,887,354)**	**$ (227,190)**	**$ 709,928**

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total Equity
	Shares	Amount				Shares	Amount	
Balance as of June 30, 2019	**38,295,083**	**$ 38**	**$ 378,633**	**$ 511,503**	**$ (74,358)**	**(4,088,759)**	**$ (174,463)**	**$ 641,353**
Stock issued against stock-based compensation plans	27,271	—	—	—	—	—	—	—
Stock-based compensation	—	—	7,427	—	—	—	—	7,427
Acquisition of treasury stock	—	—	—	—	—	(125,744)	(8,346)	(8,346)
Other comprehensive loss	—	—	—	—	(11,795)	—	—	(11,795)
Net income	—	—	—	19,044	—	—	—	19,044
Balance as of September 30, 2019	**38,322,354**	**$ 38**	**$ 386,060**	**$ 530,547**	**$ (86,153)**	**(4,214,503)**	**$ (182,809)**	**$ 647,683**

EXLSERVICE HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)
For the nine months ended September 30, 2020 and 2019
(In thousands, except share and per share amounts)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total Equity
	Shares	Amount				Shares	Amount	
Balance as of January 1, 2020	**38,480,654**	**$ 39**	**$ 391,240**	**$ 551,903**	**$ (84,892)**	**(4,295,413)**	**$ (188,289)**	**$ 670,001**
Stock issued against stock-based compensation plans	360,236	—	1,045	—	—	—	—	1,045
Stock-based compensation	—	—	20,850	—	—	—	—	20,850
Acquisition of treasury stock	—	—	—	—	—	(591,941)	(38,901)	(38,901)
Other comprehensive loss	—	—	—	—	(325)	—	—	(325)
Net income	—	—	—	57,258	—	—	—	57,258
Balance as of September 30, 2020	**38,840,890**	**$ 39**	**$ 413,135**	**$ 609,161**	**$ (85,217)**	**(4,887,354)**	**$ (227,190)**	**$ 709,928**

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Non - Controlling Interest	Total Equity
	Shares	Amount				Shares	Amount		
Balance as of January 1, 2019	**37,850,544**	**$ 38**	**$ 364,179**	**$ 484,244**	**$ (83,467)**	**(3,628,068)**	**$ (146,925)**	**$ 250**	**$ 618,319**
Stock issued against stock-based compensation plans	471,810	—	338	—	—	—	—	—	338
Stock-based compensation	—	—	21,538	—	—	—	—	—	21,538
Acquisition of treasury stock	—	—	—	—	—	(586,435)	(35,884)	—	(35,884)
Allocation of equity component related to issuance costs on convertible notes	—	—	(13)	—	—	—	—	—	(13)
Non-controlling interest	—	—	18	—	—	—	—	(250)	(232)
Other comprehensive loss	—	—	—	—	(2,686)	—	—	—	(2,686)
Net income	—	—	—	46,303	—	—	—	—	46,303
Balance as of September 30, 2019	**38,322,354**	**$ 38**	**$ 386,060**	**$ 530,547**	**$ (86,153)**	**(4,214,503)**	**$ (182,809)**	**$ —**	**$ 647,683**

See accompanying notes to unaudited consolidated financial statements.

EXLSERVICE HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Cash flows from operating activities:		
Net income	$ 57,258	$ 46,303
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	37,249	39,633
Stock-based compensation expense	20,850	21,538
Amortization of operating lease right-of-use assets	20,484	20,544
Unrealized gain on short term investments	(4,807)	(7,443)
Unrealized foreign exchange (gain)/loss, net	(437)	19
Deferred income tax benefit	(1,572)	(6,859)
Allowance for expected credit losses	353	433
Loss from equity-method investment	193	198
Amortization of non-cash interest expense related to convertible senior notes	1,943	1,836
Impairment charges	—	3,167
Others, net	(935)	(148)
Change in operating assets and liabilities:		
Accounts receivable	16,078	(16,475)
Prepaid expenses and other current assets	1,498	752
Advance income tax, net	7,001	6,212
Other assets	3,096	(1,307)
Accounts payable	(490)	(1,847)
Deferred revenue	295	3,247
Accrued employee costs	(11,854)	3,420
Accrued expenses and other liabilities	(109)	12,160
Operating lease liabilities	(19,780)	(19,428)
Net cash provided by operating activities	126,314	105,955
Cash flows from investing activities:		
Purchases of property and equipment	(34,614)	(32,462)
Proceeds from sale of property and equipment	624	154
Investment in equity affiliate	(700)	—
Purchase of non-controlling interest	—	(241)
Purchase of investments	(57,965)	(117,934)
Proceeds from redemption of investments	103,718	129,143
Net cash provided by/(used for) investing activities	11,063	(21,340)
Cash flows from financing activities:		
Principal payments of finance lease liabilities	(180)	(274)
Proceeds from borrowings	110,000	46,000
Repayments of borrowings	(120,393)	(87,763)
Payment of debt issuance costs	—	(117)
Acquisition of treasury stock	(38,901)	(35,884)
Proceeds from exercise of stock options	1,045	338
Net cash used for financing activities	(48,429)	(77,700)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	20	(1,761)
Net increase in cash, cash equivalents and restricted cash	88,968	5,154
Cash, cash equivalents and restricted cash at the beginning of the period	127,044	104,131
Cash, cash equivalents and restricted cash at the end of the period	$ 216,012	$ 109,285

See accompanying notes to unaudited consolidated financial statements.

EXLSERVICE HOLDINGS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2020
(In thousands, except share and per share amounts)

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"), operates in the Business Process Management ("BPM") industry providing operations management services and analytics services that helps its clients build and grow sustainable businesses. By orchestrating its domain expertise, data, analytics and digital technology, the Company looks deeper to design and manage agile, customer-centric operating models to improve global operations, drive profitability, enhance customer satisfaction, increase data-driven insights, and manage risk and compliance. 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, 2019.

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 those financial statements.

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

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 is recognized in the unaudited consolidated statements of income.

Effective January 1, 2020, the Company made certain operational and structural changes to more closely integrate the Company's businesses and to simplify its organizational structure. Under the new structure, the Company reports its financial performance based on new segments described in Note 3 - Segment and Geographical Information to the unaudited consolidated financial statements. In conjunction with the new reporting structure, the Company has recast certain prior period amounts, wherever applicable, to conform to the way the Company internally manages and monitors segment performance. This change primarily impacted Note 3 - Segment and Geographical Information and Note 9 - Goodwill and Intangible Assets to the unaudited consolidated financial statements, with no impact on the unaudited consolidated balance sheets, statements of income, comprehensive (loss)/income, equity and cash flows.

(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, allowance for expected credit losses, expected recoverability from customers with contingent fee arrangements, 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, 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 lease cost, depreciation and amortization periods, purchase price allocation, recoverability of long-lived assets including goodwill and intangibles, and estimated costs to complete fixed price contracts.

As of September 30, 2020, the extent to which the global Coronavirus Disease 2019 pandemic ("COVID-19") will ultimately impact the Company's business depends on numerous dynamic factors, which the Company still cannot reliably predict. As a result, many of the Company's estimates and assumptions herein required increased judgment and carry a higher degree of variability and volatility. As events continue to evolve with respect to COVID-19, the Company's estimates may materially change in future periods. Any changes in estimates are adjusted prospectively in the Company's consolidated financial statements.

(c) Leases

The Company determines if an arrangement is a lease at inception of the contract. Operating leases are recorded in "operating lease right-of-use assets", "current portion of operating lease liabilities" and "operating lease liabilities, less current portion" in the Company's unaudited consolidated balance sheets. Finance leases are recorded in "property and equipment", and current and non-current portion of finance lease liabilities are presented within "accrued expenses and other current liabilities" and "other non-current liabilities," respectively in the Company's unaudited consolidated balance sheets.

ROU assets represent the Company's right to use an underlying asset during the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. For leases in which the rate implicit in the lease is not readily determinable, the Company uses its incremental borrowing rate based on the information available at commencement date for determining the present value of lease payments. Lease terms includes the effects of options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for operating lease arrangements is recognized on a straight-line basis over the lease term. The Company has lease agreements with lease and non-lease components, which are accounted for separately.

The Company accounts for lease-related concessions to mitigate the economic effects of COVID-19 on lessees in accordance with guidance in Topic 842, *Leases*, to determine, on a lease-by-lease basis, whether the concession provided by lessor should be accounted for as a lease modification.

The Company accounts for a modification as a separate contract when it grants an additional right of use not included in the original lease and the increase is commensurate with the standalone price for the additional right of use, adjusted for the circumstances of the particular contract. Modifications which are not accounted for as a separate contract are reassessed as of the effective date of the modification based on its modified terms and conditions and the facts and circumstances as of that date.

On January 1, 2019, the date of initial application, the Company adopted Topic 842, *Leases*, using the modified retrospective method. The modified retrospective method provides a method of recognizing those leases which had not expired as of the date of adoption of January 1, 2019.

The adoption resulted in the recognition of ROU assets of $80,328 (net of deferred rent of $8,626) and lease liabilities of $88,954 for operating leases as of January 1, 2019. The Company's accounting for finance leases remained substantially unchanged. The adoption had no impact on opening balance of retained earnings. Refer to Note 20 - Leases to the unaudited consolidated financial statements for details.

(d) Recent Accounting Pronouncements

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2018-14, *Compensation-Retirement Benefits-Defined Benefit Plans-General* (("Subtopic 715-20")): Changes to the Disclosure Requirements for Defined Benefit Plans. The amendments in this ASU remove disclosures that no longer are considered cost beneficial, clarify the specific requirements of disclosures, and add disclosure requirements identified as relevant. The amendments in this ASU are effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. The adoption of this ASU is not expected to have any material effect on the Company's consolidated financial statements.

In March 2020, FASB issued ASU No. 2020-04, *Reference Rate Reform* (Topic 848)*: Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides optional guidance for a limited period of time to ease potential accounting impacts associated with transitioning away from reference rates that are expected to be discontinued, such as interbank offered rates and LIBOR. The ASU provides practical expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments are elective and are effective upon issuance for all entities through December 31, 2022. The Company is currently evaluating the impact of this ASU.

In August 2020, FASB issued ASU No. 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. This ASU simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. The ASU removes separation models for (1) convertible debt with a cash conversion feature and (2) convertible instruments with a beneficial conversion feature and hence most of the instruments will be accounted for as a single model (either debt or equity). The ASU also states that entities must apply the if-converted method to all convertible instruments for calculation of diluted EPS and the treasury stock method is no longer available. An entity can use either a full or modified retrospective approach to adopt the ASU's guidance. The ASU is effective for fiscal years beginning after December 15, 2021 and may be early adopted for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The Company is currently evaluating the impact of this ASU.

(e) Recently Adopted Accounting Pronouncements

In June 2016, FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326), which requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected based on historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The new guidance replaces the existing incurred loss impairment model with an expected loss model which requires the use of forward-looking information to calculate credit loss estimates. These changes will result in earlier recognition of credit losses. The allowance for credit losses is a valuation account that is to be deducted from the amortized cost of the financial asset(s) so as to present the net carrying value at the amount expected to be collected on the financial asset. The Company adopted Topic 326 as of January 1, 2020 using a modified retrospective approach through a cumulative-effect adjustment to its retained earnings. The adoption of the ASU had no impact to equity as of January 1, 2020 with a corresponding offset to accounts receivable. Further, the impact of adoption of this guidance did not have a material effect on the Company's accounting policies, processes, and systems. Refer to Note 4 - Revenues, net to the unaudited consolidated financial statements for details.

In August 2018, FASB issued ASU No. 2018-13, *Fair Value Measurement* (Topic 820): Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in this ASU modify the disclosure requirements on fair value measurements in Topic 820, by prescribing new disclosure requirements, and the elimination and modification of disclosure requirements based on the concepts in the Concepts Statement, including the consideration of costs and benefits. The amendments in this ASU are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. An entity was permitted to early adopt either the entire standard or only the provisions that eliminate or modify requirements. The early adoption of this ASU, effective January 1, 2020, did not have any material effect on the Company’s disclosures in the unaudited consolidated financial statements.

In August 2018, FASB issued ASU No. 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software* ("Subtopic 350-40"): This ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). Accordingly, the ASU requires an entity (customer) in a hosting arrangement that is a service contract to follow the guidance in FASB Accounting Standard Codification Subtopic 350-40 on internal-use software to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. The ASU 2018-15 also provides guidance on amortization and impairment of any costs capitalized, along with new presentation and disclosure requirements. The new guidance is effective for fiscal years beginning after December 15, 2019 and adoption was allowed prospectively. The adoption of this ASU effective January 1, 2020 did not have any material effect on the Company’s unaudited consolidated financial statements.

In April 2019, FASB issued ASU No. 2019-04, *Codification Improvements to Financial Instruments-Credit Losses* (Topic 326), *Derivatives and Hedging* (Topic 815), and *Financial Instruments: Targeted Transition Relief* (Topic 825). The amendments clarify the scope of the credit losses standard and address issues related to accrued interest receivable balances, recoveries, variable interest rates and prepayments, among other things. With respect to hedge accounting, the amendments address partial-term fair value hedges, fair value hedge basis adjustments, and certain transition requirements, among other things. With respect to recognizing and measuring financial instruments, the amendment in the ASU address the scope of the guidance, the requirement for remeasurement under ASC 820 when using the measurement alternative, certain disclosure requirements and which equity securities have to be remeasured at historical exchange rates. This ASU is effective for public business entities for fiscal years beginning after December 15, 2019, including interim periods within that fiscal year. Early adoption was permitted. The adoption of this ASU did not have any material effect on the Company’s unaudited consolidated financial statements.

In May 2019, FASB issued ASU No. 2019-05, *Financial Instruments-Credit Losses* (Topic 326): Targeted Transition Relief. This ASU provides entities with the option to irrevocably elect the fair value option, on an instrument-by-instrument basis in accordance with Subtopic 825-10, for certain financial instruments that are within the scope of Subtopic 326-20, upon adopting Topic 326. The fair value option election does not apply to held-to-maturity debt securities. The amendments in this ASU provide entities with targeted transition relief that is intended to increase comparability of financial statement information for some entities that otherwise would have measured similar financial instruments using different measurement methodologies. The Company adopted Topic 326 as of January 1, 2020, whereby no such fair value election was made, accordingly, the adoption of this ASU did not have any material effect on the Company’s unaudited consolidated financial statements.

(f) Reclassification

Certain reclassifications have been made in the consolidated financial statements of prior periods to conform to the classification used in the current period. The impact of such reclassifications on the consolidated financial statements is not material.

3. Segment and Geographical Information

The Company operates in the BPM industry and is a provider of operations management and analytics services.

Effective January 1, 2020, the Company made certain operational and structural changes to more closely integrate its businesses and to simplify its organizational structure. The Company now manages and reports financial information through its four strategic business units: Insurance, Healthcare, Analytics and Emerging Business, which reflects how management will review financial information and make operating decisions. These business units will develop client-specific solutions, build capabilities, maintain a unified go-to-market approach and be integrally responsible for service delivery, customer satisfaction, growth and profitability. In line with the Company's strategy of vertical integration and focus on domain expertise, the Company has integrated its Finance & Accounting and Consulting operating segments within each of the Insurance and Healthcare operating segments based on the corresponding industry-specific clients to whom those services are provided. Finance & Accounting and Consulting services to clients outside of the Insurance and Healthcare industries will now be part of the Company's newly formed business unit and reportable segment Emerging Business. In addition, the Company integrated its former Travel, Transportation and Logistics, Banking and Financial Services, and Utilities operating segments under the Emerging Business unit to further leverage and optimize the operating scale in providing operations management services.

(In thousands, except share and per share amounts)

The Company's new reportable segments effective January 1, 2020 are as follows:

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

In conjunction with the new reporting structure, the Company has recast its segment disclosures for prior periods presented to conform to the way the Company internally manages and monitors segment performance.

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 September 30, 2020 and 2019, respectively, for each of the reportable segments, are as follows:

	Three months ended September 30, 2020				
	Insurance	Healthcare	Emerging Business	Analytics	Total
Revenues, net	$ 87,830	$ 25,112	$ 37,577	$ 90,499	$ 241,018
Cost of revenues(1)	56,831	17,993	20,792	56,471	152,087
Gross profit(1)	$ 30,999	$ 7,119	$ 16,785	$ 34,028	$ 88,931
Operating expenses					54,525
Foreign exchange gain, interest expense and other income, net					573
Income tax expense					8,490
Loss from equity-method investment					71
Net income					$ 26,418

(1) Exclusive of depreciation and amortization expense.

(In thousands, except share and per share amounts)

	Three months ended September 30, 2019				
	Insurance	Healthcare	Emerging Business	Analytics	Total
Revenues, net	$ 91,096	$ 25,631	$ 45,912	$ 88,753	$ 251,392
Cost of revenues[(1)]	62,233	20,409	27,067	57,833	167,542
Gross profit[(1)]	$ 28,863	$ 5,222	$ 18,845	$ 30,920	$ 83,850
Operating expenses					61,428
Foreign exchange gain, interest expense and other income, net					2,392
Income tax expense					5,701
Loss from equity-method investment					69
Net income					$ 19,044

(1) Exclusive of depreciation and amortization expense.

Revenues and cost of revenues for the nine months ended September 30, 2020 and 2019, respectively, for each of the reportable segments, are as follows:

	Nine months ended September 30, 2020				
	Insurance	Healthcare	Emerging Business	Analytics	Total
Revenues, net	$ 252,851	$ 77,119	$ 114,902	$ 264,609	$ 709,481
Cost of revenues[(1)]	174,909	57,226	68,689	172,320	473,144
Gross profit[(1)]	$ 77,942	$ 19,893	$ 46,213	$ 92,289	$ 236,337
Operating expenses					164,578
Foreign exchange gain, interest expense and other income, net					4,108
Income tax expense					18,416
Loss from equity-method investment					193
Net income					$ 57,258

(1) Exclusive of depreciation and amortization expense.

	Nine months ended September 30, 2019				
	Insurance	Healthcare	Emerging Business	Analytics	Total
Revenues, net	$ 257,963	$ 69,609	$ 143,317	$ 263,585	$ 734,474
Cost of revenues[(1)]	176,890	55,960	82,212	172,166	487,228
Gross profit[(1)]	$ 81,073	$ 13,649	$ 61,105	$ 91,419	$ 247,246
Operating expenses					194,107
Foreign exchange gain, interest expense and other income, net					5,933
Income tax expense					12,571
Loss from equity-method investment					198
Net income					$ 46,303

(1) Exclusive of depreciation and amortization expense.

(In thousands, except share and per share amounts)

Revenues, net by service type, were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
BPM and related services[1]	$ 150,519	$ 162,639	$ 444,872	$ 470,889
Analytics services	90,499	88,753	264,609	263,585
Revenues, net	$ 241,018	$ 251,392	$ 709,481	$ 734,474

[1] BPM and related services include revenues of the Company's Insurance, Healthcare and Emerging Business operating 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 September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenues, net				
United States	$ 203,928	$ 208,753	$ 600,840	$ 602,758
Non-United States				
United Kingdom	22,903	27,884	65,011	87,140
Rest of World	14,187	14,755	43,630	44,576
Total Non-United States	37,090	42,639	108,641	131,716
Revenues, net	$ 241,018	$ 251,392	$ 709,481	$ 734,474

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	
	September 30, 2020	December 31, 2019
Long-lived assets		
India	$ 103,224	$ 78,244
United States	47,847	52,375
Philippines	29,053	26,006
Rest of World	9,852	8,913
Long-lived assets	$ 189,976	$ 165,538

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:

(In thousands, except share and per share amounts)

	As of	
	September 30, 2020	December 31, 2019
Accounts receivable, net	$ 154,983	$ 171,864
Contract assets	$ 4,742	$ 5,391
Contract liabilities		
Deferred revenue (consideration received in advance)	$ 11,600	$ 11,259
Consideration received for process transition activities	$ 3,187	$ 3,036

Accounts receivable includes $74,386 and $73,920 as of September 30, 2020 and December 31, 2019, 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. This may also include revenues deferred for certain contracts where services have been rendered but other conditions for revenue recognition have not been met for example, where a legally enforceable contract is not executed. 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 unaudited 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 nine months ended September 30, 2020 and 2019, which was included in the contract liabilities balance at the beginning of the respective periods:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenue recognized	$ 1,611	$ 1,086	$ 9,805	$ 5,312

Contract acquisition and fulfillment costs

	Contract Acquisition Costs				
	Three months ended		Nine months ended		Year ended
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019	December 31, 2019
					(Audited)
Opening Balance	$ 1,270	$ 469	$ 1,307	$ 713	$ 713
Additions	63	776	250	776	1,222
Amortization	(112)	(113)	(336)	(357)	(628)
Closing Balance	**$ 1,221**	**$ 1,132**	**$ 1,221**	**$ 1,132**	**$ 1,307**

(In thousands, except share and per share amounts)

	Contract Fulfillment Costs				
	Three months ended		Nine months ended		Year ended
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019	December 31, 2019
					(Audited)
Opening Balance	$ 6,780	$ 5,608	$ 7,255	$ 4,051	$ 4,051
Additions	116	1,140	763	3,307	4,652
Amortization	(463)	(411)	(1,585)	(1,021)	(1,448)
Closing Balance	**$ 6,433**	**$ 6,337**	**$ 6,433**	**$ 6,337**	**$ 7,255**

There was no impairment for contract acquisition and contract fulfillment costs as of September 30, 2020 and December 31, 2019. The capitalized costs are amortized on a straight line basis over the life of the contract.

Allowance for expected credit losses

On January 1, 2020, the Company adopted ASC Topic 326, Financial Instruments-Credit Losses. Accounts receivable and contract assets are in the scope for which assessment is made. 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 and estimates relating to the possible effects resulting from COVID-19.

The duration and severity of COVID-19 and continued market volatility is highly uncertain and, as such, the impact on expected losses is subject to significant judgment, including but not limited to changes in customers' credit rating, and may cause variability in the Company's allowance for credit losses in future periods.

As of January 1, 2020 the Company's provision for doubtful receivables was $1,163. There was no material impact on the provision when calculated by applying the Topic 326 guidance.

	As of	
	September 30, 2020	January 1, 2020
Accounts receivable, including unbilled receivables	$ 156,383	$ 173,027
Less: Allowance for lifetime expected credit loss	(1,400)	(1,163)
Accounts receivable, net	**$ 154,983**	**$ 171,864**

The movement in allowance for current expected credit loss on customer balances for the three and nine months ended September 30, 2020 and 2019 and year ended December 31, 2019 was as follows:

	Three months ended		Nine months ended		Year ended
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019	December 31, 2019
Balance at the beginning of the period	$ 1,434	$ 1,168	$ 1,163	$ 956	$ 956
Addition (reversal) during the period, net	(36)	(57)	345	208	354
Charged against allowance	—	(1)	(100)	(55)	(156)
Translation adjustment, if any	2	3	(8)	4	9
Balance at the end of the period	**$ 1,400**	**$ 1,113**	**$ 1,400**	**$ 1,113**	**$ 1,163**

(In thousands, except share and per share amounts)

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 and restricted stock units) 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 Company includes performance stock unit awards in dilutive potential common shares when they become contingently issuable and have a dilutive impact per authoritative guidance and excludes such awards when they are not contingently issuable.

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Numerators:				
Net income	$ 26,418	$ 19,044	$ 57,258	$ 46,303
Denominators:				
Basic weighted average common shares outstanding	34,327,477	34,322,449	34,404,798	34,382,787
Dilutive effect of share-based awards	208,572	377,048	213,032	362,181
Diluted weighted average common shares outstanding	34,536,049	34,699,497	34,617,830	34,744,968
Earnings per share attributable to ExlService Holdings Inc. stockholders:				
Basic	$ 0.77	$ 0.55	$ 1.66	$ 1.35
Diluted	$ 0.76	$ 0.55	$ 1.65	$ 1.33
Weighted average potentially dilutive shares considered anti-dilutive and not included in computing diluted earnings per share	347,126	—	385,252	141,834

6. Cash, Cash Equivalents and Restricted Cash

For the purpose of unaudited statements of cash flows, cash, cash equivalents and restricted cash comprise of the following:

	As of	
	September 30, 2020	September 30, 2019
Cash and cash equivalents	$ 206,423	$ 101,432
Restricted cash (current)	7,312	5,412
Restricted cash (non-current)	2,277	2,441
Cash, cash equivalents and restricted cash	$ 216,012	$ 109,285

(In thousands, except share and per share amounts)

7. Other Income, net

Other income, net consists of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Gain on sale and mark-to-market of mutual funds, net	$ 1,965	$ 3,216	$ 7,131	$ 10,060
Interest income	777	489	1,941	1,982
Others, net	(257)	858	167	1,046
Other income, net	$ 2,485	$ 4,563	$ 9,239	$ 13,088

8. Property and Equipment, net

Property and equipment, net consists of the following:

	Estimated useful lives (Years)	As of September 30, 2020	As of December 31, 2019
Owned Assets:			
Network equipment and computers	3-5	$ 103,666	$ 98,309
Software	3-5	96,574	79,746
Leasehold improvements	3-8	46,542	44,982
Office furniture and equipment	3-8	21,759	22,046
Motor vehicles	2-5	593	601
Buildings	30	1,078	1,114
Land	—	705	729
Capital work in progress	—	5,894	10,309
		276,811	257,836
Less: Accumulated depreciation and amortization		(183,230)	(179,331)
		$ 93,581	$ 78,505
Right-of-use assets under finance leases:			
Leasehold improvements		$ 682	$ 738
Office furniture and equipment		239	308
Motor vehicles		705	711
		1,626	1,757
Less: Accumulated depreciation and amortization		(1,104)	(1,120)
		$ 522	$ 637
Property and equipment, net		$ 94,103	$ 79,142

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 nine months ended September 30, 2020, there were no changes in estimated useful lives of property and equipment.

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

(In thousands, except share and per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Depreciation and amortization expense	$ 9,012	$ 7,545	$ 26,283	$ 22,882

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Effect of foreign exchange gain/(loss)	$ 18	$ 54	$ (31)	$ 167

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

	As of	
	September 30, 2020	December 31, 2019
Cost	$ 17,936	$ 15,784
Less : Accumulated amortization	(4,992)	(4,989)
Internally developed software, net	$ 12,944	$ 10,795

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Amortization expense	$ 1,215	$ 746	$ 3,892	$ 1,952

As of September 30, 2020, 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 assurances 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, and the asset’s residual value, if any. It is reasonably possible that the judgments and estimates described above could change in future periods. The duration and severity of COVID-19 and continued market volatility is highly uncertain and, as such, the impact on undiscounted cash flows is subject to significant judgment and may cause variability in the Company’s assessment of the existence of any impairment.

During the three and nine months ended September 30, 2019, the Company performed an impairment test of its long-lived assets related to its Health Integrated business. Based on the results, the long-lived assets carrying value exceeded its fair value. The primary factor contributing to a reduction in the fair value is the wind-down of the Health Integrated business, due to reduction to the Company's estimated future cash flows. As a result of this analysis, the Company recognized impairment charges of $0 and $2,178 during the three and nine months ended September 30, 2019, respectively, to write down the carrying value of property and equipment to its fair value. This impairment charge was recorded in the unaudited consolidated statements of income under "Impairment and restructuring charges".

9. Goodwill and Intangible Assets

Goodwill

The Company transitioned to new segment reporting structure effective January 1, 2020, which resulted in certain changes to its operating segments and reporting units. The Company reallocated goodwill to its reporting units using a relative fair value approach. In addition, the Company completed an assessment of any potential goodwill impairment for all its reporting units immediately prior to the reallocation and determined that no impairment existed.

(In thousands, except share and per share amounts)

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

	Insurance	Healthcare	Emerging Business	TT&L	F&A	All Other	Analytics	Total
Balance at January 1, 2019	$ 38,203	$ 19,276	$ —	$ 12,697	$ 47,193	$ 5,326	$ 227,289	$ 349,984
Currency translation adjustments	73	—	—	(240)	(288)	—	—	(455)
Balance at December 31, 2019	$ 38,276	$ 19,276	$ —	$ 12,457	$ 46,905	$ 5,326	$ 227,289	$ 349,529
Goodwill reallocation[1]	12,192	2,693	49,803	(12,457)	(46,905)	(5,326)	—	—
Currency translation adjustments	(144)	(22)	(638)	—	—	—	(2)	(806)
Balance at September 30, 2020	$ 50,324	$ 21,947	$ 49,165	$ —	$ —	$ —	$ 227,287	$ 348,723

[1] Represents the reallocation of goodwill as a result of the Company reorganizing its operating segments as described in Note 3 - Segment and Geographical Information to the unaudited consolidated financial statements.

As of March 31, 2020, due to the deteriorating macroeconomic conditions arising from the COVID-19 pandemic, the Company performed a goodwill impairment test for its reporting units. The Company considered the effects of the COVID-19 pandemic on its significant inputs used in determining the fair value of the Company's reporting units. Based on the results, the fair value of each of the Company's reporting units exceeded their carrying value and the Company's goodwill was not impaired.

During the third quarter of 2020, the Company evaluated the continuing effects of COVID-19 and its impact on the global economy on each of the Company's reporting units to assess whether there was a triggering event during the quarter requiring the Company to perform a goodwill impairment test. The Company considered certain improvements in current and forecasted economic and market conditions and qualitative factors, such as the Company's performance and business forecasts, stock price movements and expansion plans. The Company reviewed key assumptions, including revisions of projected future revenues for reporting units against the results of the interim impairment quantitative test performed during the first quarter of 2020. The Company did not identify any triggers or indications of potential impairment for its reporting units as of September 30, 2020. The Company will continue to monitor the impacts of COVID-19 on the Company and significant changes in key assumptions that could result in future period impairment charges.

The recoverability of goodwill is dependent upon the continued growth of cash flows from our business activities. There can be no assurances that goodwill will not be impaired in future periods. Estimating the fair value of reporting units requires the use of estimates and significant judgments that are based on a number of factors including actual operating results. These estimates and judgements may not be within the control of the Company and accordingly it is reasonably possible that the judgments and estimates described above could change in future periods. The duration and severity of COVID-19 and continued market volatility is highly uncertain and, as such, the impact on cash flows, long-term debt-free net cash flow growth rate in the terminal year and discount rates are subject to significant judgments and may cause variability in the Company's assessment of existence of any impairment.

(In thousands, except share and per share amounts)

Intangible Assets

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

	As of September 30, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Finite-lived intangible assets:			
Customer relationships	$ 73,240	$ (25,432)	$ 47,808
Developed technology	23,414	(10,675)	12,739
Trade names and trademarks	5,100	(3,606)	1,494
	$ 101,754	$ (39,713)	$ 62,041
Indefinite-lived intangible assets:			
Trade names and trademarks	900	—	900
Total intangible assets	$ 102,654	$ (39,713)	$ 62,941

	As of December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Finite-lived intangible assets:			
Customer relationships	$ 97,602	$ (43,330)	$ 54,272
Developed technology	26,976	(10,687)	16,289
Trade names and trademarks	5,100	(2,579)	2,521
	$ 129,678	$ (56,596)	$ 73,082
Indefinite-lived intangible assets:			
Trade names and trademarks	900	—	900
Total intangible assets	$ 130,578	$ (56,596)	$ 73,982

The amortization expense for the period is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Amortization expense	$ 3,413	$ 5,502	$ 10,997	$ 16,584

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

	(in years)
Customer relationships	7.11
Developed technology	2.94
Trade names and trademarks (Finite lived)	2.01

(In thousands, except share and per share amounts)

Estimated future amortization expense related to intangible assets as of September 30, 2020 is as follows:

2020 (October 1 - December 31)	$ 3,417
2021	12,744
2022	11,331
2023	9,042
2024	6,700
2025 and thereafter	18,807
Total	$ 62,041

10. Other Current Assets

Other current assets consist of the following:

	As of	
	September 30, 2020	December 31, 2019
Derivative instruments	$ 7,514	$ 4,076
Advances to suppliers	2,532	1,581
Receivables from statutory authorities	14,250	12,608
Contract assets	1,773	1,414
Deferred contract fulfillment costs	2,059	1,673
Interest accrued on fixed deposits	149	439
Others	2,507	2,803
Other current assets	$ 30,784	$ 24,594

11. Other Assets

Other assets consist of the following:

	As of	
	September 30, 2020	December 31, 2019
Lease deposits	$ 10,106	$ 9,983
Derivative instruments	4,438	3,433
Deposits with statutory authorities	6,280	6,237
Term deposits	1,900	1,983
Contract assets	2,969	3,977
Deferred contract fulfillment costs	4,374	5,582
Others	4,213	4,821
Other assets	$ 34,280	$ 36,016

(In thousands, except share and per share amounts)

12. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	As of	
	September 30, 2020	December 31, 2019
Accrued expenses	$ 41,776	$ 50,097
Payable to statutory authorities	10,189	9,247
Accrued capital expenditure	7,413	3,035
Derivative instruments	1,207	1,783
Client liabilities	7,506	6,378
Interest payable	2,725	1,492
Other current liabilities	1,978	1,732
Finance lease liabilities	249	253
Accrued expenses and other current liabilities	$ 73,043	$ 74,017

13. Other Non-Current Liabilities

Other non-current liabilities consist of the following:

	As of	
	September 30, 2020	December 31, 2019
Derivative instruments	$ 544	$ 1,250
Unrecognized tax benefits	1,047	1,047
Retirement benefits	4,119	6,517
Deferred transition revenue	2,026	1,911
Accrued capital expenditure	3,452	—
Other liabilities	4,867	987
Finance lease liabilities	321	430
Other non-current liabilities	$ 16,376	$ 12,142

14. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss (“AOCI”), consists of actuarial gain/(loss) on retirement benefits and changes in the cumulative foreign currency translation adjustments. In addition, the Company enters into foreign currency exchange contracts, which are designated as cash flow hedges in accordance with ASC 815. Changes in the fair values of these foreign currency exchange contracts are recognized in AOCI on the Company's unaudited consolidated balance sheets until the settlement of those contracts. The balances as of September 30, 2020 and December 31, 2019 are as follows:

	As of	
	September 30, 2020	December 31, 2019
Cumulative foreign currency translation loss	$ (86,439)	$ (86,963)
Unrealized gain on cash flow hedges	10,277	4,604
Retirement benefits	(1,484)	(1,780)
Income tax expense relating to above [(1)]	(7,571)	(753)
Accumulated other comprehensive loss	$ (85,217)	$ (84,892)

(1) These are income tax expenses recognized on cash flow hedges, retirement benefits and foreign currency translation losses. Refer to Note 21 - Income Taxes to the unaudited consolidated financial statements.

(In thousands, except share and per share amounts)

15. Fair Value Measurements

Assets and Liabilities Measured at Fair Value

The following table sets forth the Company's assets and liabilities that were accounted for at fair value as of September 30, 2020 and December 31, 2019.

As of September 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total
Assets				
Mutual funds*	$ 125,077	$ —	$ —	$ 125,077
Derivative financial instruments	—	11,952	—	11,952
Total	$ 125,077	$ 11,952	$ —	$ 137,029
Liabilities				
Derivative financial instruments	$ —	$ 1,751	$ —	$ 1,751
Total	$ —	$ 1,751	$ —	$ 1,751

As of December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total
Assets				
Mutual funds*	$ 166,330	$ —	$ —	$ 166,330
Derivative financial instruments	—	7,509	—	7,509
Total	$ 166,330	$ 7,509	$ —	$ 173,839
Liabilities				
Derivative financial instruments	$ —	$ 3,033	$ —	$ 3,033
Total	$ —	$ 3,033	$ —	$ 3,033

** Represents those short-term investments, which are carried at the fair value option under ASC 825 "Financial Instruments" as of September 30, 2020 and December 31, 2019.*

Derivative Financial Instruments: The Company's derivative financial instruments consist of foreign currency forward exchange contracts. 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 16 - Derivatives and Hedge Accounting to the unaudited consolidated financial statements for further details.

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, short-term investments (except investment in mutual funds, as disclosed above), restricted cash, accrued interest on term deposits, accrued capital expenditures, accrued expenses and interest payable on borrowings for which fair values approximate their carrying amounts due to their short-term nature. 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.

Convertible Senior Notes:

The total estimated fair value of the convertible senior notes as of September 30, 2020 and December 31, 2019 was $146,149 and $149,934, respectively. The fair value was determined based on the market yields for similar Notes as of the September 30, 2020 and December 31, 2019, respectively. The Company considers the fair value of the Notes to be a Level 2 measurement due to the limited inputs available for its fair valuation.

Nonrecurring fair value measurements of assets:

Nonrecurring fair value measurements include impairment tests conducted by the Company during the nine months ended September 30, 2020 and year ended December 31, 2019 of its goodwill. The fair value determination for goodwill was based on Company's internal assessment, which are Level 3 inputs. During the nine months ended September 30, 2020 and year ended December 31, 2019, the Company did not recognize any impairment charges on goodwill as the fair values exceeded their carrying value. Refer to Note 9 - Goodwill and Intangible Assets to the unaudited consolidated financial statements for further details.

During the year ended December 31, 2019, the Company conducted impairment tests of its long-lived assets and ROU assets related to its Health Integrated business. The fair value determination for ROU assets was based on third party quotes, which are Level 2 inputs, and for other long-lived assets, it was based on Company's internal assessment, which are Level 3 inputs. During the year ended December 31, 2019, the Company recognized impairment charges on long-lived assets and ROU assets to write down the carrying value to their fair values.

16. Derivatives and Hedge Accounting

The Company uses derivative instruments and hedging transactions to mitigate exposure to foreign currency fluctuation risks associated with forecasted transactions denominated in certain foreign currencies so as to minimize earnings and cash flow volatility associated with changes in foreign currency exchange rates. The Company's derivative financial instruments are largely forward foreign exchange contracts that are designated as effective hedges and that qualify as cash flow hedges under ASC 815. The Company had outstanding cash flow hedges totaling $444,570 as of September 30, 2020 and $410,390 (including $4,300 of range forward contracts) as of December 31, 2019.

Changes in the fair value of these cash flow hedges are recorded as a component of accumulated other comprehensive income/(loss), net of tax, until the hedged transactions occurs. The resultant foreign exchange gain/(loss) upon settlement of these cash flow hedges is recorded along with the underlying hedged item in the same line of unaudited consolidated statements of income as either a part of "Cost of revenues", "General and administrative expenses", "Selling and marketing expenses", "Depreciation and amortization expense", as applicable. The impact of COVID-19 on the economic environment is uncertain and may cause variability in determination of fair value of these cash flow hedges, which could impact the effects of change in fair value that get recorded as a component of accumulated other comprehensive income/(loss) and also resultant exchange gain/(loss) upon settlement of derivative financial instruments.

The Company evaluates hedge effectiveness at the time a contract is entered into as well as on an ongoing basis. For hedging positions that are discontinued because the forecasted transaction is not expected to occur by the end of the originally specified period, any related amounts recorded in equity are reclassified to earnings.

The Company estimates that approximately $6,383 of net derivative gains, excluding tax effects, included in AOCI, representing changes in the fair value of cash flow hedges, could be reclassified into earnings within the next twelve months based on exchange rates prevailing as of September 30, 2020. At September 30, 2020, the maximum outstanding term of the cash flow hedges was 45 months.

The Company also enters into foreign currency forward contracts to economically hedge its intercompany balances and other monetary assets and liabilities denominated in currencies other than functional currencies, against the risk of foreign currency fluctuations associated with remeasurement of such assets and liabilities to functional currency. These derivatives do not qualify as fair value hedges under ASC 815. Changes in the fair value of these derivatives are recognized in the unaudited consolidated statements of income and are included in the foreign exchange gain/(loss) line item. The impact of COVID-19 on the economic environment is uncertain and may cause variability in determination of fair value of these derivatives, which could impact the effects of change in fair value that get recorded in the foreign exchange gain/(loss) line item. The Company's primary exchange rate exposure is with the Indian rupee, the U.K. pound sterling and the Philippine peso. The Company also has exposure to Colombian pesos (COP), Czech koruna, the Euro, South African ZAR and other local currencies in which it operates. Outstanding foreign currency forward contracts amounted to USD 138,517, GBP 7,230, EUR 1,342 and COP 8,287,950 as of September 30, 2020 and USD 124,045, GBP 10,843 and EUR 1,289 as of December 31, 2019.

(In thousands, except share and per share amounts)

The following tables set forth the fair value of the foreign currency exchange contracts and their location on the unaudited consolidated financial statements:

Derivatives designated as hedging instruments:	**As of**	
Foreign currency exchange contracts	**September 30, 2020**	**December 31, 2019**
Other current assets	$ 7,427	$ 3,945
Other assets	$ 4,438	$ 3,433
Accrued expenses and other current liabilities	$ 1,044	$ 1,524
Other non-current liabilities	$ 544	$ 1,250

Derivatives not designated as hedging instruments:	**As of**	
Foreign currency exchange contracts	**September 30, 2020**	**December 31, 2019**
Other current assets	$ 87	$ 131
Accrued expenses and other current liabilities	$ 163	$ 259

The following tables set forth the effect of foreign currency exchange contracts on the unaudited consolidated statements of income and accumulated other comprehensive loss for the three and nine months ended September 30, 2020 and 2019:

	Three months ended September 30,		**Nine months ended September 30,**	
Forward Exchange Contracts:	**2020**	**2019**	**2020**	**2019**
Unrealized gain/(loss) recognized in AOCI				
Derivatives in cash flow hedging relationships	$ 12,165	$ (3,574)	$ 5,040	$ 5,631
Gain/(loss) recognized in consolidated statements of income				
Derivatives not designated as hedging instruments	$ 3,388	$ (794)	$ 2,377	$ 3,525

(In thousands, except share and per share amounts)

Location and amount of gain/(loss) recognized in unaudited consolidated statements of income for cash flow hedging relationships and derivatives not designated as hedging instruments

	Three months ended September 30,			
	2020		2019	
	As per unaudited consolidated statements of income	(Loss)/gain on foreign currency exchange contracts	As per unaudited consolidated statements of income	Gain/(loss) on foreign currency exchange contracts
Cash flow hedging relationships				
Location in unaudited consolidated statements of income where gain/(loss) was reclassed from AOCI				
Cost of revenues	$ 152,087	$ (233)	$ 167,542	$ 1,432
General and administrative expenses	$ 26,810	(132)	$ 29,590	173
Selling & marketing expenses	$ 15,290	(4)	$ 18,302	19
Depreciation & amortization expense	$ 12,425	(66)	$ 13,047	80
		$ (435)		$ 1,704
Derivatives not designated as hedging instruments				
Location in unaudited consolidated statements of income where gain/(loss) was recognized				
Foreign exchange gain/(loss), net	$ 716	$ 3,388	$ 1,009	$ (794)
	$ 716	$ 3,388	$ 1,009	$ (794)

(In thousands, except share and per share amounts)

Location and amount of gain/(loss) recognized in unaudited consolidated statements of income for cash flow hedging relationships and derivatives not designated as hedging instruments

	Nine months ended September 30,			
	2020		2019	
	As per unaudited consolidated statements of income	(Loss)/gain on foreign currency exchange contracts	As per unaudited consolidated statements of income	Gain on foreign currency exchange contracts
Cash flow hedging relationships				
Location in unaudited consolidated statements of income where gain/(loss) was reclassed from AOCI				
Cost of revenues	$ 473,144	$ (272)	$ 487,228	$ 2,682
General and administrative expenses	$ 84,501	(246)	$ 93,349	359
Selling & marketing expenses	$ 42,797	(9)	$ 53,996	38
Depreciation & amortization expense	$ 37,280	(106)	$ 39,466	180
		$ (633)		$ 3,259
Derivatives not designated as hedging instruments				
Location in unaudited consolidated statements of income where gain was recognized				
Foreign exchange gain, net	$ 3,452	$ 2,377	$ 3,471	$ 3,525
	$ 3,452	$ 2,377	$ 3,471	$ 3,525

17. Borrowings

The following tables summarizes the Company’s debt position as of September 30, 2020 and December 31, 2019.

	As of September 30, 2020			
	Revolver Credit Facility	Structured Payables	Notes	Total
Current portion of long-term borrowings	**$ 10,000**	**$ 474**	**$ —**	**$ 10,474**
Long-term borrowings	79,000	—	150,000	229,000
Unamortized debt discount	—	—	(11,908)	(11,908)
Unamortized debt issuance costs*	—	—	(857)	(857)
Long-term borrowings	**79,000**	**—**	**137,235**	**216,235**
Total borrowings	**$ 89,000**	**$ 474**	**$ 137,235**	**$ 226,709**

(In thousands, except share and per share amounts)

	As of December 31, 2019			
	Revolver Credit Facility	Structured Payables	Notes	Total
Current portion of long-term borrowings	**$ 40,000**	**$ 867**	**$ —**	**$ 40,867**
Long-term borrowings	59,000	—	150,000	209,000
Unamortized debt discount	—	—	(13,851)	(13,851)
Unamortized debt issuance costs*	—	—	(1,018)	(1,018)
Long-term borrowings	**59,000**	**—**	**135,131**	**194,131**
Total borrowings	**$ 99,000**	**$ 867**	**$ 135,131**	**$ 234,998**

*Unamortized debt issuance costs for the Company's revolver Credit Facility of $555 and $748 as of September 30, 2020 and December 31, 2019, respectively, is presented under "Other current assets" and "Other assets" in the consolidated balance sheets.

Revolver Credit Agreement

The Company's $300,000 revolving credit facility pursuant to its credit agreement (the "Credit Agreement") with certain lenders and Citibank N.A. as Administrative Agent (the "Credit Facility") carried an effective interest rate as shown below.

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Effective interest rate	1.9 %	4.1 %	2.4 %	4.1 %

As of September 30, 2020 and December 31, 2019, the Company was in compliance with all financial and non-financial covenants listed under the Credit Agreement.

Convertible Senior Notes

On October 1, 2018, the Company entered into an investment agreement (the "Investment Agreement") with Orogen Echo LLC (the "Purchaser"), an affiliate of The Orogen Group LLC, relating to the issuance to the Purchaser of $150,000 in an aggregate principal amount of 3.50% Convertible Senior Notes due October 1, 2024 (the "Notes"). The transactions contemplated by the Investment Agreement, including the issuance of the Notes, closed on October 4, 2018. The Notes bear interest at a rate of 3.50% per annum, payable semi-annually in arrears in cash on April 1 and October 1 of each year. Until October 4, 2020, under the Investment Agreement, the Purchaser was restricted from transferring the Notes or any shares of common stock issuable upon conversion of the Notes, or entering into any transaction that transfers such interests to a third party.

(In thousands, except share and per share amounts)

During the three and nine months ended September 30, 2020 and 2019, the Company recognized interest expense and amortization of debt discount, on the Notes as below:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Interest expense on the Notes	$ 1,313	$ 1,313	$ 3,938	$ 3,894
Amortization of debt discount on the Notes	$ 654	$ 618	$ 1,943	$ 1,836

Future principal payments/maturities for all of the Company's borrowings as of September 30, 2020 were as follows:

	Notes	Revolver Credit Facility	Structured Payables	Total
2020 (October - December)	$ —	$ —	$ 474	$ 474
2021	—	10,000	—	10,000
2022	—	79,000	—	79,000
2023	—	—	—	—
2024	150,000	—	—	150,000
Total	$ 150,000	$ 89,000	$ 474	$ 239,474

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 September 30, 2020 and December 31, 2019, the Company had outstanding letters of credit of $461 each, that were not recognized in the consolidated balance sheets.

18. Capital Structure

Common Stock

The Company has one class of common stock outstanding.

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

	Shares repurchased	Total consideration	Weighted average purchase price per share [1]
Three months ended September 30, 2020	—	$ —	$ —
Three months ended September 30, 2019	—	$ —	$ —
Nine months ended September 30, 2020	26,601	$ 2,012	$ 75.63
Nine months ended September 30, 2019	22,666	$ 1,408	$ 62.11

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

On February 28, 2017, the Company's Board of Directors authorized an additional common stock repurchase program (the "2017 Repurchase Program"), under which shares may be purchased by the Company from time to time from the open market and through private transactions during each of the fiscal years 2017 through 2019 up to an aggregate additional amount of $100,000. The approval increased the 2017 authorization from $20,000 to $40,000 and authorizes stock repurchases of up to $40,000 in each of 2018 and 2019.

(In thousands, except share and per share amounts)

On December 16, 2019, the Company's Board of Directors authorized a $200,000 common stock repurchase program beginning January 1, 2020 through December 31, 2022 (the "2019 Repurchase Program"). The 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.

The Company purchased shares of its common stock, including commissions, under the 2019 Repurchase Program and the 2017 Repurchase Program, as applicable, as below:

	Shares repurchased	Total consideration	Weighted average purchase price per share
Three months ended September 30, 2020	389,575	$ 24,906	$ 63.93
Three months ended September 30, 2019	125,744	$ 8,346	$ 66.38
Nine months ended September 30, 2020	565,340	$ 36,889	$ 65.25
Nine months ended September 30, 2019	563,769	$ 34,476	$ 61.15

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.

The 2019 Repurchase Program may be suspended or discontinued at any time. During the quarter ended March 31, 2020, to enhance the Company's liquidity position in response to COVID-19, the Company elected to temporarily suspend share repurchases under the 2019 Repurchase Program. The 2019 Repurchase Program remains authorized by the Board of Directors and the Company resumed share repurchases effective July 1, 2020, considering improved market conditions, the Company's capital and liquidity needs and other factors.

19. 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 share and per share amounts)

Components of net periodic benefit cost were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Service cost	$ 679	$ 488	$ 2,021	$ 1,468
Interest cost	242	219	722	659
Expected return on plan assets	(159)	(142)	(477)	(428)
Amortization of actuarial loss/(gain)	98	(40)	296	(119)
Net gratuity cost	$ 860	$ 525	$ 2,562	$ 1,580

The India Plan is partially funded whereas the Philippines plan is unfunded. The Company makes annual contributions to the employees' gratuity fund of the India Plan established with Life Insurance Corporation of India and HDFC Standard Life Insurance Company. 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 ended December 31, 2020. The duration and severity of COVID-19 and continued market volatility is highly uncertain and, as such, the impact on assets and obligations related to employee benefit plans is subject to significant judgment and may cause variability in the Company’s net periodic benefit cost in future periods.

Change in Plan Assets	
Plan assets at January 1, 2020	$ 8,784
Actual return	506
Employer contribution	3,072
Benefits paid	(634)
Effect of exchange rate changes	(267)
Plan assets at September 30, 2020	$ 11,461

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 contribution plan. The Company may make discretionary contributions of up to a maximum of 4.0% of employee compensation within certain limits. To enhance the Company’s liquidity position in response to COVID-19, the Company elected to temporarily suspend making any discretionary contributions to the 401(k) Plans from January 2020 until July 2020. The Company resumed the contributions retrospectively from August 2020.

The Company's accrual for contributions to the 401(k) Plans were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Contributions to the 401(k) Plans	$ 2,661	$ 779	$ 2,916	$ 2,901

(In thousands, except share and per share amounts)

The Company's contribution for various defined benefit plans on behalf of employees in India, the Philippines, Romania, the Czech Republic, South Africa, Colombia, Australia and Singapore were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Contributions to the defined benefit plans	$ 2,758	$ 2,849	$ 8,382	$ 7,665

20. 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 Company had performed an evaluation of its contracts with suppliers in accordance with Topic 842 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. In assessment of the lease term, the Company considers the extension option as part of its lease term for those lease arrangements where the Company is reasonably certain of availing the extension option. The lease agreements do not contain any covenant to impose any restrictions except for market-standard practice for similar lease arrangements.

The impact of the COVID-19 pandemic on the economic environment is uncertain and has caused variability in the determination of the incremental borrowing rate and extension option, which have an impact on measurement of lease liabilities and ROU assets.

The Company accounts for lease-related concessions to mitigate the economic effects of COVID-19 on lessees in accordance with guidance in Topic 842, *Leases*, to determine on lease-by-lease basis, whether the concession provided by a lessor should be accounted for as a lease modification. Such concessions had an insignificant impact on our unaudited consolidated financial statements during the nine months ended September 30, 2020.

(In thousands, except share and per share amounts)

Supplemental balance sheet information

	As of	
	September 30, 2020	December 31, 2019
Operating Lease		
Operating lease right-of-use assets	$ 95,873	$ 86,396
Operating lease liabilities - Current	$ 19,048	$ 24,148
Operating lease liabilities - Non-current	89,412	74,709
Total operating lease liabilities	$ 108,460	$ 98,857
Finance Lease		
Property and equipment, gross	$ 1,626	$ 1,757
Accumulated depreciation	(1,104)	(1,120)
Property and equipment, net	$ 522	$ 637
Finance lease liabilities - Current	$ 249	$ 253
Finance lease liabilities - Non-current	321	430
Total finance lease liabilities	$ 570	$ 683

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.

During the three and nine months ended September 30, 2019, the Company performed an impairment test of its long-lived assets of its Health Integrated business. Based on the results, the operating lease ROU assets carrying value exceeded their fair value. As a result of this analysis, the Company recognized impairment on ROU assets of $0 and $989 during the three and nine months ended September 30, 2019, in the unaudited consolidated statements of income under "impairment and restructuring charges".

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 September 30,		Nine months ended September 30,	
Finance lease:	2020	2019	2020	2019
Amortization of right-of-use assets	$ 52	$ 68	$ 177	$ 198
Interest on lease liabilities	10	26	60	71
	62	94	237	269
Operating lease[(a)]	6,781	6,843	20,484	20,544
	6,781	6,843	20,484	20,544
Sublease income	—	(29)	—	(134)
Total lease cost	$ 6,843	$ 6,908	$ 20,721	$ 20,679

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

(In thousands, except share and per share amounts)

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

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Cash payments for amounts included in the measurement of lease liabilities :		
Operating cash outflows for operating leases	$ 19,780	$ 19,428
Operating cash outflows for finance leases	$ 60	$ 71
Financing cash outflows for finance leases	$ 180	$ 274
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 19,900	$ 31,189
Right-of-use assets obtained in exchange for new finance lease liabilities	$ 90	$ 177
Weighted-average remaining lease term		
Finance lease	1.9 years	2.3 years
Operating lease	6.4 years	5.9 years
Weighted-average discount rate		
Finance lease	10.3 %	8.7 %
Operating lease	7.5 %	7.2 %

The Company determines the incremental borrowing rate by adjusting the benchmark reference rates, applicable to the respective geographies where the leases were entered, with appropriate financing spreads and lease specific adjustments for the effects of collateral.

Maturities of lease liabilities as of September 30, 2020 are as follows:

	Operating Leases	Finance Leases
2020 (October 1 - December 31)	$ 6,837	$ 105
2021	25,974	273
2022	24,239	157
2023	22,112	110
2024	17,175	38
2025 and thereafter	44,698	6
Total lease payments	$ 141,035	$ 689
Less: Imputed interest	32,575	119
Present value of lease liabilities	$ 108,460	$ 570

Maturities of minimum lease payments as of December 31, 2019 are as follows:

During the next twelve months ending December 31,	Operating Leases	Capital Leases
2020	$ 26,932	$ 325
2021	23,783	251
2022	21,526	157
2023	19,381	86
2024	14,865	22
2025 and thereafter	23,983	—
Total minimum lease payment	$ 130,470	$ 841
Less: Imputed interest	31,613	158
Present value of minimum lease payments	$ 98,857	$ 683

(In thousands, except share and per share amounts)

21. Income Taxes

The Company determines the tax provision for interim periods using an estimate of its annual effective tax rate adjusted for discrete items, if any, that are taken into account in the relevant period. 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 impact of COVID-19 on the economic environment is uncertain and may change the annual effective tax rate, which could impact tax expense.

The Company's effective tax rate increased from 23.0% during the three months ended September 30, 2019 to 24.3% during the three months ended September 30, 2020. The Company recorded income tax expense of $8,490 and $5,701 for the three months ended September 30, 2020 and 2019, respectively. The increase in the income tax expense was primarily as a result of (i) higher profit during the three months ended September 30, 2020 and (ii) recording a discrete benefit of $495 during the three months ended September 30, 2019 relating to job related incentives in India for prior years.

The Company's effective tax rate increased from 21.3% during the nine months ended September 30, 2019 to 24.3% during the nine months ended September 30, 2020. The Company recorded income tax expense of $18,416 and $12,571 for the nine months ended September 30, 2020 and 2019, respectively. The increase in income tax expense was primarily as a result of (i) recording a one-time tax expense of $1,320 due to electing a new tax regime for two of the Company’s Indian subsidiaries which provides for a lower tax rate on earnings in exchange for foregoing certain tax credits, including minimum alternative tax credits during the nine months ended September 30, 2020, compared to a benefit of $2,520 recorded during the nine months ended September 30, 2019, (ii) higher profit during the nine months ended September 30, 2020, partially offset by (iii) recording of excess tax benefits related to stock awards of $1,874 pursuant to ASU No. 2016-09 during the nine months ended September 30, 2020 compared to $1,094 during the nine months ended September 30, 2019.

Income tax (deferred) recognized in other comprehensive income / (loss) are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Income tax (expense)/benefit on:				
Unrealized gain/(loss) on cash flow hedges	$ (2,775)	$ 1,636	$ (669)	$ (20)
Retirement benefits	(32)	(9)	216	(99)
Foreign currency translation gain/(loss)	(2,161)	1,961	(6,365)	842
Total income tax (expense)/benefit recognized in other comprehensive income /(loss)	**$ (4,968)**	**$ 3,588**	**$ (6,818)**	**$ 723**

22. Stock-Based Compensation

The following costs related to the Company’s stock-based compensation plan are included in the unaudited consolidated statements of income:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Cost of revenues	$ 1,723	$ 1,573	$ 4,765	$ 4,537
General and administrative expenses	3,358	2,957	8,038	8,713
Selling and marketing expenses	3,265	2,897	8,047	8,288
Total	$ 8,346	$ 7,427	$ 20,850	$ 21,538

(In thousands, except share and per share amounts)

As of September 30, 2020, the Company had 2,327,133 shares available for grant under the 2018 Omnibus Incentive Plan.

Stock Options

Stock option activity under the Company’s stock-based compensation plans is shown below:

	Number of Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value	Weighted-Average Remaining Contractual Life (Years)
Outstanding at December 31, 2019	98,161	$ 23.39	$ 4,522	1.86
Granted	—	—	—	—
Exercised	(45,742)	22.85	2,193	—
Forfeited	—	—	—	—
Outstanding at September 30, 2020	52,419	$ 23.86	$ 2,207	1.37
Vested and exercisable at September 30, 2020	52,419	$ 23.86	$ 2,207	1.37

Restricted Stock and Restricted Stock Units

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

	Restricted Stock		Restricted Stock Units	
	Number	Weighted Average Fair Value	Number	Weighted Average Fair Value
Outstanding at December 31, 2019*	27,384	$ 48.72	913,094	$ 59.61
Granted	—	—	392,287	77.01
Vested	(5,002)	52.41	(323,860)	56.62
Forfeited	—	—	(63,951)	65.37
Outstanding at September 30, 2020*	22,382	$ 47.90	917,570	$ 67.70

** As of September 30, 2020 and December 31, 2019 restricted stock units vested for which the underlying common stock is yet to be issued were 181,638 and 167,270 respectively.*

As of September 30, 2020, unrecognized compensation cost of $48,346 is expected to be expensed over a weighted average period of 2.68 years.

Performance Based Stock Awards

Performance based restricted stock unit 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 at December 31, 2019	87,685	$ 62.54	87,670	$ 82.10
Granted	61,368	78.29	61,352	102.10
Vested	—	—	—	—
Forfeited	(2,736)	66.20	(2,734)	85.68
Outstanding at September 30, 2020	146,317	$ 69.08	146,288	$ 90.42

(In thousands, except share and per share amounts)

As of September 30, 2020, unrecognized compensation cost of $9,635 is expected to be expensed over a weighted average period of 1.90 years.

The impact of COVID-19 on the economic environment is uncertain and has caused variability in the estimation of number of performance based restricted stock units that will eventually vest and the related compensation cost to be recognized in the unaudited consolidated statements of income.

23. Related Party Disclosures

On October 1, 2018, the Company entered into the Investment Agreement with the Purchaser relating to the issuance to the Purchaser of $150,000 aggregate principal amount of the Notes. In connection with the investment, Vikram S. Pandit, Chairman and CEO of The Orogen Group LLC (an affiliate of the Purchaser), was appointed to Company's Board of Directors.

The Company had outstanding Notes with a principal amount of $150,000 each as of September 30, 2020 and December 31, 2019 and interest accrued of $2,625 and $1,313 as of September 30, 2020 and December 31, 2019, respectively, related to the Investment Agreement.

The Company recognized interest expense on the Notes related to the Investment Agreements as below. Refer to Note 17 – Borrowings to the unaudited consolidated financial statements for details.

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Interest expense on Notes	$ 1,313	$ 1,313	$ 3,938	$ 3,894

24. Commitments and Contingencies

Capital Commitments

At September 30, 2020, the Company had committed to spend approximately $2,700 under agreements to purchase property and equipment. This amount is net of capital advances paid as of September 30, 2020 which are recognized in the unaudited consolidated balance sheets as property and equipment.

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 ("STPI") or Special Economic Zone ("SEZ") 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's management 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 with the Philippine Economic Zone Authority ("PEZA"). The registration provides the Company with certain fiscal incentives on the import of capital goods and local purchase of services and materials and requires ExlService Philippines, Inc. to meet certain performance and investment criteria. The Company's management believes that these centers have in the past satisfied and will continue to satisfy the required criteria.

Contingencies

The U.S. and Indian transfer pricing regulations require that any international transaction involving associated enterprises be at an arm's-length price. Accordingly, the Company determines the appropriate pricing for the international transactions among its associated enterprises on the basis of a detailed functional and economic analysis involving benchmarking against transactions among entities that are not under common control. The tax authorities have jurisdiction to review this arrangement and in the event that they determine that the transfer price applied was not appropriate, the Company may incur increased tax liability, including accrued interest and penalties. The Company is currently involved in disputes with the Indian tax authorities over the application of some of its transfer pricing policies for some of its subsidiaries. Further, the Company and a U.S. subsidiary are engaged in tax litigation with the income-tax authorities in India on the issue of permanent establishment. The Company is subject to taxation in the United States and various states and foreign jurisdictions. For the U.S., the Philippines and India, tax year 2016 and subsequent tax years remain open for examination by the tax authorities as of September 30, 2020.

The aggregate amount demanded by income tax authorities (net of advance payments, if any) from the Company related to its transfer pricing issues for tax years 2003 to 2016 and its permanent establishment issues for tax years 2003 to 2007 as of September 30, 2020 and December 31, 2019 is $16,588 and $16,220, respectively, of which the Company has made payments and/or provided bank guarantees to the extent $8,041 and $8,108, respectively. Amounts paid as deposits in respect of such assessments aggregating to $6,245 and $6,252 as of September 30, 2020 and December 31, 2019, respectively, are included in "Other assets" and amounts deposited for bank guarantees aggregating to $1,796 and $1,856 as of September 30, 2020 and December 31, 2019, respectively, are included in "Restricted cash" in the non-current assets section of the Company's unaudited consolidated balance sheets.

Based on the facts underlying the Company's position and its experience with these types of assessments, the Company believes that its position will more likely than not be sustained upon final examination by the tax authorities based on its technical merits as of the reporting date and accordingly has not accrued any amount with respect to these matters in its unaudited consolidated financial statements. The Company does not expect any impact from these assessments on its future income tax expense. It is possible that the Company might receive similar orders or assessments from tax authorities for subsequent years. Accordingly, even if these disputes are resolved, the Indian tax authorities may still serve additional orders or assessments.

In February 2019, there was a judicial pronouncement in India with respect to defined contribution benefits payments interpreting certain statutory defined contribution obligations of employees and employers. Currently some of the Company's subsidiaries in India are undergoing assessment with the statutory authorities. As of the reporting date, it is unclear whether the interpretation set out in the pronouncement has retrospective application. If applied retrospectively, the interpretation may result in a significant increase in contributions payable by the Company for past periods for certain of its India-based employees. There are numerous interpretative challenges concerning the retrospective application of the judgment. Due to such challenges and a lack of interpretive guidance, and based on legal advice, the Company believes it is currently impracticable to reliably estimate the timing and amount of any payments the Company may be required to make. Accordingly, the Company will re-evaluate the amount of a potential provision, if any, upon further developments.

From time to time, the Company and/or its present officers or directors, on individual basis, 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 amounts claimed in such cases are not meaningful indicators of the potential liabilities of the Company, that these matters are without merit, and that the Company intends to vigorously defend each of them.

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.

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, 2019. Some of the statements in the following discussion are forward looking statements. Dollar amounts within Item 2 are presented as actual, rounded, dollar amounts.

We have described in this Quarterly Report on Form 10-Q, the impact of the global Coronavirus Disease 2019 pandemic ("COVID-19") on our financial results for the quarter ended September 30, 2020. See "Cautionary Note Regarding Forward-Looking Statements" below and in Item 1A-"Risk Factors" included elsewhere in this Quarterly Report on Form 10-Q for further information regarding risks and uncertainties relating to COVID-19.

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. Many of the following risks, uncertainties and other factors identified below are, and will be, amplified by COVID-19. These factors include but are not limited to:

- the impact of the COVID-19 pandemic and related response measures on our business, results of operations and financial condition, including the impact of governmental lockdowns and other restrictions on our operations and processes and those of our clients and suppliers;
- our dependence on a limited number of clients in a limited number of industries;
- worldwide political, economic or business conditions;
- negative public reaction in the U.S. or elsewhere to offshore outsourcing;
- fluctuations in our earnings;
- our ability to attract and retain clients including in a timely manner;
- our ability to successfully consummate or integrate strategic acquisitions;
- our ability to accurately estimate and/or manage the costs and/or timing of winding down businesses;
- restrictions on immigration;
- our ability to hire and retain enough sufficiently trained employees to support our operations;
- our ability to grow our business or effectively manage growth and international operations;
- any changes in the senior management team;
- increasing competition in our industry;
- telecommunications or technology disruptions or breaches, natural or other disasters, or medical epidemics or pandemics;
- our ability to withstand the loss of a significant customer;
- our ability to realize the entire book value of goodwill and other intangible assets from acquisitions;

- regulatory, legislative and judicial developments, including changes to or the withdrawal of governmental fiscal incentives;
- changes in tax laws or decisions regarding repatriation of funds held abroad;
- ability to service debt or obtain additional financing on favorable terms;
- legal liability arising out of customer contracts;
- technological innovation;
- political or economic instability in the geographies in which we operate;
- operational and information security failures arising as a result of remote work solutions adopted due to COVID-19;
- cyber security incidents, data breaches, or other unauthorized disclosure of sensitive or confidential client and customer data; and
- adverse outcome of our disputes with the Indian tax authorities

In particular, you should consider the numerous risks outlined in Part II, Item 1A—“Risk Factors” in this Quarterly Report on Form 10-Q, Part II, Item 1A—“Risk Factors” in our Quarterly Reports on Form 10-Q for the quarter ended June 30, 2020 and March 31, 2020 and Part I, Item 1A—“Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019. 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 come up 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 operations management and analytics company that helps our clients build and grow sustainable businesses. By orchestrating our domain expertise, data, analytics and digital technology, we look deeper to design and manage agile, customer-centric operating models to improve global operations, drive profitability, enhance customer satisfaction, increase data-driven insights, and manage risk and compliance. We serve customers in multiple industries, including insurance, healthcare, banking and financial services, utilities, travel, transportation and logistics, media and retail, among others.

We operate in the business process management (“BPM”) industry and we provide operations management and analytics services. Effective January 1, 2020, we made certain operational and structural changes to more closely integrate our businesses and to simplify our organizational structure. We now manage and report financial information through our four strategic business units, Insurance, Healthcare, Analytics and Emerging Business, which reflects how management will review financial information and make 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. In line with our strategy of vertical integration and focus on domain expertise, we have integrated our Finance & Accounting and Consulting operating segments within each of the Insurance and Healthcare operating segments based on the corresponding industry-specific clients. Finance & Accounting and Consulting services provided to clients outside of the Insurance and Healthcare industries is now the part of our newly formed business unit and reportable segment, Emerging Business. In addition, we integrated our former Travel, Transportation and Logistics, Banking and Financial Services, and Utilities operating segments under Emerging Business to further leverage and optimize the operating scale in providing operations management services.

Our new reportable segments are as follows:

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

In conjunction with the new reporting structure, we recast our segment and goodwill disclosures for all prior periods presented to conform to the way we internally manage and monitor segment performance.

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 U.S., the Philippines, Bulgaria, Colombia, South Africa, Romania and the Czech Republic.

Continued impact of COVID-19 on Our Business

The global COVID-19 pandemic continues to materially impact worldwide economic activity and levels of business confidence and has had widespread, rapidly-evolving and unpredictable impacts on global societies, economies, financial markets and business practices. During the first fiscal quarter ended March 31, 2020, COVID-19 did not have a significant impact on our business, however, in subsequent quarters, COVID-19 materially impacted us and our customers, employees, contractors, suppliers, and other partners, who were prevented from conducting business activities as usual, including due to the health and safety measures in response to COVID-19, such as shutdowns, which have been requested or mandated by governmental authorities. The shutdown measures disrupted our ability to provide our services and solutions and resulted in, among other things, loss of revenue, increased costs and the possibility of enhanced credit risk on our accounts receivable, which is reflected in our financial operating results. The continued spread of COVID-19 and the measures taken by the governments of countries affected has disrupted the continuity of our provision of services to our customers and adversely impacted our business, financial condition or results of operations.

In the second and third quarters of 2020, we took actions in response to the pandemic that focused on the implementation of our business continuity plans, helping our employees and our customers, as well as on preparing for the future and the long-term success of our business. These actions included disseminating guidance and information to our employees, facilitating work from home, implementing best practices for employees while working from home, periodic CEO messaging, various programs aimed at employee wellness, including a global wellness program, enhanced awareness towards information security, and updated cyber security and data privacy policies, among others. We have implemented broad travel restrictions and largely moved to virtual-only events for the safety of our employees and our customers. We also implemented pandemic-specific protocols for our essential employees whose jobs require them to be on-site or with our customers by implementing additional safety measures at all of our facilities, including increased frequency in cleaning and disinfecting, and enhanced hygiene and social distancing practices. We continue to work closely with our customers and business partners to support them as they expand their own remote work solutions and contingency plans, and help them to access our products and services remotely. There continues to be volatility and economic and geopolitical uncertainty in many markets around the world. Despite the efforts described above, there is a risk that if jurisdictions in which we operate reinstate prior restrictions, stagnate in their reopening processes, or implement new restrictions in response to new outbreaks or continued spread, our operations and business could be materially impacted.

The full extent of the impact of COVID-19 on our business, results of operations, financial position and cash flow in fiscal year 2020 and beyond is currently uncertain and will depend on many factors that are not within our control, including, but not limited to: the duration and scope of the pandemic; the effectiveness of actions taken to contain or mitigate the pandemic and prevent or limit any reoccurrence; governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic; general economic uncertainty in key global markets and financial market volatility; global economic conditions and levels of economic growth; and the pace of recovery when the COVID-19 pandemic subsides. We also continue to evaluate market conditions and are taking precautionary measures to strengthen our financial position, including reevaluating the pace of our investment plans, hiring practices, use of our real estate and facilities, employee compensation, stock repurchase and discretionary spending, including marketing and travel expenses. In addition, some of our expenses are less variable in nature and do not closely correlate to changes in revenues, which may lead to a decrease in our profitability. However we do not expect COVID-19 and its related economic impact to materially adversely affect our liquidity position in the foreseeable future. Due to the above circumstances and as described generally in this Quarterly Report on Form 10-Q, our results of operations for the three and nine months ended period ended September 30, 2020 are not necessarily indicative of our future performance, and our financial results, including but not limited to net revenues, income from operations, net income, cash flow and earnings per share, in future periods may differ materially from historical trends. We continue to monitor the implications of COVID-19 on our business, as well as our customers' and suppliers' businesses.

In response to certain anticipated impacts from COVID-19, we have also implemented a series of temporary cost reduction measures to further preserve financial flexibility. These actions include the postponement of certain discretionary spending and capital expenditures, deferring scheduled increases in base salaries, deferring non-critical hiring, temporarily reducing the base salaries of our executive officers and certain other groups of employees and temporarily suspending the 401(k) match program for U.S. employees. Some of these actions have been reversed as of September 30, 2020.

We have also taken certain precautionary measures to maintain financial flexibility during this time, including drawing $100.0 million from our line of credit under our existing Credit Agreement on March 12, 2020, the proceeds of which were available for working capital, general corporate or other purposes as needed, however it was repaid in full on April 20, 2020. During the quarter ended March 31, 2020, to enhance our liquidity position in response to COVID-19, management elected to temporarily suspend share repurchases under the 2019 Repurchase Program. We resumed share repurchases effective July 1, 2020, considering improved market conditions, our capital and liquidity needs and other factors, and are now targeting to repurchase up to $80.0 million for calendar year 2020, subject to market conditions.

As of September 30, 2020, due to the macroeconomic conditions arising from COVID-19, we performed a goodwill impairment test for any potential impairment and concluded that there was no impairment. However, there can be no assurances that goodwill will not be impaired in future periods. Estimating the fair value of goodwill requires the use of estimates and significant judgments that are based on a number of factors including actual operating results. These estimates and judgments may not be within the control of us and accordingly it is reasonably possible that the judgments and estimates could change in future periods. We determined there was no triggering event and no impairment test was performed during the three months ended September 30, 2020.

For additional information and risks related to COVID-19, see Item 1A- "Risk Factors" below.

Revenues

For the three months ended September 30, 2020, we had revenues of $241.0 million compared to revenues of $251.4 million for the three months ended September 30, 2019, a decrease of $10.4 million, or 4.1%. For the nine months ended September 30, 2020, we had revenues of $709.5 million compared to revenues of $734.5 million for the nine months ended September 30, 2019, a decrease of $25.0 million, or 3.4%.

We serve clients mainly in the United States and the United Kingdom, with these two regions generating 84.6% and 9.5%, respectively, of our total revenues for the three months ended September 30, 2020, and 83.0% and 11.1%, respectively, of our total revenues for the three months ended September 30, 2019. For the nine months ended September 30, 2020, these two regions generated 84.7% and 9.2%, respectively, of our total revenues and 82.1% and 11.9%, respectively, of our total revenues for the nine months ended September 30, 2019.

For the three months ended September 30, 2020 and 2019, our total revenues from our top ten clients accounted for 38.7% and 35.7% of our total revenues, respectively. For the nine months ended September 30, 2020 and 2019, our total revenues from our top ten clients accounted for 37.3% and 36.2% of our total revenues, respectively. Our revenue concentration with our top clients remains largely consistent year-over-year and 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 operations management and analytics services. 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 from the U.S., Europe and Australia.

Operations Management Services: We provide our clients with a range of operations management services from our Insurance, Healthcare and Emerging Business operating segments, which typically involve the transfer to EXL business operations of a client such as claims processing, clinical operations, or financial transaction processing, after which we administer and manage those operations for our client on an ongoing basis. As part of this transfer, 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 operations management that include industry-specific digital transformational services as well as cross-industry finance and accounting services as part of the Emerging Business operating segment.

We continue to observe a shift in 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 billing rate model to a transaction-based or other alternative pricing model. These alternative pricing models place the focus on operating efficiency in order to maintain our gross margins. In addition, we have also observed that prospective larger clients are entering into multi-vendor relationships with regard to their outsourcing needs. 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.

Our existing agreements with original terms of three or more years provide us with a relatively predictable revenue base for a substantial portion of our operations management business, however, 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.

Analytics: Our analytics services focus on driving improved business outcomes for our customers by generating data-driven insights across all parts of our customers' business. We also 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 teams deliver predictive and prescriptive analytics in the areas of customer acquisition and lifecycle management, risk underwriting and pricing, operational effectiveness, credit and operational risk monitoring and governance, regulatory reporting, payment integrity and care management and data management. We actively cross-sell and, where appropriate, integrate our Analytics services with other operations management services as part of a comprehensive offering for our clients.

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

We expect that the growth of our operations management and analytics services will continue to be impacted throughout 2020 by the COVID-19 pandemic and subsequent global recovery. Refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations - Impact of COVID-19 on Our Business" and to the unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q.

Critical Accounting Policies and Estimates

For a description of our critical accounting policies and estimates, refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates” and Note 2 - Summary of Significant Accounting Policies to the consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

In addition, due to outbreak of COVID-19, we have reassessed those of our accounting policies whose application places the most significant demands on management’s judgment, for instance, revenue recognition, allowance for expected credit losses, business combinations, goodwill, intangibles and long-lived assets, stock-based compensation, derivative instruments and hedging activity, borrowings, assumptions related to ROU assets, lease cost, income taxes and assets and obligations related to employee benefit plans. Such reassessments did not have a significant impact on our results of operations and cash flows for the periods presented.

Due to rounding, the numbers presented in the tables included in this “Item 2—Management’s Discussion and Analysis of Financial Condition and Results of Operations” may not add up precisely to the totals provided.

Results of Operations

The following table summarizes our results of operations for the three and nine months ended September 30, 2020 and 2019:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	(dollars in millions)		(dollars in millions)	
Revenues, net	$ 241.0	$ 251.4	$ 709.5	$ 734.5
Cost of revenues[(1)]	152.1	167.5	473.1	487.2
Gross profit[(1)]	**88.9**	**83.9**	**236.4**	**247.3**
Operating expenses:				
General and administrative expenses	26.8	29.6	84.5	93.4
Selling and marketing expenses	15.3	18.3	42.8	54.0
Depreciation and amortization expense	12.4	13.1	37.3	39.5
Impairment and restructuring charges	—	0.5	—	7.3
Total operating expenses	54.5	61.5	164.6	194.2
Income from operations	**34.4**	**22.4**	**71.8**	**53.1**
Foreign exchange gain, net	0.7	1.0	3.5	3.5
Interest expense	(2.6)	(3.2)	(8.6)	(10.6)
Other income, net	2.5	4.6	9.2	13.1
Income before income tax expense and earnings from equity affiliates	**35.0**	**24.8**	**75.9**	**59.1**
Income tax expense	8.5	5.7	18.4	12.6
Income before earnings from equity affiliates	**26.5**	**19.1**	**57.5**	**46.5**
Loss from equity-method investment	0.1	0.1	0.2	0.2
Net income attributable to ExlService Holdings, Inc. stockholders	**$ 26.4**	**$ 19.0**	**$ 57.3**	**$ 46.3**

(1) Exclusive of depreciation and amortization expense.

Three Months Ended September 30, 2020 Compared to Three Months Ended September 30, 2019

Revenues.

The following table summarizes our revenues by reportable segments for the three months ended September 30, 2020 and 2019:

	Three months ended September 30,			
	2020	2019	Change	Percentage change
	(dollars in millions)			
Insurance	$ 87.8	$ 91.1	$ (3.3)	(3.6)%
Healthcare	25.1	25.6	(0.5)	(2.0)%
Emerging Business	37.6	45.9	(8.3)	(18.2)%
Analytics	90.5	88.8	1.7	2.0 %
Total revenues, net	$ 241.0	$ 251.4	$ (10.4)	(4.1)%

Revenues for the three months ended September 30, 2020 were $241.0 million, down $10.4 million, or 4.1%, compared to the three months ended September 30, 2019. The impact of the COVID-19 pandemic on our net revenues in the third quarter of 2020 was primarily related to clients adapting to the shift in our delivery capabilities from a physical to a virtual, work-from-home operating environment as well as economic uncertainty leading to lower volumes from some existing clients and causing delays in the execution and implementation of new client contracts, which impacted growth.

Revenue decline in Insurance of $3.3 million was primarily driven by ramp down of certain client contracts and lower volumes due to the impact of COVID-19 aggregating to $14.1 million, partially offset by expansion of business from certain existing clients aggregating to $10.6 million and $0.2 million mainly attributable to the appreciation of Australian dollar and U.K pound sterling against the U.S. dollar and depreciation of the Indian rupee and South African ZAR against the U.S. dollar during the three months ended September 30, 2020, compared to the three months ended September 30, 2019. Insurance revenues were 36.4% and 36.2% of our total revenues in the three months ended September 30, 2020 and September 30, 2019, respectively.

Revenue decline in Healthcare of $0.5 million was primarily driven by our December 2019 wind-down of Health Integrated business revenues of $2.9 million, partially offset by expansion of business from certain existing clients aggregating to $2.4 million during the three months ended September 30, 2020. Healthcare revenues were 10.4% and 10.2% of our total revenues in the three months ended September 30, 2020 and September 30, 2019, respectively.

Revenue decline in Emerging Business of $8.3 million was primarily driven by lower volumes due to the impact of COVID-19 and ramp down of certain client contracts aggregating to $7.9 million and $0.4 million attributable to the depreciation of the Indian rupee against the U.S. dollar during the three months ended September 30, 2020, compared to the three months ended September 30, 2019. Emerging Business revenues were 15.6% and 18.3% of our total revenues in the three months ended September 30, 2020 and September 30, 2019, respectively.

Revenue growth in Analytics of $1.7 million was attributable to higher volumes from our existing clients of $1.4 million, and $0.3 million attributable to the appreciation of the U.K. pound sterling against the U.S. dollar during the three months ended September 30, 2020, compared to the three months ended September 30, 2019. Analytics revenues were 37.5% and 35.3% of our total revenues in the three months ended September 30, 2020 and September 30, 2019, 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 September 30,		Change	Percentage change	Three months ended September 30,		Change
	2020	2019			2020	2019	
	(dollars in millions)						
Insurance	$ 56.8	$ 62.2	$ (5.4)	(8.7)%	35.3 %	31.7 %	3.6 %
Healthcare	18.0	20.4	(2.4)	(11.8)%	28.4 %	20.4 %	8.0 %
Emerging Business	20.8	27.1	(6.3)	(23.2)%	44.7 %	41.0 %	3.7 %
Analytics	56.5	57.8	(1.3)	(2.4)%	37.6 %	34.8 %	2.8 %
Total	$ 152.1	$ 167.5	$ (15.4)	(9.2)%	36.9 %	33.4 %	3.5 %

For the three months ended September 30, 2020, cost of revenues was $152.1 million compared to $167.5 million for the three months ended September 30, 2019, a decrease of $15.4 million, or 9.2%. Our gross margin for the three months ended September 30, 2020 was 36.9% compared to 33.4% for the three months ended September 30, 2019, an increase of 350 basis points ("bps").

The decrease in cost of revenues in Insurance of $5.4 million was primarily due to decrease in employee-related costs of $3.9 million, lower travel costs of $2.2 million and currency movements, net of hedging of $0.3 million. This was offset by higher technology and other operating costs of $0.9 million. Gross margin in Insurance increased by 360 bps during the three months ended September 30, 2020 compared to the three months ended September 30, 2019, primarily due to expansion in margin in certain existing clients and lower operating expenses as a result of COVID-19 cost reduction measures during the three months ended September 30, 2020.

The decrease in cost of revenues in Healthcare of $2.4 million was primarily due to decrease in employee-related costs of $2.2 million, lower travel costs of $0.3 million and currency movements, net of hedging of $0.1 million, partially offset by higher other operating costs of $0.2 million. Gross margin in Healthcare increased by 800 bps during the three months ended September 30, 2020, compared to the three months ended September 30, 2019, primarily due to lower margin in the Heath Integrated business during the three months ended September 30, 2019 and higher revenues during the three months ended September 30, 2020.

The decrease in cost of revenues in Emerging Business of $6.3 million was primarily due to a decrease in employee-related costs of $4.9 million, lower infrastructure and travel costs of $1.5 million and currency movements, net of hedging of $0.2 million, partially offset by higher other operating costs of $0.3 million. Gross margin in Emerging Business increased by 370 bps during the three months ended September 30, 2020, compared to the three months ended September 30, 2019, primarily due to lower operating expenses as a result of COVID-19 cost reduction measures during the three months ended September 30, 2020.

The decrease in cost of revenues in Analytics of $1.3 million was primarily due to lower travel costs of $1.8 million, lower other operating costs of $1.1 million, lower infrastructure costs of $0.5 million and currency movements, net of hedging of $0.4 million. This was partially offset by an increase in employee-related costs of $1.5 million and technology costs of $0.9 million. Gross margin in Analytics increased by 280 bps during the three months ended September 30, 2020, compared to the three months ended September 30, 2019, primarily due to higher revenues and lower operating expenses as a result of COVID-19 cost reduction measures.

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

	Three months ended September 30, 2020	Three months ended September 30, 2019	Change	Percentage change
	(dollars in millions)			
General and administrative expenses	$ 26.8	$ 29.6	$ (2.8)	(9.4)%
Selling and marketing expenses	15.3	18.3	(3.0)	(16.5)%
Selling, general and administrative expenses	$ 42.1	$ 47.9	$ (5.8)	(12.1)%
As a percentage of revenues	17.5 %	19.1 %		

The decrease in SG&A expenses of $5.8 million was primarily due to COVID-19 cost reduction measures including the temporary reduction of the base salaries of our executive officers and certain other groups of employees. The decrease was driven by lower employee-related costs of $4.7 million, lower travel costs of $1.7 million, partially offset by higher other operating costs of $0.6 million.

Depreciation and Amortization.

	Three months ended September 30, 2020	Three months ended September 30, 2019	Change	Percentage change
	(dollars in millions)			
Depreciation expense	$ 9.0	$ 7.5	$ 1.5	19.4 %
Intangible amortization expense	3.4	5.6	(2.2)	(38.0)%
Depreciation and amortization expense	$ 12.4	$ 13.1	$ (0.7)	(4.8)%
As a percentage of revenues	5.2 %	5.2 %		

The decrease in intangibles amortization expense of $2.2 million was primarily due to end of useful lives for certain intangible assets during the three months ended September 30, 2020 compared to the three months ended September 30, 2019. The increase in depreciation expense of $1.5 million was due to depreciation related to our investments in new operating centers to support our business growth.

Impairment and Restructuring Charges.

	Three months ended September 30, 2020	Three months ended September 30, 2019	Change	Percentage change
	(dollars in millions)			
Impairment and restructuring charges	$ —	$ 0.5	$ (0.5)	(100.0)%
As a percentage of revenues	— %	0.2 %		

During the three months ended September 30, 2019, we recorded restructuring charges of $0.5 million in connection with the wind-down of our Health Integrated business.

Income from Operations. Income from operations increased by $12.0 million, or 53.4%, from $22.4 million for the three months ended September 30, 2019 to $34.4 million for the three months ended September 30, 2020. As a percentage of revenues, income from operations increased from 8.9% for the three months ended September 30, 2019 to 14.3% for the three months ended September 30, 2020.

Foreign Exchange Gain/(Loss). Net foreign exchange gains and losses are primarily attributable to movement of the U.S. dollar against the Indian rupee, the U.K. pound sterling, the Philippine peso and the Australian dollar during the three months ended September 30, 2020. The average exchange rate of the U.S. dollar against the Indian rupee increased from 70.35 during the three months ended September 30, 2019 to 74.06 during the three months ended September 30, 2020. The average exchange rate of the U.K. pound sterling against the U.S. dollar increased from 1.22 during the three months ended September 30, 2019 to 1.31 during the three months ended September 30, 2020. The average exchange rate of the U.S. dollar against the Philippine peso decreased from 51.59 during the three months ended September 30, 2019 to 48.71 during the three months ended September 30, 2020. The average exchange rate of the U.S. dollar against the Australian dollar decreased from 1.47 during the three months ended September 30, 2019 to 1.39 during the three months ended September 30, 2020.

We recorded a net foreign exchange gain of $0.7 million for the three months ended September 30, 2020 compared to the net foreign exchange gain of $1.0 million for the three months ended September 30, 2019.

Interest expense. Interest expense decreased from $3.2 million for the three months ended September 30, 2019 to $2.6 million for the three months ended September 30, 2020, primarily due to repayments leading to lower outstanding borrowings and lower effective interest rates under our Credit Facility during the three months ended September 30, 2020 compared to the three months ended September 30, 2019.

Other Income, net.

	Three months ended September 30,		Change	Percentage change
	2020	2019		
	(dollars in millions)			
Gain on sale and mark-to-market of mutual funds	$ 2.0	$ 3.2	$ (1.2)	(38.9)%
Interest income	0.8	0.5	0.3	58.9 %
Other, net	(0.3)	0.9	(1.2)	(130.1)%
Other income, net	$ 2.5	$ 4.6	$ (2.1)	(45.5)%

Other income, net decreased by $2.1 million, from $4.6 million for the three months ended September 30, 2019 to $2.5 million for the three months ended September 30, 2020, primarily due to lower return on mutual fund investments of $1.2 million during the three months ended September 30, 2020 compared to the three months ended September 30, 2019 and recognition of one-time other income of $0.8 million related to our Health Integrated business during the three months ended September 30, 2019.

Income Tax Expense. The effective tax rate increased from 23.0% during the three months ended September 30, 2019 to 24.3% during the three months ended September 30, 2020. We recorded income tax expense of $8.5 million and $5.7 million for the three months ended September 30, 2020 and 2019, respectively. The increase in income tax expense was primarily as a result of (i) higher profit during the three months ended September 30, 2020 and (ii) recording a discrete benefit of $0.5 million during the three months ended September 30, 2019 relating to job related incentives in India for prior years.

Net Income. Net income increased from $19.0 million for the three months ended September 30, 2019 to $26.4 million for the three months ended September 30, 2020, primarily due to increase in income from operations of $12.0 million, lower interest expense of $0.6 million. This was partially offset by higher income tax expense of $2.8 million, lower other income, net of $2.1 million, lower foreign exchange gain, net of $0.3 million. As a percentage of revenues, net income increased from 7.6% for the three months ended September 30, 2019 to 11.0% for the three months ended September 30, 2020.

Nine Months Ended September 30, 2020 Compared to Nine Months Ended September 30, 2019

Revenues.

The following table summarizes our revenues by reportable segments for the nine months ended September 30, 2020 and 2019:

	Nine months ended September 30,			
	2020	2019	Change	Percentage change
	(dollars in millions)			
Insurance	$ 252.9	$ 258.0	$ (5.1)	(2.0)%
Healthcare	77.1	69.6	7.5	10.8 %
Emerging Business	114.9	143.3	(28.4)	(19.8)%
Analytics	264.6	263.6	1.0	0.4 %
Total revenues, net	$ 709.5	$ 734.5	$ (25.0)	(3.4)%

Revenues for the nine months ended September 30, 2020 were $709.5 million, down $25.0 million, or 3.4%, compared to the nine months ended September 30, 2019. The impact of the COVID-19 pandemic on our net revenues for the nine months ended September 30, 2020 was primarily related to clients adapting to the shift in our delivery capabilities from a physical to a virtual, work-from-home operating environment, as well as economic uncertainty leading to lower volumes from some existing clients and causing delays in the execution and implementation of new client contracts, which impacted growth.

Revenue decline in Insurance of $5.1 million was primarily driven by lower volumes due to the impact of COVID-19 and ramp down of certain client contracts, partially offset by expansion of business from certain existing clients aggregating to $3.8 million and $1.4 million mainly attributable to the depreciation of the Indian rupee, Australian dollar and South African ZAR against the U.S. dollar during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019. Insurance revenues were 35.6% and 35.1% of our total revenues in the nine months ended September 30, 2020 and September 30, 2019, respectively.

Revenue growth in Healthcare of $7.5 million was primarily driven by expansion of business from our existing clients and new wins aggregating to $17.2 million, partially offset by our December 2019 wind-down of Health Integrated business revenues of $9.7 million during the nine months ended September 30, 2019. Healthcare revenues were 10.9% and 9.5% of our total revenues in the nine months ended September 30, 2020 and September 30, 2019, respectively.

Revenue decline in Emerging Business of $28.4 million was primarily driven by lower volumes due to the impact of COVID-19 and ramp down of certain client contracts aggregating to $26.7 million, and $1.7 million attributable to the depreciation of the Indian rupee against the U.S. dollar during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019. Emerging Business revenues were 16.2% and 19.5% of our total revenues in the nine months ended September 30, 2020 and September 30, 2019, respectively.

Revenue growth in Analytics of $1.0 million was attributable to our recurring and project-based engagements from our existing clients of $1.2 million, partially offset by $0.2 million attributable to the depreciation of the U.K. pound sterling against the U.S. dollar during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019. Analytics revenues were 37.3% and 35.9% of our total revenues in the nine months ended September 30, 2020 and September 30, 2019, 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		
	Nine months ended September 30,				Nine months ended September 30,		
	2020	2019	Change	Percentage change	2020	2019	Change
	(dollars in millions)						
Insurance	$ 174.9	$ 176.9	$ (2.0)	(1.1)%	30.8 %	31.4 %	(0.6)%
Healthcare	57.2	56.0	1.2	2.3 %	25.8 %	19.6 %	6.2 %
Emerging Business	68.7	82.1	(13.4)	(16.4)%	40.2 %	42.6 %	(2.4)%
Analytics	172.3	172.2	0.1	0.1 %	34.9 %	34.7 %	0.2 %
Total	$ 473.1	$ 487.2	$ (14.1)	(2.9)%	33.3 %	33.7 %	(0.4)%

For the nine months ended September 30, 2020, cost of revenues was $473.1 million compared to $487.2 million for the nine months ended September 30, 2019, a decrease of $14.1 million, or 2.9%. Our gross margin for the nine months ended September 30, 2020 was 33.3% compared to 33.7% for nine months ended September 30, 2019, a decrease of 40 bps.

The decrease in cost of revenues in Insurance of $2.0 million was primarily due to a decrease in employee-related costs of $2.2 million, lower travel costs of $1.8 million and currency movements, net of hedging of $1.8 million. This was partially offset by higher infrastructure and technology costs of $2.6 million and other operating costs of $1.2 million. Gross margin in Insurance decreased by 60 bps during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, primarily due to lower revenues in existing clients.

The increase in cost of revenues in Healthcare of $1.2 million was primarily due to an increase in employee-related costs of $1.5 million and other operating costs of $0.5 million. This was partially offset by lower technology costs of $0.4 million and currency movements, net of hedging of $0.4 million. Gross margin in Healthcare increased by 620 bps during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019, primarily due to lower margin in the Health Integrated business during the nine months ended September 30, 2019 and higher revenues during the nine months ended September 30, 2020.

The decrease in cost of revenues in Emerging Business of $13.4 million was primarily due to a decrease in employee-related costs of $9.7 million, lower infrastructure and technology cost of $2.1 million, lower travel costs of $1.4 million, and currency movements, net of hedging of $1.1 million, partially offset by higher other operating costs of $0.9 million. Gross margin in Emerging Business decreased by 240 bps during the nine months ended September 30, 2020, compared to the nine months ended September 30, 2019, primarily due to lower revenues.

The increase in cost of revenues in Analytics of $0.1 million was primarily due to an increase in employee-related costs of $10.7 million and higher technology costs of $1.1 million. This was partially offset by lower other operating costs of $6.4 million, lower travel costs of $3.7 million and currency movements, net of hedging of $1.6 million. Gross margin in Analytics increased by 20 bps during the nine months ended September 30, 2020, compared to the nine months ended September 30, 2019.

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

	Nine months ended September 30, 2020	Nine months ended September 30, 2019	Change	Percentage change
	(dollars in millions)			
General and administrative expenses	$ 84.5	$ 93.4	$ (8.9)	(9.5)%
Selling and marketing expenses	42.8	54.0	(11.2)	(20.7)%
Selling, general and administrative expenses	$ 127.3	$ 147.4	$ (20.1)	(13.6)%
As a percentage of revenues	17.9 %	20.1 %		

The decrease in SG&A expenses of $20.1 million was primarily due to COVID-19 cost reduction measures including the temporary reduction of the base salaries of our executive officers and certain other groups of employees. The decrease was driven by lower employee-related costs of $14.4 million, lower infrastructure and travel costs of $4.0 million, lower other operating costs of $0.6 million and currency movements, net of hedging of $1.1 million.

Depreciation and Amortization.

	Nine months ended September 30, 2020	Nine months ended September 30, 2019	Change	Percentage change
	(dollars in millions)			
Depreciation expense	$ 26.3	$ 22.9	$ 3.4	14.9 %
Intangible amortization expense	11.0	16.6	(5.6)	(33.7)%
Depreciation and amortization expense	$ 37.3	$ 39.5	$ (2.2)	(5.5)%
As a percentage of revenues	5.3 %	5.4 %		

The decrease in intangibles amortization expense of $5.6 million was primarily due to end of useful lives for certain intangible assets during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019. The increase in depreciation expense of $3.4 million was due to depreciation related to our investments in new operating centers to support our business growth.

Impairment and Restructuring Charges.

	Nine months ended September 30, 2020	Nine months ended September 30, 2019	Change	Percentage change
	(dollars in millions)			
Impairment and restructuring charges	$ —	$ 7.3	$ (7.3)	(100.0)%
As a percentage of revenues	— %	1.0 %		

During the nine months ended September 30, 2019, we recorded impairment charges of $3.2 million and restructuring charges of $4.1 million in connection with the wind-down of our Health Integrated business.

Income from Operations. Income from operations increased by $18.7 million, or 35.0%, from $53.1 million for the nine months ended September 30, 2019 to $71.8 million for the nine months ended September 30, 2020. As a percentage of revenues, income from operations increased from 7.2% for the nine months ended September 30, 2019 to 10.1% for the nine months ended September 30, 2020.

Foreign Exchange Gain/(Loss). Net foreign exchange gains and losses are primarily attributable to movement of the U.S. dollar against the Indian rupee, the U.K. pound sterling, the Philippine peso, Australian dollar and the South African ZAR during the nine months ended September 30, 2020. The average exchange rate of the U.S. dollar against the Indian rupee increased from 70.03 during the nine months ended September 30, 2019 to 74.18 during the nine months ended September 30, 2020. The average exchange rate of the U.K. pound sterling against the U.S. dollar remained stable at 1.27 during the nine months ended September 30, 2020 from the nine months ended September 30, 2019. The average exchange rate of the U.S. dollar against the Philippine peso decreased from 51.84 during the nine months ended September 30, 2019 to 49.94 during the nine months ended September 30, 2020. The average exchange rate of the U.S. dollar against the Australian dollar increased from 1.43 during the nine months ended September 30, 2019 to 1.48 during the nine months ended September 30, 2020. The average exchange rate of the U.S. dollar against the South African ZAR increased from 14.38 during the nine months ended September 30, 2019 to 16.88 during the nine months ended September 30, 2020.

We recorded a net foreign exchange gain of $3.5 million each for the nine months ended September 30, 2020 and 2019.

Interest expense. Interest expense decreased from $10.6 million for the nine months ended September 30, 2019 to $8.6 million for the nine months ended September 30, 2020 primarily due to repayments of borrowings leading to lower outstanding borrowings and lower effective interest rates under our Credit Facility during the nine months ended September 30, 2020, compared to the nine months ended September 30, 2019.

Other Income, net.

	Nine months ended September 30,			
	2020	2019	Change	Percentage change
Gain on sale and mark-to-market of mutual funds	$ 7.1	$ 10.1	$ (3.0)	(29.1)%
Interest income	1.9	2.0	(0.1)	(2.1)%
Other, net	0.2	1.0	(0.8)	(84.0)%
Other income, net	$ 9.2	$ 13.1	$ (3.9)	(29.4)%

Other income, net decreased by $3.9 million, from $13.1 million for the nine months ended September 30, 2019 to $9.2 million for the nine months ended September 30, 2020, primarily due to lower return on mutual fund investments of $3.0 million during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 and recognition of one-time other income of $0.8 million related to our Health Integrated business during the nine months ended September 30, 2019.

Income Tax Expense. The effective tax rate increased from 21.3% during the nine months ended September 30, 2019 to 24.3% during the nine months ended September 30, 2020. We recorded income tax expense of $18.4 million and $12.6 million for the nine months ended September 30, 2020 and 2019, respectively. The increase in income tax expense was primarily as a result of (i) recording of a one-time tax expense of $1.3 million due to electing a new tax regime for two of our Indian subsidiaries which provides for a lower tax rate on earnings in exchange for foregoing certain tax credits, including minimum alternative tax credits during the nine months ended September 30, 2020, compared to a benefit of $2.5 million recorded during the nine months ended September 30, 2019, (ii) higher profit during the nine months ended September 30, 2020, partially offset by (iii) recording of excess tax benefits related to stock awards of $1.9 million pursuant to ASU No. 2016-09 during the nine months ended September 30, 2020 compared to $1.1 million during the nine months ended September 30, 2019. See Note 21 - Income Taxes to our unaudited consolidated financial statements.

Net Income. Net income increased from $46.3 million for the nine months ended September 30, 2019 to $57.3 million for the nine months ended September 30, 2020, primarily due to increase in income from operations of $18.7 million, lower interest expense of $2.0 million. This was partially offset by lower other income, net of $3.9 million and higher income tax expense of $5.8 million. As a percentage of revenues, net income increased from 6.3% for the nine months ended September 30, 2019 to 8.1% for the nine months ended September 30, 2020.

Liquidity and Capital Resources

	Nine months ended September 30,	
	2020	2019
	(dollars in millions)	
Opening cash, cash equivalents and restricted cash	$ 127.0	$ 104.1
Net cash provided by operating activities	126.3	106.0
Net cash provided by/(used for) investing activities	11.1	(21.3)
Net cash used for financing activities	(48.4)	(77.7)
Effect of exchange rate changes	—	(1.8)
Closing cash, cash equivalents and restricted cash	$ 216.0	$ 109.3

As of September 30, 2020 and 2019, we had $362.6 million and $280.8 million, respectively, in cash, cash equivalents and short-term investments, of which $300.7 million, and $228.7 million, respectively, is located in foreign jurisdictions that upon distribution may be subject to withholding and other taxes and we do not currently intend to distribute such amounts. If, in the future, we change our intention regarding distributions, additional taxes may be required and would be recorded in the period the intention changes.

Operating Activities: Cash flows provided by operating activities were $126.3 million for the nine months ended September 30, 2020 as compared to cash flows provided by operating activities of $106.0 million during the nine months ended September 30, 2019. Generally, factors that affect our earnings, for instance, pricing, volume of services, costs and productivity, affect our cash flows used or provided from operations in a similar manner. However, while management of working capital, including timing of collections and payments affects operating results only indirectly, the impact on the working capital requirements and cash flows provided by operating activities can be significant.

Cash flows provided by operating activities for the nine months ended September 30, 2020 were $126.3 million. This comprised of net income plus the net effect of non-cash items, such as depreciation and amortization expense, stock-based compensation expense, amortization of operating lease right-of-use assets, unrealized gains on short-term investment, deferred income taxes, and others aggregating to $130.6 million. The primary working capital use of cash of $32.2 million during the nine months ended September 30, 2020 was driven by payments of operating lease liabilities, accrued employee costs, accrued expenses and other liabilities and accounts payable. The primary working capital sources of cash of $27.9 million was driven by collections of accounts receivables, decrease in advance income tax, net, current and non-current assets and increase in deferred revenues.

Investing Activities: Cash flows provided by investing activities were $11.1 million for the nine months ended September 30, 2020 as compared to cash flows used for investing activities of $21.3 million for the nine months ended September 30, 2019. The increase is mainly due to higher net redemption of investments of $45.7 million during the nine months ended September 30, 2020 as compared to net redemptions of investments of $11.2 million during the nine months ended September 30, 2019. This was partially offset by higher capital expenditures for purchase of long-lived assets, including investments in infrastructure, technology assets, software and product developments of $2.1 million during the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019.

Financing Activities: Cash flows used for financing activities were $48.4 million during the nine months ended September 30, 2020 as compared to cash flows used for financing activities of $77.7 million during the nine months ended September 30, 2019. The decrease in cash flows used for financing activities was primarily due to lower net repayment of $10.4 million (net of proceeds) under our Credit Facility (as described below in “Financing Arrangements (Debt Facility)”) during the nine months ended September 30, 2020 as compared to net repayments of $41.8 million during the nine months ended September 30, 2019, partially offset by higher purchases of treasury stock by $3.0 million under our share repurchase program during the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019.

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

We incurred $34.6 million of capital expenditures in the nine months ended September 30, 2020. We expect to incur total capital expenditures of between $36.0 million and $38.0 million in 2020, 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 respect to such assessment orders (see Note 24 - Commitments and Contingencies to our unaudited consolidated financial statements herein for further details). We anticipate that we will continue to rely upon cash from operating activities to finance our smaller acquisitions, capital expenditures and working capital needs. If we have significant growth through acquisitions, we may need to obtain additional financing.

During the nine months ended September 30, 2020, to enhance our liquidity position in response to COVID-19, management has taken certain precautionary measures, including: drawing $100.0 million from our line of credit under our existing Credit Agreement on March 12, 2020, the proceeds of which were available for working capital, general corporate or other purposes as needed, and which was repaid in full on April 20, 2020; and electing to temporarily suspend share repurchases under our 2019 Repurchase Program, and other cost reduction measures related to employee and vendor expenses and capital expenditure plans. The 2019 Repurchase Program remains authorized by the Board of Directors and the management using its discretion has resumed share repurchases effective July 1, 2020, considering improved market conditions, our capital needs and other factors. However, there is no assurance that the impacts we have experienced to date, and any future impact we may experience, from the COVID-19 pandemic will not have an adverse effect on our cash flows.

The Coronavirus Aid, Relief, and Economic Security Act, (the “CARES Act”) allows employers to defer the payment of the employer share of Federal Insurance Contributions Act (“FICA”) taxes for the period from April 1, 2020 and ending December 31, 2020. As of September 30, 2020, we deferred FICA payments of $4.5 million under the CARES Act and will continue to defer FICA payments through December 31, 2020. The deferred amount will be payable as follows: (1) 50% of the deferred amount will be paid on December 31, 2021 and (2) the remaining 50% of the deferred amount will be paid on December 31, 2022.

Financing Arrangements (Debt Facility)

The following tables summarizes our Debt balances as of September 30, 2020 and December 31, 2019.

	As of September 30, 2020 (dollars in millions)			
	Revolver Credit Facility	**Structured Payables**	**Notes**	**Total**
Current portion of long-term borrowings	**$ 10.0**	**$ 0.5**	**$ —**	**$ 10.5**
Long-term borrowings	79.0	—	150.0	229.0
Unamortized debt discount	—	—	(11.9)	(11.9)
Unamortized debt issuance costs*	—	—	(0.9)	(0.9)
Long-term borrowings	**79.0**	**—**	**137.2**	**216.2**
Total borrowings	**$ 89.0**	**$ 0.5**	**$ 137.2**	**$ 226.7**

	As of December 31, 2019 (dollars in millions)			
	Revolver Credit Facility	**Structured Payables**	**Notes**	**Total**
Current portion of long-term borrowings	**$ 40.0**	**$ 0.9**	**$ —**	**$ 40.9**
Long-term borrowings	59.0	—	150.0	209.0
Unamortized debt discount	—	—	(13.9)	(13.9)
Unamortized debt issuance costs*	—	—	(1.0)	(1.0)
Long-term borrowings	**59.0**	**$ —**	**$ 135.1**	**$ 194.1**
Total borrowings	**$ 99.0**	**$ 0.9**	**$ 135.1**	**$ 235.0**

*Unamortized debt issuance costs for our revolver Credit Facility of $0.6 million and $0.7 million as of September 30, 2020 and December 31, 2019, respectively, is presented under “Other current assets” and “Other assets” in the consolidated balance sheets.

See Note 17 - Borrowings to our unaudited consolidated financial statements herein for further details on our debt facilities.

Off-Balance Sheet Arrangements

In the ordinary course of business, we provide standby letters of credit to third parties primarily for facility leases. As of September 30, 2020 and December 31, 2019, we had outstanding letters of credit of $0.5 million each, respectively, that were not recognized in our unaudited and audited consolidated balance sheets, respectively. These are not reasonably likely 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.

Contractual Obligations

The following table sets forth our contractual obligations as of September 30, 2020:

	Payment Due by Period				
	Less than 1 year	1-3 years	4-5 years	After 5 years	Total
	(dollars in millions)				
Finance leases	$ 0.3	$ 0.3	$ 0.1	$ —	$ 0.7
Operating leases[(a)]	26.5	47.5	30.1	36.9	141.0
Purchase obligations	2.7	—	—	—	2.7
Other obligations[(b)]	2.4	4.2	3.4	5.7	15.7
Borrowings:					
Principal payments	10.5	79.0	150.0	—	239.5
Interest payments[(c)]	6.3	11.5	7.9	—	25.7
Total contractual cash obligations[(d)]	$ 48.7	$ 142.5	$ 191.5	$ 42.6	$ 425.3

(a) *Represents operating lease liabilities payable over the lease term.*

(b) Represents estimated employee benefit payments under the Gratuity Plan.

(c) Interest on borrowings is calculated based on the interest rate on the outstanding borrowings as of September 30, 2020.

(d) Excludes $1.0 million related to uncertain tax positions, since the extent of the amount and timing of payment is currently not reliably estimable or determinable.

Certain units of our Indian subsidiaries were established as 100% Export-Oriented units under the Software Technology Parks of India (“STPI”) or Special Economic Zone ("SEZ") 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. We have 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. We believe, however, that these units have in the past satisfied and will continue to satisfy the required conditions.

Our operations centers in the Philippines are registered with the Philippine Economic Zone Authority (“PEZA”). The registration provides us with certain fiscal incentives on the import of capital goods and local purchase of services and materials and requires that ExlService Philippines, Inc. to meet certain performance and investment criteria. We believe that these centers have in the past satisfied and will continue to satisfy the required criteria.

Recent Accounting Pronouncements

For a description of recent accounting pronouncements, see Note 2—“Recent Accounting Pronouncements” to the unaudited consolidated financial statements contained herein.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

During the three months ended September 30, 2020, 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 Item 7A “Quantitative and Qualitative Disclosures about Market Risk” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports we file or submit 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 our 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, our management carried out an evaluation, under the supervision and with the participation of the CEO and CFO, of the effectiveness and operation of our disclosure controls and procedures as of September 30, 2020. Based upon that evaluation, the CEO and CFO have concluded that our disclosure controls and procedures, as of September 30, 2020, were effective.

Changes in Internal Control over Financial Reporting

During the three months ended September 30, 2020, 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 24 - Commitments and Contingencies to our unaudited consolidated financial statements contained herein for details.

ITEM 1A. Risk Factors

We have disclosed below, as well as under the heading “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 a number of risks which may materially affect our business, financial condition or results of operations. You should carefully consider these 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.

Our business, results of operations and financial condition have been adversely affected, and could in the future be materially adversely affected, by the coronavirus pandemic.

In March 2020, the World Health Organization declared the outbreak of a disease caused by a novel strain of the coronavirus (COVID-19) to be a global pandemic. This global pandemic is having widespread, rapidly-evolving and unpredictable impacts on global societies, economies, financial markets and business practices. COVID-19 has affected us, our customers, employees, contractors, suppliers and business partners, all of whom have been prevented from conducting business activities as usual, including due to the many and varying health and safety measures in response to COVID-19, including travel restrictions, quarantines, curfews, shelter in place and safer-at-home orders, and business shutdowns, as well as multi-step reopening policies. The continued spread of COVID-19 and the measures taken by governmental authorities disrupted the continuity of our provision of services to our customers and adversely impacted our business, results of operations and financial condition (see Part 1, Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Quarterly Report on Form 10-Q).

The COVID-19 pandemic and the actions taken by governments, businesses and individuals in response to the pandemic have resulted in, and are expected to continue to result in, a substantial curtailment of business activities, weakened economic conditions, significant economic uncertainty and volatility in the financial markets, both in the United States and abroad. The ultimate impact of COVID-19 on our business, operations and financial results remains unknown and will depend on numerous evolving factors that we may not be able to accurately predict, including: the duration, scope and severity of the pandemic; governmental, business and individuals’ actions that have been and continue to be taken in response to the pandemic; the impact of the pandemic on economic activity and actions taken in response; the effect on our clients and client demand for our services and our solutions; our ability to sell and provide our services and solutions, including as a result of travel restrictions and people working from home; the ability of our clients to pay for our services and solutions; any closures of our and our clients' offices and facilities, and any additional preventative or protective actions that we, our clients, and governments may implement that may result in a period of continued business interruption. The global macroeconomic effects of the pandemic may have long-lasting effects, even after the pandemic has subsided.

In the U.S., India, the Philippines, Europe and South Africa, we have large concentrations of employees performing critical operations, which are in varying stages of restrictions and re-opening to address COVID-19. Certain jurisdictions have begun re-opening but have returned to restrictions in the face of increases in new COVID-19 cases. There is considerable uncertainty regarding how current and future health and safety measures implemented in response to the pandemic will impact our business, including whether they will result in further changes in demand from our clients for our services and solutions, further increases in operating costs (whether as a result of changes to our supply chain or increases in employee costs, operating costs or otherwise), how they will further impact our supply chain. An extended period of mass remote work by our employees may reduce our employees’ efficiency and productivity, which may cause delays in service delivery, disrupt employee relations, hamper innovation and may have other unforeseen adverse effects on our business. For those employees who are permitted to come onsite, while we have implemented personal safety measures at all such locations, any actions we take with respect to our workforce may not be sufficient to mitigate the risk of infection by COVID-19 and further disruption to our business.

In addition, the effects of COVID-19 could affect our business in many ways, including, but not limited to, the following factors:

- the impact of the pandemic on the economies and financial markets of the countries and regions in which we operate, including a potential global recession, a decline in customer confidence and spending;
- our inability to obtain rent deferrals or other relief from many of our landlords with respect to our leased corporate offices that were or still remain closed, which could result in litigation or other disruptions;
- COVID-19 and remote-work oriented phishing and similar cybersecurity attack attempts;
- remote work solutions may be limited in their ability to replicate the operational oversight and security controls of our office environments and we may suffer operational and information security failures as a result of the changed controls;
- we may be required to revise certain accounting estimates and judgments such as, but not limited to, those related to the valuation of long-lived assets, goodwill and intangibles, and deferred tax assets, which could have a material adverse effect on our financial position and results of operations;
- governmental actions in the geographies in which we operate may prevent us from adjusting the size of our workforce or modifying compensation terms; and
- COVID-19 may also have a material adverse effect on our liquidity and cash flows. If our business does not generate sufficient cash flows from operating activities, and sufficient funds are not otherwise available to us from borrowings under our credit facility or other sources, we may not be able to cover our expenses, fund our other liquidity and working capital needs, or execute on our strategic initiatives, each of which could significantly harm our business.

The measures taken to date will impact our business for the fourth quarter of 2020 and potentially beyond. Management expects that all of its business segments, across all of its geographies, will be impacted to some degree, but the significance of the full impact of the COVID-19 pandemic on our business and the duration for which it may have an impact cannot be determined at this time. Any of these events could cause or contribute to risks and uncertainties enumerated in this Quarterly Report on Form 10-Q or our other filings with the SEC, and could materially adversely affect our business, financial condition, results of operations and/or stock price.

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 September 30, 2020, purchases of common stock were as follows:

Period	Total Number of Shares Purchased	Average Price Paid per share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
July 1, 2020 through July 31, 2020	157,600	$ 62.64	157,600	$ 178,144,055
August 1, 2020 through August 31, 2020	75,349	$ 65.84	75,349	$ 173,182,802
September 1, 2020 through September 30, 2020	156,626	$ 64.30	156,626	$ 163,111,132
Total	389,575	$ 63.93	389,575	$ —

On December 16, 2019, our Board of Directors authorized a $200.0 million common stock repurchase program beginning January 1, 2020 through December 31, 2022 (the “2019 Repurchase Program”). The shares may be purchased by us from time to time from the open market and through private transactions, or otherwise, as determined by us as market conditions warrant. The 2019 Repurchase Program may be suspended or discontinued at any time.

During the quarter ended March 31, 2020, to enhance our liquidity position in response to COVID-19, management elected to temporarily suspend share repurchases under the 2019 Repurchase Program. We resumed share repurchases effective July 1, 2020, considering improved market conditions, our capital and liquidity needs and other factors, and are now targeting to repurchase up to $80.0 million for calendar year 2020, subject to market conditions.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

The following exhibits are being filed as part of this Quarterly Report on Form 10-Q:

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	Fifth Amended and Restated By-laws of ExlService Holdings, Inc. (incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K (File No. 1-33089) filed on June 19, 2019)
10.1	Second Amended and Restated Employment and Non-Competition Agreement, dated August 3, 2020, between the Company and Rohit Kapoor.
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)

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: October 29, 2020

EXLSERVICE HOLDINGS, INC.

By: /S/ MAURIZIO NICOLELLI

MAURIZIO NICOLELLI
Chief Financial Officer
(Duly Authorized Signatory, Principal Financial and Accounting Officer)

Exhibit 10.1

SECOND AMENDED AND RESTATED EMPLOYMENT AND NON-COMPETITION AGREEMENT

THIS SECOND AMENDED AND RESTATED EMPLOYMENT AND NON-COMPETITION AGREEMENT (this "Agreement") dated as of August 3, 2020 (the "Effective Date"), is made by and among **EXLSERVICE HOLDINGS, INC**., a Delaware corporation (together with its successors and assigns, "Holdings" or the "Company", and together with any subsidiaries of Holdings, the "Companies"), and Rohit Kapoor (the "Executive").

W I T N E S S E T H :

A. The Companies and Executive are currently parties to an Amended and Restated Employment and Non-Competition Agreement dated as of September 19, 2017 (as amended and renewed through the date hereof, the "Current Employment Agreement").

B. The Company desires to continue to employ Executive, and Executive is willing to continue to be employed by the Company, on the terms and conditions set forth in this Agreement, which shall supersede the Current Employment Agreement, effective as of the Effective Date.

C. Executive acknowledges that (i) Executive's continued employment with the Company will provide Executive with trade secrets of and confidential information concerning the Companies and (ii) the covenants contained in this Agreement are essential to protect the business and goodwill of the Companies.

Accordingly, in consideration of the premises and the respective covenants and agreements of the parties set forth below, and intending to be legally bound hereby, the parties agree as follows:

Section 1. Employment. The Company hereby continues to employ Executive, and Executive hereby accepts such continued employment, on the terms and conditions set forth in this Agreement. Executive represents that Executive is not a party to any agreement that restricts Executive's right or ability to freely carry out Executive's duties hereunder.

Section 2. Employment Term. The term of the Executive's employment under this Agreement, which began on January 1, 2018, shall continue in effect until terminated by either the Company and/or the Executive in accordance with the provisions of Section 7 hereof (the "Employment Term").

Section 3. Duties, Authority, Status and Responsibilities.

(a) Executive shall serve as the Chief Executive Officer and Vice Chairman of the Company, and in such other positions as the Board of Directors of the Company (the "Board") may from time to time reasonably determine, subject at all times to the direction, supervision and authority of the Board. Executive's duties shall include such duties as the Board may from time to time reasonably assign. The Company agrees to provide Executive such assistance and work accommodations as are suitable to the character of his positions with the Company and adequate for the performance of his duties. The Executive shall be based at the Company's executive offices in the metropolitan New York City area.

(b) During the Employment Term and except as otherwise agreed by the Company, Executive shall devote Executive's full employable time, attention and reasonable best efforts to the business affairs of the Companies (except during vacations or illness) and will not actively engage in outside activities, whether or not such activity is pursued for gain, profit or other pecuniary advantage unless such activity (and the amount thereof) is approved by the Board; provided, that, nothing herein shall preclude Executive from (i) engaging in charitable activities and community affairs and (ii) managing Executive's personal investments and affairs, so long as such activities (x) do not interfere, other than in an immaterial way, with the performance of Executive's duties and responsibilities hereunder, (y) adversely impact the business or reputation of the Company or any of its affiliates, or (z) constitute a breach of any of Sections 9 through 11 hereof (it being understood that Board approval shall remain required for any foregoing activities engaged in at or on behalf of business organizations. Executive's list of approved outside activities with a description of the nature, scope and time commitment for each of such outside activities is attached hereto as Schedule 3(b) (the "Outside Activities") (it being understood that such approval is based on the descriptions set forth in Schedule 3(b) and the level of activity and the nature of the activities remains consistent with the description set forth therein). The Board may request Executive to take reasonable steps to terminate an affiliation with any entity listed on Schedule 3(b) as promptly as practicable, but, in any event, no later than three (3) months after such request (provided, however, if Executive is required to divest any equity securities, Executive shall have six (6) months from the date of such request to dispose of such securities), if, in the Board's reasonable determination, Executive's affiliation with any such entity listed on Schedule 3(b) presents, or would present, a material harm to the reputation, business or prospects of the Company. Subject to Executive's election or appointment as such, Executive further agrees to serve (without additional compensation) if so designated by the stockholders of the Companies, as applicable, during the Employment Term as a director and a member of any committee of the board of directors of any of the Companies. In addition to the other titles and responsibilities described in this Section 3, if requested by the Board, Executive shall serve (without additional compensation) during the Employment Term as an officer of any of the subsidiaries of the Company.

Section 4. Cash Compensation.

(a) Subject to paragraph (b) below, and subject to the Notice of Reduction in Pay Agreement between Executive and Company dated as of April 24, 2020 and the deferment of 2020 salary increments, during the Employment Term, Executive shall receive an annual base salary (the "Base Salary") of SEVEN HUNDRED AND FIFTY THOUSAND AND 00/100 DOLLARS ($750,000) (the "Initial Base Salary"). Notwithstanding the provisions of Section 4(b), the Base Salary shall be reviewed no less frequently than annually during the Employment Term for increase, if any, in the sole discretion of the compensation committee of the Board ("Compensation Committee"). The Base Salary shall not be decreased at any time, or for any purpose, during the Employment Term, unless a Company-wide decrease in pay is implemented. In such case, any decrease in the Base Salary shall be no greater, as a percentage of the Base Salary, than the lowest percentage decrease in the base salary of any other member of the Company's senior management. The Base Salary shall be payable in accordance with the customary payroll practices of the Company for salaried employees.

(b) Executive shall have an opportunity to receive an annual cash bonus equal to 150% of Base Salary at target, with a maximum payment of no greater than 310% of Base Salary, with respect to each calendar year that ends during the Employment Term. The Compensation Committee shall determine the criteria and thresholds at which the target and maximum bonus shall be earned, as well as the level of attainment of the bonus criteria below which no bonus shall be earned, and the level of attainment at which a bonus of other than 150% or 310% of Base Salary shall be earned. To the extent there are extraordinary events such as acquisitions or dispositions, targets will be amended by the Board to reflect those events. Executive shall be paid Executive's annual cash bonus (if any) when bonuses are paid generally to senior officers of the Company following completion of the audited financial statements of the Company. Such bonus shall be paid no later than December 31 of the calendar year following the year in which such bonus is earned. With respect to any tax year in which the Company is subject to Section 162(m) of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder (the "Code"), the Committee may determine to take such actions as shall be necessary to preserve the tax deductibility of the bonus. In that event, this Section 4(b) shall be construed in a fashion that achieves that goal.

Section 5. Reimbursement of Expenses. Executive shall be entitled to receive prompt reimbursement for all travel and business expenses reasonably incurred by Executive (in accordance with the policies and procedures established from time to time by the Company) in performing services hereunder during the Employment Term; provided that Executive shall promptly and properly account therefor in accordance with the Company's expense policy.

Section 6. Other Benefits.

(a) Benefit Plans, etc. During the Employment Term, Executive shall (i) be able to participate in all employee benefit plans and programs that are currently made available to the Company's senior executives generally or to its employees generally, including, without limitation, pension, profit-sharing, savings and other retirement plans or programs, medical, dental, hospitalization, short-term and long-term disability and life insurance plans or programs, accidental death and dismemberment protection, travel accident insurance, and any other employee welfare benefit plan or program that may be sponsored by the Company from time to time, whether funded or unfunded, and (ii) receive such additional fringe benefits and perquisites as the Board may, in its sole discretion, from time to time determine. Nothing in this Agreement shall be construed to require the Company to establish or maintain any such plans, programs, benefits or perquisites.

(b) Tax Planning Assistance. The Company shall reimburse Executive up to $12,000 per annum for expenses incurred during the Employment Term in connection with personal tax and estate planning.

(c) Vacations. Executive shall be entitled to four (4) weeks of vacation with pay during each year that ends during the Employment Term. Vacations shall not be taken in a manner which will unreasonably interfere with Executive’s duties hereunder. Executive shall also be entitled to all paid holidays and personal days given by the Company to its senior executives.

(d) Travel. See Schedule 6 attached hereto.

(e) Transportation. See Schedule 6 attached hereto.

(f) Relocation. If Executive relocates his residence at the request of the Company during the Employment Term, the Company shall reimburse Executive for the cost of relocating himself and his immediate family, as reasonably determined at such time by the Board.

(g) Additional Fringe Benefits. During the Employment Term, Executive shall be entitled to additional benefits listed on Schedule 6 hereto.

(h) Equity Awards. Executive shall be eligible to receive equity-based awards annually during the Employment Term. The Compensation Committee shall have the sole discretion to determine the amount and form of any such awards; provided that in making such determination it shall take into account (i) an aggregate “baseline” value equal to four million nine hundred twenty-five thousand dollars ($4,925,000), (ii) the Company’s performance against budget since the grant date of the immediately preceding annual equity-based awards to Executive, (iii) any changes in market compensation of similarly situated executives since the grant date of the immediately preceding annual equity-based awards to Executive, (iv) “Say-on-Pay” vote considerations, and (v) the Executive’s actual performance against pre-established individual performance criteria, as determined by the Compensation Committee, in its sole discretion. The baseline value for such annual equity-based awards is subject to review for increase at the discretion of the Board. The definitive terms of each such equity-based award shall be consistent with the terms of this Agreement and no less favorable to Executive than the terms applicable to any corresponding award to any of Executive’s direct reports.

(i) Timing of Certain Payments. To the extent that any reimbursements pursuant to Sections 5 or 6 constitute “deferred compensation” under Section 409A (as defined below), any such reimbursement payment due to Executive shall be paid to Executive as promptly as practicable, and in all events on or before the last day of Executive's taxable year following the taxable year in which the related expense was incurred. The reimbursements pursuant to Sections 5 or 6 are not subject to liquidation or exchange for another benefit and the amount of such benefits and reimbursements that Executive receives in one taxable year shall not affect the amount of such benefits or reimbursements that Executive receives in any other taxable year.

Section 7. Termination. The Employment Term and Executive's employment hereunder may be terminated under the following circumstances:

(a) Death. The Employment Term and Executive's employment hereunder shall terminate upon Executive's death. In that event, (i) Executive's estate shall be entitled to a lump-sum payment equal to a pro-rata portion of the projected bonus amount for the year during which the death occurs, as reasonably determined by the Compensation Committee, such pro-rata portion to be paid in cash as soon as practicable and in all events within thirty (30) days after the Termination Date and (ii) all outstanding equity awards made to Executive shall become fully vested as of the Termination Date. Following any termination of Executive's employment hereunder pursuant to this Section 7(a), and except as set forth in Sections 7(g), 7(h) and 7(i) below, the Company shall have no further obligation to pay any compensation, or provide any benefits, under this Agreement.

(b) Disability. Either Party may terminate Executive's employment hereunder for Disability. "Disability" shall mean Executive's inability, due to physical or mental incapacity, to substantially perform Executive's duties and responsibilities under this Agreement for a period of 180 consecutive days. In conjunction with determining Disability for purposes of this Agreement, Executive hereby (i) consents to any such examinations which are relevant to a determination of whether Executive is mentally and/or physically disabled and (ii) agrees to furnish such medical information as may be reasonably requested, and to waive any applicable physician-patient privilege that may arise because of such examination.

In the event of Executive's physical or mental incapacity which the Board reasonably determines is likely to result in Disability, the Company may temporarily remove Executive's job title and relieve him of his responsibilities until the time when Executive returns to his employment in the same capacity as prior to such incapacity or is terminated in accordance with this Section 7(b), and such removal of title shall not constitute the removal of title (as contemplated by clause (B) of Section 7(d)) for the purpose of determining "Good Reason' (as defined below). Notwithstanding the foregoing, if Executive resumes his duties within 180 days of such incapacity, his title and position shall be reinstated.

Following any termination of Executive's employment hereunder pursuant to this Section 7(b), except as (i) set forth in Sections 7(g), 7(h) and 7(i) below, and (ii) for payment of pro-rata portion of the projected bonus amount for the year during which the termination due to Disability occurs, as reasonably determined by the Compensation Committee, such pro-rata portion to be paid in cash as soon as practicable and in all events within thirty (30) days following the Termination Date, the Company shall have no further obligation to pay any compensation or provide any benefits under this Agreement.

(c) Termination for Cause; Voluntary Termination. The Employment Term and Executive's employment hereunder (i) may be terminated by the Company for "Cause" (as defined below) by written notice, specifying the grounds for Cause in reasonable detail, and (ii) may be terminated by Executive "voluntarily" (that is, other than for Disability or Good Reason in accordance with Section 7(b) or 7(d), respectively, or by Retirement in accordance with Section 7(d)). "Cause" shall mean:

(1) a final non-appealable conviction of, or a pleading of no contest to, (i) a crime of moral turpitude which causes serious economic injury or serious injury to the Company's reputation or (ii) a felony; or

(2) fraud, embezzlement, gross negligence, self-dealing, dishonesty or other gross and willful misconduct which has caused serious and demonstrable injury to the Company;

(3) material violation by Executive of any material Company policy, which, if curable, is not remedied within fifteen (15) days after Executive's receipt of written notice from the Company specifying such violation in reasonable detail;

(4) willful and continuing failure to substantially perform Executive's duties (other than for reason of physical or mental incapacity) which failure to perform continues beyond fifteen (15) days after a written demand for substantial improvement in Executive's performance, identifying specifically and in detail the manner in which improvement is sought, is delivered to Executive by the Company; provided that a failure to achieve performance objectives shall not by itself constitute Cause and no act or failure to act by Executive shall be considered "willful" unless done or failed to be done by Executive in bad faith and without a reasonable belief that Executive's actions or omission was in the best interest of the Company;

(5) Executive's failure to reasonably cooperate in an investigation involving the Company by any governmental authority;

(6) Executive's material, knowing and intentional failure to comply with applicable laws with respect to the execution of the Company's business operations, including, without limitation, a knowing and intentional failure to comply with the Prevention of Corruption Act of India, 1988, or the United States Foreign Corrupt Practices Act of 1977, as amended; provided, that, if all of the following conditions exist, there will be a presumption that Executive has acted in accordance with such applicable laws: Executive is following, in good faith, the written advice of counsel, such counsel having been approved by the Board as outside counsel to the Company for regulatory and compliance matters, in the form of a legal

memorandum or a written legal opinion, and Executive has, in good faith, provided to such counsel all accurate and truthful facts necessary for such counsel to render such legal memorandum or written legal opinion;

(7) Executive's failure to use his best reasonable efforts to follow the lawful directives of the Board which is not remedied within fifteen (15) days after Executive's receipt of written notice from the Company specifying such failure in reasonable detail;

(8) Executive's use of alcohol or drugs which materially interferes with the performance of his duties;

(9) Executive's failure to take the reasonable steps necessary to terminate his affiliation with any entity listed on Schedule 3(b) within six months after being requested by the Board, pursuant to Section 3(b) hereof, to take such action; or

(10) Executive's material breach of a material provision of this Agreement which is not remedied within fifteen (15) days after Executive's receipt of written notice from the Company specifying such breach in reasonable detail.

Following any termination or expiration of the Employment Term and Executive's employment hereunder pursuant to this Section 7(c), and except as set forth in Sections 7(e)(iii), 7(g), and 7(i), Executive shall not be entitled to receive any further compensation or payments under this Agreement.

(d) Termination with Good Reason; Without Cause; by Retirement. The Employment Term and Executive's employment hereunder (i) may be terminated by Executive in a Retirement or with Good Reason and (ii) may be terminated by the Company "Without Cause" (that is, other than for Disability or Cause in accordance with Section 7(b) or 7(c)). "Retirement" shall mean a voluntary termination of his employment by the Executive that is effective after he attains age 60. "Good Reason" shall mean the occurrence, without Executive's prior written consent, of any of the following events:

(1) a substantial reduction of Executive's duties or responsibilities, or Executive being required to report to any person other than the Board, or an adverse change in Executive's job title as Chief Executive Officer and Vice Chairman of the Company; provided that, if there is a "Change of Control" (as defined below) and Executive retains similar title and similar authority with the Company or any entity that acquires the Company (or any affiliate or subsidiary of such entity) following such Change of Control, the parties agree that any change in the title of Executive shall not constitute a significant reduction of Executive's duties and authorities hereunder; it being understood that (y) "Good Reason" shall be deemed to exist if Executive is no longer the chief executive officer of the Company or any entity that acquires the Company, and (z) if the common stock of the Company ceases to be publicly traded on a national securities exchange, then "Good Reason" shall be deemed not to exist if thereafter Executive continues to be the chief executive officer of the Company (or any entity that acquires

the Company) and he remains the principal senior-most executive with overall authority (subject to the approval of the Board or the board of directors or equivalent governing body of any entity that acquires the Company over operating plans and budgets;

(2) a reduction of Executive's then Base Salary or annual cash bonus opportunity to below 100% of Base Salary at target other than that described in Section 4(a);

(3) a change in the office or location in the metropolitan New York City area where Executive is based on the Effective Date of more than thirty (30) miles, which new location is more than thirty (30) miles from Executive's primary residence in the metropolitan New York City area; or

(4) a breach by the Company of any material term of this Agreement;

provided that, a termination by Executive with Good Reason shall be effective only if, within 45 days following Executive's first becoming aware of circumstances giving rise to Good Reason: (x) Executive delivers a written notice to the Company that describes such circumstances in reasonable detail and requests cure; (y) the Company fails to cure such circumstances within 30 days following its receipt of such notice; and (z) Executive delivers a Notice of Termination with Good Reason to the Company within 15 days after such cure period has expired.

(e) Severance. If Executive's employment hereunder is terminated pursuant to Section 7(d) hereof, Executive will be entitled to:

(i)unless the termination is a Retirement, payments aggregating 24 months of Base Salary, plus payment of Executive's actual bonus earned for the year of termination determined (in accordance with the Company's annual incentive plan and customary practices) as if Executive had remained employed for the full year in which Executive's employment hereunder terminates and thereafter until the date that the bonus is actually determined and paid, such Base Salary to be paid ratably (subject to Sections 7(m), 7(n) and 12(s)(ii) below, and in accordance with Company's existing payroll practices but no less frequently than monthly) during the period that commences on the Termination Date and that ends on the second anniversary of such date, and such actual bonus, if any, to be paid ratably (subject to Sections 7(m), 7(n) and 12(s)(ii) below, and in accordance with the Company's existing payroll practices but no less frequently than monthly) during the period that commences as of the date that the Compensation Committee has determined such bonus amount and ends on the second anniversary of the Termination Date, provided however, that any payment that would otherwise be due under this Section 7(e)(i) prior to the first payroll date that follows the 60th day after the Termination Date shall be accumulated and paid on such first payroll date (but not later than 90 days after the Termination Date, or, if earlier, March 15th of the year following the year in which the Termination Date occurs).

(ii)unless the termination is a Retirement, continuation (subject to Sections 7(m), 7(n), and 12(s)(ii) below) of any life insurance coverage provided pursuant to Section 6(a) for the eighteen (18) month period immediately following the Termination Date so long as such continuation of coverage is permitted under the Company's benefit plans and applicable law; provided that such coverage shall terminate if Executive commences employment with a subsequent employer within the applicable period;

(iii)with respect to outstanding equity-based awards that were part of the Company's annual equity award grant cycle (and not any one-time or "special grants"), Executive shall be treated as if he were still employed by the Company for a period of 27 months following the Termination Date. For clarity, there shall be no acceleration of vesting; Executive shall be permitted to continue to vest in such awards on the same schedule that he would have vested in such awards had he continued to be employed during such 27-month period (subject, in the case of any such awards that are subject to performance-based vesting in addition to service-based vesting, to the achievement of the applicable performance criteria), and if such awards do not vest by their terms by the end of such 27-month period, such awards shall be forfeited (and any such awards that could not possibly vest by the end of such 27-month period shall be forfeited immediately upon the Termination Date); and

(iv)the benefits set forth in Sections 7(g), 7(h) and 7(i).

Following any termination of Executive's employment hereunder that is governed by Section 7(d), and except as provided in this Section 7(e), Executive shall not be entitled to receive any compensation or payments under this Agreement.

(f) Termination Following a Change of Control. Notwithstanding anything in this Section 7 to the contrary, if Executive's employment hereunder is involuntarily terminated by the Company Without Cause, Executive terminates his employment hereunder with Good Reason in accordance with Section 7(d) within 12 months following a Change of Control, or if Executive's employment hereunder is involuntarily terminated by the Company prior to the date on which the Change in Control occurs, and if it is reasonably demonstrated by Executive that such termination of employment (x) was at the request of a third party who has taken steps reasonably calculated to effect a Change in Control or (y) otherwise arose in connection with or anticipation of a Change in Control, then Executive shall receive, in complete satisfaction of all payments (including severance) due under this Agreement, (i) a lump-sum payment equal to 24 months of Base Salary and (ii) payment of Executive's actual bonus earned for the year of termination as determined in accordance with the Company's annual incentive plan and customary practices as if Executive had remained employed hereunder for the full year in which Executive's employment terminates and thereafter until the bonus is actually determined and paid. The payment referred to in subclause (i) of this Section 7(f) shall be paid (without duplication of payments previously made in respect of Base Salary under Section 7(e)(i) above, and subject to Sections 7(m), 7(n) and 12(s)(ii) below) on the first payroll date following (but not more than one month after or, if earlier, March 15th of the year following the year in which occurs) the later of (x) the 60th day after the Termination Date and (y) the occurrence of the Change in Control. The payment referred to in subclause (ii) of this Section 7(f) shall be paid (without duplication of payments previously made in respect of such bonus under Section 7(e)(i) above, and subject to Sections 7(m), 7(n) and 12(s)(ii) below) on the first payroll date following (but not more than one month after or, if earlier, March 15th of the year following the year in which occurs) the latest of (x) 60th day after the Termination Date, (y) the date that the bonus is determined, and (z) the occurrence of the Change in Control. In addition, upon a termination of employment described in this Section 7(f), (A) Executive shall receive the benefits set forth in Sections 7(g), 7(h) and 7(i), and (B) all unvested equity-based awards granted to Executive on or after September 30, 2006 shall become fully vested and, in the case of stock options, fully vested and exercisable.

(g) Post-Termination Health Insurance. On any termination of Executive's employment hereunder by the Company Without Cause or by Executive other than (x) due to death or Disability or (y) by Executive without Good Reason, the Company shall pay on behalf of Executive and his eligible dependents the cost of continued coverage under the Company's group health plan for eighteen (18) months following the Termination Date in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), subject to such persons making timely elections to continue such coverage pursuant to COBRA and satisfaction of COBRA's eligibility requirements and other terms, conditions, restrictions and exclusions. Should COBRA coverage become unavailable due to the Company's failure to maintain a group health plan, the Company shall reimburse Executive and his dependents for the premium cost of comparable coverage obtained directly by Executive and his dependents for the balance of the 18 month period. The Company's obligation to pay such premium costs shall cease at the time Executive (or, in the case of Executive's death, his eligible dependents) become eligible for comparable health benefits from another employer. Without limiting the generality of the foregoing, following any termination of Executive's employment hereunder (other than by the Company for Cause), the Company shall continue to provide Executive with health coverage under the Company's group health plan, subject to the terms and conditions of such plan as in effect from time to time, provided that with respect to coverage for periods from and after the later of (1) the date that is eighteen (18) months following the Termination Date and (2) the date Executive ceases to be a member of the Board, Executive shall reimburse the Company for its costs of providing this coverage to Executive (and his dependents, as applicable), and provided further that if Executive ceases to be a member of the Board prior to the date that is eighteen (18) months following the Termination Date, Executive shall also reimburse the Company for such costs during the remaining portion of such 18-month period unless the Company is obligated to pay such costs pursuant to the first sentence of this Section 7(g). All such reimbursements pursuant to the preceding sentence shall be made within 30 days following delivery to Executive by the Company of an invoice therefor. In addition, if Executive elects COBRA coverage following the cessation of his employment for any reason whatsoever (whether paid by the Company or Executive), the Company will, at the request of Executive, facilitate and use commercially reasonable efforts to cause the conversion of his Company group health insurance coverage to an individual policy upon the expiration of Executive's eligibility for COBRA coverage; provided that the foregoing is not intended to be a guarantee by the Company that such conversion will be available to Executive at that time. Any payment made, or benefit provided, to Executive under Section 7(e)(ii) or under this Section 7(g) shall be paid as soon as practicable after it becomes due but in no event (subject to Sections 7(m), 7(n) and 12(s)(ii) below) later than the third calendar year following the calendar year in which Executive's "separation from service" (as defined in Section 409A) occurs.

(h) On any termination of Executive's employment hereunder by the Company Without Cause, or by Executive with Good Reason, due to death or Disability, or by Retirement, prompt payment or provision of any bonus for any calendar year that ended prior to the Termination Date to the extent unpaid, payable as soon as practicable and (subject to Sections 7(n) and 12(s)(ii) below) in all events within thirty (30) days following the Termination Date, and determined on no less favorable a basis than would have applied if Executive had remained employed hereunder through the date the bonus is fully paid (each, a "Prior Year Unpaid Bonus").

(i) On any termination of his employment hereunder, Executive shall be entitled to: (i) payment of (x) any accrued but unpaid Base Salary and vacation days and (y) any unreimbursed expenses under Section 5 that were accrued or incurred through the Termination Date, each of (x) and (y) to be paid in cash as soon as practicable and in all events within thirty (30) days following the Termination Date, and (ii) prompt payment or provision (subject to Sections 7(n) and 12(s)(ii) below) of any amounts or benefits then or thereafter due under applicable law or under the then-applicable terms of any applicable written plan, program, agreement, or arrangement of the Company or its affiliates, other than severance plans or policies (any amount or benefit described in this Section 7(i) being an "Accrued Obligation").

(j) As used in this Agreement, "Change of Control" means

(i)the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 50% (on a fully diluted basis) of either (A) the then outstanding shares of Series B common stock of Holdings ("Common Stock"), taking into account as outstanding for this purpose such Common Stock issuable upon the exercise of options or warrants, the conversion of convertible stock or debt, and the exercise of any similar right to acquire such Common Stock (the "Outstanding Company Common Stock") or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this Agreement, the following acquisitions shall not constitute a Change of Control: (I) any acquisition by the Company or (i) any entity that directly or indirectly is controlled by, controls or is under common control with the

Company and (ii) to the extent provided by the Compensation Committee, any entity in which the Company has a significant equity interest ("Affiliate") on the Effective Date, (II) any acquisition by any employee benefit plan sponsored or maintained by the Company or any Affiliate, (III) any acquisition which complies with clauses (A), (B) and (C) of subsection (v) of this Section 7(h), or (IV), any acquisition by Executive or any group of persons that include Executive (or any entity controlled by Executive or any group of persons that includes Executive);

(ii)individuals who, on the date hereof, constitute the Board (the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the date hereof, whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of a registration statement of the Company describing such person's inclusion on the Board, or a proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination) shall be an Incumbent Director; provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director;

(iii)the dissolution or liquidation of the Company;

(iv)the sale, transfer or other disposition of all or substantially all of the business or assets of the Company; or

(v)the consummation of a reorganization, recapitalization, merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in the transaction (a "Business Combination"), unless immediately following such Business Combination: (A) more than 50% of the total voting power of (x) the entity resulting from such Business Combination (the "Surviving Company"), or (y) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership of sufficient voting securities eligible to elect a majority of the members of the board of directors (or the analogous governing body) of the Surviving Company (the "Parent Company"), is represented by the Outstanding Company Voting Securities that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which the Outstanding Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of the Outstanding Company Voting Securities among the holders thereof immediately prior to the Business Combination, (B) no Person (other than any employee benefit plan sponsored or maintained by the Surviving Company or the Parent

Company), is or becomes the beneficial owner, directly or indirectly, of more than 50% of the total voting power of the outstanding voting securities eligible to elect members of the board of directors of the Parent Company (or the analogous governing body) (or, if there is no Parent Company, the Surviving Company) and (C) at least a majority of the members of the board of directors (or the analogous governing body) of the Parent Company (or, if there is no Parent Company, the Surviving Company) following the consummation of the Business Combination were Board members at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination.

(k) Notice of Termination. No termination of Executive's employment hereunder (other than a termination pursuant to Section 7(a)) by the Company or by Executive (each, a "Party") shall be effective until written notice of termination (the "Notice of Termination") has been given to the other Party hereto in accordance with Section 8. In the case of a termination by the Company Without Cause (that is effective after Executive attains age 60) or by Executive in a Retirement, such notice shall be given not less than one hundred and eighty (180) days prior to the Termination Date. In the case of termination by the Company Without Cause (that is effective before Executive attains age 60) or a resignation by Executive without Good Reason and not in a Retirement, such notice shall be given not less than ninety (90) days prior to the Termination Date. If the Board concludes it is prepared to terminate Executive for Cause (other than due to the conviction of Executive of a felony), the Board shall describe in reasonable detail the basis for its conclusion in a written notice (a "Cause Notice") delivered to Executive and shall put Executive on a leave of absence during which time Executive will forfeit his title and responsibilities but will be provided with an opportunity to appear before the Board, at Executive's election and with counsel if he so chooses, to present arguments and evidence on his own behalf, at a date and time, not later than the thirtieth (30^{th}) day following the date of delivery of the Cause Notice, specified by the Board in consultation with Executive. The Board, by an affirmative vote of a majority of its members (not to include Executive if Executive is a member of the Board), shall make a final determination within fourteen (14) days after the close of the hearing, that the circumstances specified in the Cause Notice constitute, or do not constitute, Cause. If the Board determines that such circumstances do not constitute Cause, the Board shall take any reasonable steps necessary to reinstate Executive in his prior position, with the same title and responsibilities that Executive held prior to receiving the Cause Notice. If the Board determines that such circumstances do constitute Cause, Executive's employment shall terminate immediately.

(l) Termination Date. "Termination Date" shall mean (i) if Executive's employment hereunder is terminated by Executive's death, the date of Executive's death, (ii) if Executive's employment hereunder is terminated for Cause in accordance with Section 7(c), the date on which the Board completes the process for determining, and determines, Cause pursuant to Sections 7(c) and 7(k), (iii) if Executive's employment hereunder is terminated by Executive with Good Reason in accordance with Section 7(d), no later than ten (10) days after the date on which he delivers a Notice of Termination with Good Reason to the Company, (iv) if Executive's employment hereunder is terminated by the Company Without Cause (that is effective before Executive attains age 60) or voluntarily by Executive without Good Reason and not in a Retirement, no less than ninety (90) days after delivery of Notice of Termination, and (v) if Executive's employment hereunder is terminated for any other reason, not less than one hundred and eighty (180) days after the date on which a Notice of Termination is delivered, but not earlier than the expiration of any applicable cure period provided for herein.

(m) Conditions to Severance. Executive's entitlement to payments and benefits under Sections 7(e), 7(f) and 7(g) above (other than Accrued Obligations) shall be (i) conditioned upon Executive's having provided, within sixty (60) days following the termination of Executive's employment, an irrevocable waiver and general release of claims in substantially in the form attached hereto as Exhibit A, that has become effective in accordance with its terms, and (ii) subject to the Executive's not having committed a material breach of the provisions of Sections 9 through 11 of this Agreement that, if curable, has remained uncured for 15 days after the Company has given Executive written notice specifying the breach in reasonable detail and requesting cure, and (iii) if requested by the Company, Executive's resignation, as of the date of such termination of employment or such other date requested, from the Board and all committees thereof (and, if applicable, from the board of directors (and all committees thereof) of any affiliate of the Company.

(n) 280G Provision. In the event that part or all of the consideration, compensation or benefits to be paid to Executive under this Agreement together with the aggregate present value of payments, consideration, compensation and benefits under all other plans, arrangements and agreements applicable to Executive, constitute "excess parachute payments" under Section 280G(b) of the Internal Revenue Code of 1986, as amended (the "Code"), is determined to be subject to an excise tax under Section 4999 of the Code (collectively, the "Parachute Amount"), the amount of excess parachute payments which would otherwise be payable to Executive or for Executive's benefit shall be reduced to the extent necessary so that no amount of the Parachute Amount is subject to an excise tax under Section 4999 of the Code (the "Reduced Amount"); provided that such amounts shall not be so reduced if, without such reduction, Executive would be entitled to receive and retain, on a present-value net-after-tax basis (including, without limitation, after any excise taxes payable under Section 4999 of the Code), an amount of the Parachute Amount which is greater than the amount, on a present-value net-after-tax basis, that Executive would be entitled to retain upon receipt of the Reduced Amount. If the determination made pursuant to this Section 7(l) results in a reduction of the payments that would otherwise be paid to Executive except for the application of this Section 7(l), such reduction in payments shall be first applied to reduce any cash severance payments that Executive would otherwise be entitled to receive hereunder (in the reverse chronological order, and thus with last payment reduced first), and shall thereafter be applied to reduce other payments and benefits in a manner that would not result in subjecting Executive to additional taxation under Section 409A of the Code. All determinations to be made under this subsection (n) shall be made in the first instance by a nationally-recognized independent registered public accounting firm or consulting firm selected by the Company prior to a Change in Control, which shall provide its determinations and any supporting calculations both to the Company and the Executive within ten (10) days following the Change in Control.

Section 8. Notice. All notices or other communications hereunder shall be in writing and shall be deemed to have been duly given (a) when delivered personally, (b) on the second business day following the day such notice or other communication is sent, for next-day or next-business-day delivery, by a nationally-recognized overnight courier, (c) when sent by facsimile if the date of delivery is a business day, or otherwise on the next business day, or (d) on the fifth day following the date of deposit in the United States mail if sent first class, postage prepaid, by registered or certified mail; provided that in the case of delivery in accordance with Section 7(c) or 7(d), a written acknowledgment of receipt is obtained.

The address for any notice to Executive shall be:

his last known home address on file at the Company, with a copy during the Employment Term to Executive at his principal office at the Company

with a copy (which shall not constitute notice) to:

Morrison Cohen LLP
909 Third Avenue
New York, NY 10022
Phone: (212) 735-8833
Fax: (212) 735-8708
Attn: Robert M. Sedgwick, Esq.

to the Company:

ExlService Holdings, Inc.
320 Park Avenue, 29th Floor
New York, NY 10022
Fax: (212) 892-1534
Attn: General Counsel

with a copy (which shall not constitute notice) to:

McGuireWoods LLP
201 N. Tryon St.
Charlotte, NC 28202
Fax: (704) 343-2300

Attention: Rakesh Gopalan, Esq.

or such other address or fax number as such Party has designated by notice given to the other Party in accordance with this Section.

Section 9. Covenant Not To Compete.

(a) Executive acknowledges that the services he is to render to the Company are of a special and unusual character, with a unique value to the Company, the loss of which cannot adequately be compensated by damages or an action at law. In view of the unique value to the Companies of the services of Executive for which the Company has contracted hereunder, because of the confidential information to be obtained by, or disclosed to, Executive as herein above set forth, and as a material inducement to the Company to enter into this Agreement and to pay to Executive the compensation stated herein and any additional benefits stated herein, and other good and valuable consideration, Executive covenants and agrees that during the Employment Term and during the "Non-Competition Period," as defined below, Executive shall not, directly or indirectly, enter into the employment of, tender consulting or other services to, acquire any interest in (whether for Executive's own account as an individual proprietor, or as a partner, associate, stockholder, officer, director, trustee or otherwise), or otherwise participate in any business that competes, directly or indirectly, with any of the Companies (i) in the same lines of business in the business process outsourcing industry that the Companies are engaged in at the time Executive's employment is terminated, or if Executive is an employee of any of the Companies, at the time Executive is accused of being in competition with any of the Companies pursuant to this Section 9; (ii) in the provision of the business process outsourcing services provided by the Companies at the time Executive's employment is terminated, or if Executive is an employee of any of the Companies, at the time Executive is accused of being in competition with any of the Companies pursuant to this Section 9; (iii) in the provision of business process outsourcing services that any of the Companies have taken substantial steps to provide to customers at the time Executive's employment is terminated, or if Executive is an employee of any of the Companies, at the time Executive is accused of being in competition with any of the Companies pursuant to this Section 9; or (iv) in the provision of business process outsourcing services that any of the Companies are in the process of marketing to existing or potential clients that any of the Companies are taking measures to retain as clients of the Companies, at the time Executive's employment is terminated, or if Executive is an employee of any of the Companies, at the time Executive is accused of being in competition with any of the Companies pursuant to this Section 9, during the Employment Term. Executive and the Company acknowledge that clauses (ii), (iii) and (iv) in the immediately preceding sentence shall not be deemed or interpreted to narrow or otherwise limit the scope of clause (i) of such sentence. Notwithstanding the foregoing, in the event Executive voluntarily terminates employment other than with Good Reason, Executive shall be restricted from engaging in any business process outsourcing business for one year from the Termination Date. For purposes of this Section 9, the "Non-Competition Period" shall be the one year period following the Termination Date.

(b) Notwithstanding the foregoing, nothing in this Agreement shall prevent (A) the purchase or ownership by Executive of up to two percent (2%) in the aggregate of any class of securities of any entity if such securities (i) are listed on a national securities exchange or (ii) are registered under Section 12(g) of the Exchange Act; or (B) the direct or indirect ownership of securities of a private company; provided that Executive is only a passive investor in such company (having no role, duty or responsibility whatsoever in the management, operations or direction of such company) and owns no more than five percent (5%) in the aggregate of any securities of such company. If Executive's employment with the Company is terminated for any reason, and after such termination Executive wishes to take any action, including without limitation, taking a position with another company, which action could potentially be deemed a violation of this Section 9, Executive shall have the right, after providing the Board with all relevant information, to request a consent to such action from the Board which consent shall not be unreasonably withheld. The Board shall respond to Executive's request by granting or denying such consent within not more than 30 calendar days from the date the Company receives written notice of such request from Executive. If Executive disagrees with the Board's decision relating to the consent, then the disagreement shall be resolved by arbitration under the provisions of Section 12(g) below, as modified by the following two sentences. A single third-party arbitrator (the "Arbitrator") shall be appointed as promptly as practicable following the date Executive notifies the Company of his disagreement, and the third party Arbitrator shall make a determination with respect to whether Executive's action would constitute a legally valid and enforceable violation of Section 9 within not more than thirty (30) days of his appointment, and such determination shall be binding on all of the parties hereto. The cost of the Arbitrator shall be borne by the Company; provided, however, if the Company substantially prevails in the arbitration, then the cost of the Arbitrator shall be borne by Executive.

Section 10. Confidential Information.

(a) Protection of Confidential Information. Executive acknowledges that the Companies have a legitimate and continuing proprietary interest in the protection of their confidential information and that they have invested substantial sums and will continue to invest substantial sums to develop, maintain and protect such confidential information. During the Employment Term and at all times thereafter, Executive shall not, except with the written consent of the Company or in connection with carrying out Executive's duties or responsibilities hereunder, furnish or make accessible to anyone or use for Executive's own benefit any trade secrets, confidential or proprietary information of any of the Companies, including their business plans, marketing plans, strategies, systems, programs, methods, employee lists, computer programs, insurance profiles and client lists; provided, however, that such protected information shall not include either information required to be disclosed under law or pursuant to an order of a court, governmental agency, arbitration panel or other person or body with apparent jurisdiction or information known to the public or otherwise in the public domain without violation by Executive of this Section 10.

(b) Property of the Company. All memoranda, notes, lists, records and other documents or papers (and all copies thereof) relating to the Companies, whether written or stored on electronic media, made or compiled by or on behalf of Executive in the course of Executive's employment, or made available to Executive in the course of Executive's employment, relating to any of the Companies, or to any entity which may hereafter become an affiliate thereof, but excluding Executive's personal effects, rolodexes (including in electronic format) and similar items, and documents and information relating to Executive's personal entitlements and obligations, shall be the property of the Company, and shall, except as otherwise agreed by the Company, be delivered to the Company promptly upon the Termination of Executive's employment with the Company or at any other time upon request.

(c) Pursuant to the Defend Trade Secrets Act of 2016, Executive acknowledges that Executive will not have criminal or civil liability under any federal or state trade secret law for the disclosure of a trade secret that (i) is made (A) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding if such filing is made under seal. In addition, if Executive files a lawsuit for alleged retaliation by the Company for reporting a suspected violation of law, Executive may disclose the trade secret to his attorney and may use the trade secret information in the court proceeding if Executive (i) files any document containing the trade secret under seal and (ii) does not disclose the trade secret, except pursuant to court order.

Section 11. Non-Disparagement; Non-Solicit.

(a) Executive shall make no unfavorable, disparaging or negative comment, remark or statement, whether written or oral (a "Disparaging Statement"), about the Company or any of its affiliates, officers, directors, shareholders, consultants, or employees; provided that he may give truthful testimony before a court, governmental agency, arbitration panel, or similar person or body with apparent jurisdiction, or as otherwise required by law or legal process, and may discuss such matters in confidence with Executive's attorney(s) and other professional advisors. During the foregoing period, the Company and its officers and directors (acting in their capacity as officers and directors of the Company) shall make no Disparaging Statement about Executive; provided that any officer or director may give truthful testimony before a court, governmental agency, arbitration panel, or similar person or body with apparent jurisdiction, or as otherwise required by law or legal process, and may discuss such matters in confidence with their or the Company's attorney(s) and other professional advisors. Nothing in this Section 11(a) shall be deemed to restrict Executive (or any officers or directors of the Company) from performing their duties to the Company in good faith.

(b) During the Employment Term and for a period of one year following termination of Executive's employment (i) Executive may not solicit, encourage, or induce or attempt to solicit, encourage, or induce any (A) current employee, marketing agent, or consultant of any of the Companies to terminate his or her employment, agency, or consultancy with any of the Companies or any (B) prospective employee with whom the Company has had discussions or negotiations within six months prior to Executive's termination of employment not to establish a relationship with any of the Companies, (ii) induce or attempt to induce any current customer to terminate its relationship with any of the Companies or (iii) induce any potential customer with whom the Company has had discussions or negotiations within six months prior to Executive's termination of employment not to establish a relationship with any of the Companies. Nothing in this Section 11(b) shall be deemed to restrict Executive from performing his duties to the Company in good faith during the Employment Term.

Section 12. Miscellaneous.

(a) Mitigation. Executive shall have no duty to mitigate his damages by seeking other employment and, should Executive actually receive compensation from any such other employment, the payments required hereunder shall not be reduced or offset by any other compensation except as specifically provided herein.

(b) Limitation of Shareholder Liability. Executive hereby acknowledges that the shareholders of Holdings are entitled to limited liability under the laws of the State of Delaware applicable to corporations and as such Executive shall not, nor shall he have the right to, make any claim against the shareholders of Holdings relating to any contest or dispute under this Agreement.

(c) Waiver. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in a writing signed by Executive and an officer of the Company (other than Executive) duly authorized by the Board to execute such amendment, waiver or discharge, which writing specifically identifies the provision being modified, waived or discharged. No waiver by either party to this Agreement at any time of any breach of the other party of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

(d) Successors and Assigns. This Agreement shall be binding on and inure to the benefit of the Company and (to the extent provided in Section 12(h)) its successors and assigns.

(e) Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of New York, without regard to the conflict of laws principles of such State which could cause the application of the laws of any other state.

(f) Consent to Jurisdiction and Service of Process. Any claim for injunctive relief pursuant to Section 12(k) below shall be instituted exclusively in any Federal court of the Southern District of New York or any state court located in New York County, State of New York, and each party agrees not to assert, by way of motion, as a defense or otherwise, in any such claim, any claim that it is not subject personally to the jurisdiction of such court, that the claim is brought in an inconvenient forum, that the venue of the claim is improper or that this Agreement or the subject matter hereof may not be enforced in or by such court. Each party further irrevocably submits to the jurisdiction of such court in any such claim. Any and all service of process and any other notice in any such claim shall be effective against any party if given personally or by registered or certified mail, return receipt requested, or by any other means of mail that requires a signed receipt, postage prepaid, mailed to such party as herein provided. Nothing herein contained shall be deemed to affect the right of any party to serve process in any manner permitted by law or to commence legal proceedings or otherwise proceed against any other party in any other jurisdiction.

(g) Dispute Resolution. Any dispute, controversy or other claim, other than claims solely for injunctive relief pursuant to Section 12(k) below, arising out of or relating to this Agreement, Executive's employment with the Company, or the termination of such employment, shall be resolved by binding confidential arbitration, to be held in New York, New York in accordance with the Commercial Arbitration Rules of the American Arbitration Association. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. In reaching their decision, the arbitrator(s) shall have no authority (A) to authorize that any party to the arbitration take more than two depositions, (B) to change, modify or disregard any provision of this Agreement, or (C) to base any part of their decision on any common law principles that are inconsistent with the express terms of this Agreement (including, without limitation, common law principles of constructive termination). Executive agrees that he shall not bring any claim or action relating to this Agreement, his employment with the Company, or the termination of such employment against the Company's directors, officers or shareholders and shall not be entitled to any punitive, special or consequential damages in connection with any such claim, dispute or controversy. In connection with any claim or action brought by any of the Companies or any of their respective directors or, officers or shareholders against Executive, no such person shall be entitled to any punitive, special or consequential damages. Any court or arbitrator of competent jurisdiction shall be permitted to award to Executive his costs and expenses (including reasonable attorneys' fees and expenses) incurred in connection with any dispute arising out of or relating to this Agreement, provided that Executive materially prevails in such dispute.

(h) Assignment. This Agreement is a personal contract, and the rights and interests of Executive hereunder may not, during the Employment Term, be sold, transferred, assigned, pledged or hypothecated. This Agreement may not be assigned by the Company other than to a company (i) which, directly or indirectly controls, is controlled by or is under common control with the Company, or which is a successor in interest to substantially all of the business operations of the Company, and (ii) which assumes in writing or by operation of law, at the time of the assignment, the Company's obligation to perform this Agreement; and (iii) which has sufficient capitalization to enable it to meet its assumed obligation to perform this Agreement.

(i) Severability of Invalid or Unenforceable Provisions. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

(j) Counterparts. This Agreement may be executed in one or more counterparts (including via facsimile and electronic image scan (pdf)), each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

(k) Injunctive Relief; Damages. Executive acknowledges that damages for any breach of Sections 9 through 11 of this Agreement may be difficult to determine and inadequate to remedy the harm which may be caused and, therefore, consents that such Sections may be enforced by temporary or permanent injunction. Such injunctive relief shall be in addition to and not in place of any other remedies available at law or equity, including damages. Should any court or tribunal decline to enforce such sections of this Agreement on the basis that such provisions are overly restrictive of activities of Executive as to time, scope or geography, such provisions shall be deemed to be modified to restrict Executive's activities to the maximum extent of time, scope and geography which such court or tribunal shall find enforceable, and such provisions shall be so enforced.

(l) Entire Agreement. This Agreement supersedes the Current Employment Agreement as in effect prior to the Effective Date. This Agreement also supersedes any representation, promises or understanding that was made or entered into in connection with negotiating this Agreement. In the event of any inconsistency between this Agreement and the terms of any other plan, program or arrangement of the Company, this Agreement shall govern.

(m) Beneficiaries/References. Executive shall be entitled, to the extent permitted under any applicable law, to select and change a beneficiary or beneficiaries to receive any compensation or benefit hereunder following Executive's death by giving the Company written notice thereof. In the event of Executive's death or a judicial determination of Executive's incompetence, reference in this Agreement to Executive shall be deemed, where appropriate, to refer to Executive's beneficiary, estate, executor(s), or other legal representative(s).

(n) Withholding; Tax Equalization. The Company shall be entitled to withhold from any payment due to Executive hereunder any amounts required to be withheld by applicable tax laws or regulations. If relevant, the Company shall provide Executive such additional compensation, if any, as is reasonably necessary to ensure that Executive's total compensation, benefits and bonus payments have the same after-tax value as if Executive were employed in and subject to taxation only in the United States; provided, that, the Company shall reimburse Executive for the amount of the overall increase in his tax liabilities resulting solely from his work-related travel to India. These equalization payments shall include a tax restoration payment that takes into account the impact of the reimbursements. Executive agrees that if he receives a refund or other credit on his taxes, he shall repay the Company any amount in excess of the amount necessary such that the after tax amount retained by Executive is equal to the amount he would have retained had he remained employed in the United States.

(o) Registration of Shares. The Company shall, when eligible, register on Form S-8 or such other appropriate form the resale of shares of Common Stock owned by Executive pursuant to the grant or exercise of equity compensation awards held by Executive on the Effective Date or underlying equity compensation awards granted to Executive during the Employment Term. This is in addition to any registration rights Executive has under any other contract with the Company

(p) Directors' Slate. Executive's name shall be included on the Company's recommended slate of directors for each stockholders meeting during the Employment Term at which Executive is eligible for reelection to the Board; provided, however, that Executive agrees to consult in good faith with the Board regarding Executive's continued service on the Board if and to the extent the Board determines that prevailing standards of corporate governance provide that it is not appropriate for an officer of the Company to serve on the Board. Executive agrees to tender resignation from the Board upon termination of employment. In the case of Executive's termination for any reason other than by the Company for Cause, if and only if (x) Executive continues to own 4% of the Common Stock and (y) no equity securities of the Company are then listed for trading on a national securities exchange or other quotation or trading system, Executive may, subject to the approval of the Board in its sole reasonable determination, designate an individual to be included on the Company's recommended slate of directors for the next stockholders' meeting at which directors of the Company are to be elected.

(q) Legal Fees. Upon the execution of this Agreement, the Company agrees to promptly pay on behalf of Executive all legal fees and expenses incurred by Executive in connection with the negotiation, drafting, and execution of this Agreement up to a maximum of $15,000.

(r) Indemnification. The Company shall indemnify and defend Executive to the fullest extent permitted by the law of the State of Company's incorporation and the By-Laws and Certificate of Incorporation of the Company with respect to any claims that may be brought against Executive arising out of any action taken or not taken in Executive's capacity as an officer or director of the Company; provided, that, the Company shall not indemnify and defend Executive with respect to any claims brought against Executive relating to fraudulent or willful misconduct of the Executive, or to other acts as to which indemnification is not allowable under applicable law. Expenses incurred by Executive in defending any claim shall be paid, or reimbursed, by the Company in advance of the final disposition of such claim promptly upon receipt by the Company of an undertaking by or on behalf of Executive to repay such amount if it shall be ultimately determined that Executive is not entitled to be indemnified by the Company. In addition, Executive shall be covered, in respect of Executive's activities as an officer or director of the Company, by the Company's Directors and Officer liability policy or other comparable policies obtained by the Company's successors, to the fullest extent permitted by such policies. Notwithstanding the foregoing, the Company's responsibilities under this Section 12(r) shall not apply to any claims raised against Executive after the sixth anniversary of his termination of employment. It is intended that any indemnification payment or advancement of expenses made hereunder shall be exempt from Section 409A. Notwithstanding the foregoing, if any indemnification payment or advancement of expenses made hereunder shall be determined to be "deferred compensation" within the meaning of Section 409A, then (i) the amount of the indemnification payment or advancement of expenses during one taxable year shall not affect the amount of the indemnification payments or advancement of expenses during any other taxable year, (ii) the indemnification payments or advancement of expenses must be made on or before the last day of Executive's taxable year following the year in which the expense was incurred, and (iii) the right to indemnification payments or advancement of expenses hereunder is not subject to liquidation or exchange for another benefit.

(s) Section 409A.

(i)The parties intend that any amounts payable hereunder that could constitute "deferred compensation" within the meaning of Section 409A of the Code ("Section 409A") will be provided in a manner that is compliant with Section 409A (and that avoids the imposition of any "additional tax" thereunder). In light of the uncertainty as of the date hereof with respect to the proper application of Section 409A, the Company and Executive agree to negotiate in good faith to make amendments to this Agreement as the parties mutually agree are necessary or desirable to avoid the imposition of taxes or penalties under Section 409A. Notwithstanding the foregoing, Executive shall be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on or for the account of Executive in connection with this Agreement (including any taxes and penalties under Section 409A), and neither the Company nor any affiliate shall have any obligation to indemnify or otherwise hold Executive (or any beneficiary) harmless from any or all of such taxes or penalties.

(ii)Notwithstanding anything in this Agreement to the contrary, in the event that Executive is deemed to be a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) and Executive is not "disabled" within the meaning of Section 409A(a)(2)(C), no payments hereunder that are "deferred compensation" subject to Section 409A shall be made to Executive prior to the date that is six (6) months after the date of Executive's "separation from service" (as defined in Section 409A) or, if earlier, Executive's date of death. Following any applicable six (6) month delay, all such delayed payments will be paid in a single lump sum on the earliest permissible payment date. For purposes of Section 409A, each of the payments that may be made under Section 4(c)(i) are designated as separate payments for purposes of Treasury Regulations Section 1.409A-1(b)(4)(i)(F), 1.409A-1(b)(9)(iii) and 1.409A-1(b)(9)(v)(B).

(iii)Unless the parties to this Agreement otherwise agree in a signed writing, Executive's employment with the Company shall end on the Termination Date, and Executive shall have no duties after the Termination Date that are inconsistent with his having had a "separation of service" on or before the Termination Date.

[Remainder of Page Left Blank Intentionally; Signature Page Follows]

IN WITNESS WHEREOF, the parties to this Agreement have executed this Second Amended and Restated Employment and Non-Competition Agreement as of the date first above written.

EXLSERVICE HOLDINGS, INC.

By: /s/ Garen K. Staglin
Name: Garen K. Staglin
Title: Chairman of the Board

ROHIT KAPOOR

By: /s/ Rohit Kapoor
Name: Rohit Kapoor

Schedule 3(b)

Outside Activities

1. **Pratham**

   Pratham is a not for profit organization dedicated to improving education for the underprivileged children in India. Executive is on the board of the NY chapter of Pratham. This requires Executive to attend 3-4 board meetings during the year (most of which are during off business hours).

2. **ASSOCHAM**

   Executive is the Chairman of ASSOCHAM's US Chapter. Executive's time commitments are as and when needed.

3. **America India Foundation**

   Executive is on the Board of Directors of AIF a not for profit that seeks to catalyze social and economic change in India and build a connection between the United States and India. This requires Executive to attend 3-4 board meetings during the year.

4. **Personal Investments**

   Executive has made a few personal investments:
   – a) ESTEE Advisors - a fund management company. Executive is on their Board of Advisors and spends minimal time on this activity;
   -- b) One Paper Lane –a technology start-up company that seeks to eliminate paper and streamline processes. Executive is on the board of this privately held company. Time commitment is minimal.
   -- c) other investments – no real time commitment other than to manage Executive's personal investments.

Schedule 6

Benefits for Rohit Kapoor

1. The Executive may make use of and be reimbursed for First Class travel on company business. Additionally, once each calendar year during the Employment Term during which Executive spends at least 50% of the calendar year in India, the Company will provide, at its expense, round-trip, business-class air travel between the United States and India for Executive and his immediate family.

2. The Company shall at its expense maintain a term life insurance policy on the life of the Executive in the face amount of Five Hundred Thousand Dollars (US$500,000) payable to such beneficiaries as Executive may designate; provided that, the Executive does not have any special health risks or conditions that would cause the rate of such life insurance plan to be substantially higher than the average rate for an individual of the same age as the Executive.

3. The Company shall (i) maintain one automobile for use by the Executive and shall pay the costs of an automobile for the Executive in the United States, with lease or loan payments not to exceed $1,400 per month; (ii) pay directly or shall reimburse the Executive for the cost of insurance and fuel for such automobile; and (iii) provide the Executive with an automobile (Mercedes Benz) in India with a driver and shall pay for all costs, including insurance, repairs and fuel (such fuel payments shall cover the cost of fuel for two automobiles as the Executive uses his own car from time to time for Company business purposes) at a cost not to exceed $12,000 per annum.

4. Being that the Company has determined that Executive should have personal security while in India, Executive and his family shall be provided with personal security while in India and paid for by the Company consistent with practices and procedures.

5. The Company shall pay the initial and yearly membership fees for The Belvedere Club at The Oberoi Hotel. The fee shall be paid directly to the club. The Company shall provide certain items of furniture, telecom lines and computer hardware necessary to maintain a home office for Executive.

For the avoidance of doubt, the benefits provided pursuant to paragraphs 3, 4 and 5 of this Schedule 6 shall be provided without regard to whether Executive spends at least 50% of the calendar year in India.

6. Once each year during the Term during which the Executive resides in US, the Company will provide, at its expense, round-trip, business-class air travel between the US and India for the Executive and his immediate family. In any given calendar year, Executive shall either receive the air travel benefit provided in paragraph 1 of this Schedule 6 or the air travel benefit provided in this paragraph 6, but not both.

7. During Executive's travel to India in connection with Company business while Executive's domicile is in the United States, Executive shall be provided a $150.00 per diem billeting allowance for each night Executive does not stay in a hotel.

8. The Company shall pay for the annual dues for a luncheon club in India for Executive's benefit amounting to US$1,000 per annum and the sum may be increased marginally year to year. The club membership is in Executive's name (and paid for personally) and will remain as such as the initial fee is avoided.

9. This paragraph 9 shall apply only in the event that Executive and his immediate family have relocated their residence to India. In such event, then during the period of Executive's and his immediate family domicile outside the United States in connection with Company business, the Company shall pay Executive an education allowance equal to the private school tuition of Executive's children through secondary school; provided, however, that such education allowance shall not cover any costs associated with attendance at any post-secondary institution of higher learning.

EXHIBIT A

RELEASE OF CLAIMS

As used in this Release of Claims (this "Release"), the term "claims" will include all claims, covenants, warranties, promises, undertakings, actions, suits, causes of action, proceedings, obligations, debts, accounts, attorneys' fees, judgments, losses, and liabilities, of whatsoever kind or nature, in law, in equity, or otherwise, except as otherwise provided below. Capitalized terms used but not defined in this Release will have the meanings given to them in the Amended and Restated Employment Agreement dated as of September 19, 2017, between ExlService Holdings, Inc. (the "Company) and Rohit Kapoor (my "Employment Agreement").

For and in consideration of the payments and benefits (other than Accrued Obligations) provided to me pursuant to Section 7 of my Employment Agreement ("Severance Benefits"), and other good and valuable consideration, I, for and on behalf of myself and my executors, heirs, administrators, representatives, and assigns, hereby agree to release and forever discharge the Company and each of its direct and indirect parent and subsidiary entities, and all of their respective predecessors, successors, and past, current, and future parent entities, affiliates, subsidiary entities, investors, directors, shareholders, members, officers, general or limited partners, employees, attorneys, agents, and representatives, and the employee benefit plans in which I am or have been a participant by virtue of my employment with or service to the Company (collectively, the "Company Releasees"), from any and all claims that I have or may have had against the Company Releasees based on any events or circumstances arising or occurring on or prior to the date hereof, including without limitation those arising directly or indirectly out of, relating to, or in any other way involving in any manner whatsoever my employment by or service to the Company or the termination thereof, including without limitation any and all claims arising under federal, state, or local laws relating to employment, including without limitation claims of wrongful discharge, breach of express or implied contract, fraud, misrepresentation, defamation, intentional infliction of emotional distress, whistleblowing, or liability in tort, and claims of any kind that may be brought in any court or administrative agency, and any related claims for attorneys' fees and costs, including, without limitation, claims under Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. Section 2000, et seq.; the Americans with Disabilities Act, as amended, 42 U.S.C. § 12101 et seq.; the Rehabilitation Act of 1973, as amended, 29 U.S.C. § 701 et seq.; the Civil Rights Act of 1866, and the Civil Rights Act of 1991; 42 U.S.C. Section 1981, et seq.; the Age Discrimination in Employment Act, as amended, 29 U.S.C. Section 621, et seq. (the "ADEA"); the Equal Pay Act, as amended, 29 U.S.C. Section 206(d); regulations of the Office of Federal Contract Compliance, 41 C.F.R. Section 60, et seq.; the Family and Medical Leave Act, as amended, 29 U.S.C. § 2601 et seq.; the Fair Labor Standards Act of 1938, as amended, 29 U.S.C. § 201 et seq.; the Employee Retirement Income Security Act, as amended, 29 U.S.C. § 1001 et seq.; and any similar state or local law. I agree further that this Release may be pleaded as a full defense to any claim that is covered by this Release (collectively, "Covered Claims") and that is raised in any action, suit, arbitration, or other proceeding that is or may be initiated, prosecuted, or maintained by me or my descendants, dependents, heirs, executors, administrators, or assigns. By signing this Release, I acknowledge that I intend to waive and release all rights known or unknown that are based on any Covered Claim that I may have against the Company Releasees under these and any other laws.

I acknowledge and agree that as of the date I execute this Release, I have either (x) not filed any Covered Claim against any of the Company Releasees before any local, state, federal, or foreign agency, court, arbitrator, mediator, arbitration or mediation panel, or other body (each individually a "Proceeding") or (y) if I have filed any such Covered Claim I will promptly withdraw it. I (i) acknowledge that I will not, on or after the date I execute this Release, initiate or cause to be initiated on my behalf any Proceeding that is based on any Covered Claim, and will not (except as required by law) participate in any Proceeding to the extent that it is based on any Covered Claim; and (ii) waive any right that I may have to benefit in any manner from any relief (whether monetary or otherwise) arising out of any Proceeding and attributable to any Covered Claim, including any Proceeding conducted by the Equal Employment Opportunity Commission ("EEOC"). I understand that, by executing this Release, I will be limiting the availability of certain remedies that I may have against the Company and limiting also my ability to pursue certain claims against the Company Releasees.

By executing this Release, I specifically release all Covered Claims relating to my employment and its termination under ADEA, a federal statute that, among other things, prohibits discrimination on the basis of age in employment and employee benefit plans.

Notwithstanding the generality of the foregoing, I do not release (i) claims that arise under, or are preserved by, Section 7 of my Employment Agreement; (ii) claims based on events occurring on or after the date that I execute this Release; (iii) claims against any Company Releasee other than the Company and its affiliates that do not arise out of, or relate to, my employment with the Company or the termination thereof, (iv) claims I have solely in my capacity as a direct or indirect equity holder in any entity, (v) claims for indemnification with respect to services performed prior to the termination of my employment, whether pursuant to a contract, document, instrument, or law, or (vi) claims that cannot be waived by law. Nothing in this Release shall prevent me from (i) initiating or causing to be initiated on my behalf any claim against the Company before any local, state, or federal agency, court, or other body challenging the validity of the waiver of my claims under the ADEA (but no other portion of such waiver); or (ii) initiating or participating in an investigation or proceeding conducted by the EEOC.

I acknowledge that I have been given at least **[21]/[45**][1] days in which to consider this Release. I acknowledge further that the Company has advised me to consult with an attorney of my choice before signing this Release, and I have had sufficient time to consider the terms of this

[1] Note to Draft: To be selected based on whether applicable termination was "in connection with an exit incentive or other employment termination program" (as such phrase is defined in the Age Discrimination in Employment Act of 1967).

Release. I represent and acknowledge that if I execute this Release before **[21]/[45**] days have elapsed, I do so knowingly, voluntarily, and upon the advice and with the approval of my legal counsel (if any), and that I voluntarily waive any remaining consideration period.

I understand that after executing this Release, I have the right to revoke it within seven days after its execution. I understand that this Release will not become effective and enforceable unless the seven-day revocation period passes and I do not revoke the Release in writing. I understand that this Release may not be revoked after the seven-day revocation period has passed. I understand also that any revocation of this Release must be made in writing and delivered to the Company at its principal place of business within the seven-day period.

This Release will become effective, irrevocable, and binding on the eighth day after its execution, so long as I have not timely revoked it as set forth above. I understand and acknowledge that I will not be entitled to the Severance Benefits unless this Release is effective on or before the date that is 60 days following my Termination Date.

I hereby agree to waive any and all claims to re-employment with the Company or any of its affiliates and affirmatively agree not to seek further employment with the Company or any of its affiliates.

The provisions of this Release will be binding upon my heirs, executors, administrators, legal representatives, and assigns. If any provision of this Release will be held by any court of competent jurisdiction to be illegal, void, or unenforceable, such provision will be of no force or effect. The illegality or unenforceability of such provision, however, will have no effect upon and will not impair the enforceability of any other provision of this Release.

This Release will be governed in accordance with the laws of the State of New York, without reference to the principles of conflicts of law. Any dispute or claim arising out of or relating to this Release or claim of breach hereof will be resolved in accordance with the provisions of Section 12(g) of my Employment Agreement. By execution of this Release, I am waiving any right to trial by jury in connection with any suit, action, or proceeding under or in connection with this Release.

____
Rohit Kapoor

____
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: October 29, 2020

/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: October 29, 2020

/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 September 30, 2020 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

October 29, 2020

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 September 30, 2020 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

October 29, 2020