ExlService Holdings, Inc.
Form S-1/A
October 04, 2006
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As filed with the Securities and Exchange Commission on October 4, 2006

Registration No. 333-121001

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT No. 5

TO

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

ExlService Holdings, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	**541990**	**82-0572194**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(IRS Employer Identification No.)**

350 Park Avenue

New York, New York 10022

(212) 277-7100

(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

Vikram Talwar

Chief Executive Officer

ExlService Holdings, Inc.

350 Park Avenue

New York, New York 10022

(212) 277-7100

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

John C. Kennedy, Esq.	**Amit Shashank, Esq.**	**Janet L. Fisher, Esq.**
Paul, Weiss, Rifkind, Wharton & Garrison LLP	**General Counsel and Vice President**	**Cleary Gottlieb Steen & Hamilton LLP**
1285 Avenue of the Americas	**ExlService Holdings, Inc.**	**One Liberty Plaza**
New York, New York 10019-6064	**350 Park Avenue**	**New York, New York 10006**
(212) 373-3000	**New York, New York 10022**	**(212) 225-2000**
	(212) 277-7100	

Approximate date of commencement of proposed sale to public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ¨

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: ¨

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: ¨

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: ¨

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	**Amount to be registered (1)**	**Proposed maximum offering price per unit**	**Proposed maximum aggregate offering price (2)**	**Amount of registration fee**
Common Stock, par value $0.001	5,750,000 shares	$12.00	$69,000,000	$7,383(3)

(1) Including 750,000 additional shares of common stock which may be purchased by the underwriters at their option.
(2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) of the Securities Act of 1933.
(3) A registration fee of $9,503 was previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated October 4, 2006.

5,000,000 Shares

ExlService Holdings, Inc.

Common Stock

This is an initial public offering of 5,000,000 shares of common stock of ExlService Holdings, Inc., all of which are being offered by us.

Prior to this offering, there has been no public market for the common stock. We currently estimate that the initial public offering price per share will be between $10.00 and $12.00 per share. We have applied to list our common stock on the Nasdaq Global Market under the symbol EXLS.

Investing in our common stock involves risks. See Risk Factors beginning on page 12 to read about factors you should consider before buying shares of our common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total

Initial public offering price	$	$
Underwriting discount and commission	$	$
Proceeds, before expenses	$	$

To the extent that the underwriters sell more than 5,000,000 shares of our common stock, they have the option to purchase up to an additional 750,000 shares from us at the public offering price less the underwriting discount. Up to 5% of the shares offered hereby have been reserved for sale at the initial public offering price to specified persons under our directed share program.

The underwriters expect to deliver the shares to purchasers against payment in New York, New York on , 2006.

Citigroup **Goldman, Sachs & Co.**

Merrill Lynch & Co. **Thomas Weisel Partners LLC**

Prospectus dated , 2006.

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You should rely only on the information contained in this prospectus. Neither we nor the underwriters have authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither we nor the underwriters are making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus or such other date stated in this prospectus.

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Until , 2006 (25 days after the date of this prospectus), all dealers that buy, sell or trade our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

INDUSTRY AND MARKET DATA

Industry and market data used throughout this prospectus were obtained through company research, surveys and studies conducted by third parties, and industry and general publications. The information contained in the joint report, or the NASSCOM-McKinsey report, published by the National Association of Software and Service Companies, or NASSCOM, and McKinsey & Company, or McKinsey, in December 2005, is based on studies and analysis of surveys of business process outsourcing service providers and customers conducted by McKinsey.

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PROSPECTUS SUMMARY

This summary highlights all material information about us and this offering, but does not contain all of the information you should consider before investing in our common stock. You should read this entire prospectus carefully, including Risk Factors and the consolidated financial statements and related notes included herewith. This prospectus includes forward-looking statements that involve risks and uncertainties. See Forward-Looking Statements. Except where otherwise indicated, all information presented in this prospectus on a pro forma basis gives effect to the acquisition of Inductis, Inc., or Inductis, as described under Unaudited Pro Forma Consolidated Financial Information and The Inductis Acquisition.

The Company

Our Business

We are a recognized provider of offshore business process outsourcing services, primarily serving the needs of Global 1000 companies in the banking, financial services and insurance sector. We provide a broad range of outsourcing services, including business process outsourcing services, research and analytics services and advisory services. The business process outsourcing services we provide involve the transfer to us of select business operations of a client, such as claims processing, finance and accounting and customer service, after which we administer and manage the operations for our client. Our research and analytics services are intended to facilitate more effective data-based strategic and operating decisions by our clients using statistical and quantitative analytical techniques. Our advisory services include risk assessment, documentation and internal controls testing, business process re-engineering and process quality monitoring. Our revenues have grown from $27.8 million in 2003 to $60.5 million in 2004 and $74.0 million in 2005 for a compound annual growth rate of 63.2% during that period. Our revenue growth over the three-year period is driven by a combination of new clients, ongoing growth in existing client relationships as well as the inclusion of full-year revenues from clients added in the preceding year. On a pro forma basis, our revenues were $60.4 million for the six months ended June 30, 2006.

We combine in-depth knowledge of the banking, financial services and insurance, or BFSI, sector with proven expertise in transferring business operations to our centers in India and administering and managing them for our U.S. and U.K.-based clients. We have successfully transferred more than 225 processes covering a broad array of products and services from 22 clients to our operations centers. With our recent acquisition of Inductis, a provider of research and analytics services, we have expanded the types and sophistication of research and analytics services we offer. We believe that this acquisition will cause an increasing proportion of our revenues to be derived from these services. We have begun to expand our service offerings to other sectors with similar needs, such as utilities, healthcare and media, by leveraging our experience in the BFSI sector and operational expertise. Our services include:

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Our largest clients in 2005, on a pro forma basis, were Norwich Union (an Aviva company), American Express Financial Corporation, or American Express, and Dell (including Dell Financial Services). Other clients include Centrica plc, Prudential Financial, Indymac Bank, one of the three largest U.S. banks, two of the five largest U.S. insurers and one of the largest global providers of business information. Our operations centers are located in India, which enables us to leverage India s large pool of highly qualified and educated English-speaking technical professionals, who are able to handle complex processes and services that require functional skills and industry expertise. We also believe we can offer consistently high quality services at substantially lower costs than those available from in-house facilities or U.S. or U.K.-based outsourcing providers. Our total number of employees, substantially all of whom are based in India, has grown from approximately 1,800 at December 31, 2002 to approximately 7,300 at July 1, 2006.

Our Industry

Business process outsourcing, or BPO, providers work with clients to develop and deliver operational improvements with the goal of achieving higher performance at lower costs. Outsourcing of business processes is a long-term strategic commitment for companies that, once implemented, is generally not subject to cyclical spending or information technology budget reductions. Organizations in the BFSI sector, in particular, outsource their key business processes to third parties to reduce costs, improve process quality, handle increased transaction volumes and ensure redundancy. Increased global demand, cost improvements in international communications and the automation of many business services have created a significant opportunity for offshore business process service providers, and many companies are moving select office processes to providers with the capacity to perform these functions from overseas locations.

Market Opportunity

The NASSCOM-McKinsey report estimates that the offshore BPO industry will grow at a 37.0% compound annual growth rate, from $11.4 billion in fiscal 2005 to $55.0 billion in fiscal 2010. The report identifies the banking and insurance industries as representing 50% of the potential offshore BPO market and estimates that providers have captured less than 10% of the total opportunity, even in industries that began outsourcing processes early on such as insurance (life, health, and property and casualty) and retail banking (including deposits and lending, credit cards, mortgages, and loans). The report estimates that India-based companies accounted for 46% of offshore BPO revenue in fiscal 2005 and that India will retain its dominant position as the most favored offshore BPO destination for the foreseeable future. It forecasts that the Indian offshore BPO market will grow from $5.2 billion in revenue in fiscal 2005 to $25.0 billion in fiscal 2010, representing a compound annual growth rate of 36.9%. The report and the data within the report are based on studies and analysis of surveys of BPO service providers and customers conducted by McKinsey & Company.

EXL s Competitive Strengths and Business Strategy

Competitive Strengths

We believe we have a number of competitive strengths, including:

Deep and Comprehensive BPO Processing Experience Within the BFSI Sector. With 85.8% of our pro forma BPO revenues in 2005 derived from the BFSI sector, we have gained a deep understanding of that sector, especially in functions such as loan underwriting support, claims processing, premium research and reconciliation, collections and accounts receivable management. Our expertise stems from our early association with Conseco Inc., or Conseco, and has allowed us to provide a full range of services to our clients. While the outsourcing industry is highly fragmented, we believe that we are recognized within the industry and among prospective clients as being among a small number of BPO companies that can offer depth of expertise in the BFSI sector.

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Long-term Client Relationships that Result in a High Level of Recurring and Predictable Revenues in Our BPO Business. A substantial majority of our BPO services are provided under long-term contracts with initial terms ranging from three to seven years. This contract structure provides us with relatively predictable and recurring revenues for a substantial portion of our business and reduces our sales and marketing costs relative to project-based service providers.

In 2005, 38.3% of our pro forma revenues were generated by our largest BPO client under two framework agreements and work orders generated by these agreements. The first framework agreement expires in January 2007 and can be terminated by our client for cause only during its initial term, but work orders under that agreement cannot be terminated without cause before July 1, 2007. The second framework agreement expires in July 2009 and can be terminated by our client without cause upon six months prior notice and payment to us of a break-up fee during its initial term. In 2005, 11.9% of our pro forma revenues were generated by our second-largest BPO client under two main agreements. The first agreement expires on November 1, 2006, is automatically renewable for additional one-year terms and can be terminated by our client at any time and without cause with 30 days prior notice. The second agreement expires on May 15, 2009, is automatically renewable for additional one-year terms and can be terminated by our client at any time and without cause with 120 days prior notice. Contracts with other BPO clients representing approximately 3.6% of our pro forma revenues in 2005 will expire within 12 months, while the remainder of our BPO contracts expire in more than one year, or do not have specified initial terms and remain in effect until terminated or until there are no work orders or engagement schedules. Our other BPO clients can terminate their contracts without cause during the initial term.

Strong Focus on Process Migration, Operations Management and Process Excellence. Our ability to deliver continuous process improvements and our reputation for superior service have proven to be strong competitive advantages when developing new client relationships. Our process migration expertise, which combines industry knowledge, process and project management techniques and a consultative approach by which our services are tailored to meet the client s specific needs, has enabled us to successfully transfer more than 225 processes from 22 clients. We use well-known techniques to continually improve the services we offer, including the Six Sigma methodology for reducing defects in business operations and Kaizen initiatives, which stress continuous incremental improvements in each stage of a business process. We have also developed proprietary tools to identify and continue to deliver process improvements for our clients. We have been awarded an ISO 9001:2000 certification for quality assurance, a BS7799 certification for information security and an OHSAS certification for employee health and safety.

Robust Human Resources and Technology Infrastructure. Our investment in employee recruitment, training and retention provides us with the ability to rapidly increase the scale of our operations to respond to the needs of our clients. We currently have the ability to recruit and train an average of 390 employees per month and believe that the strength of our human resource function will enable us to continue to attract highly qualified and motivated employees, notwithstanding competitive pressures. We have also developed an extensive technological infrastructure with a focus on redundancies, scalability and, most importantly, information security.

Experienced Management Team With a Significant Equity Stake. We pride ourselves on the strength and depth of our management and their continued commitment to our ongoing success. With the Inductis acquisition, we have significantly expanded the depth of our management pool, including senior managers with long-term client relationships in key areas of our business. Our top 32 senior managers at or above the level of vice president have an average of approximately ten years of experience in the BFSI sector and extensive working experience with the business practices of multinational corporations. In addition, 32 members of our senior management team beneficially own 26.8% of our outstanding common stock and will continue to beneficially own 21.9% of our outstanding common stock following the consummation of this offering. The incentives that we provided in the Inductis acquisition, including through earnout and similar contingent payments, are intended to accomplish the same alignment of interests and motivate Inductis management to develop the significant market opportunity in the area of research and analytics.

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Competitive Weaknesses

As further described in Risk Factors beginning on page 12 of this prospectus, our operations face a number of risks. For example, our revenues depend substantially on three clients and a few industries. In addition, wage increases in India may prevent us from sustaining our competitive advantage and may reduce our profit margin. Furthermore, if we fail to effectively manage our rapid infrastructure and personnel growth, there could be a material adverse effect on our business, results of operations, financial condition and cash flows. Finally, the market for outsourcing services is highly competitive, and we expect competition to intensify from a number of sources.

Business Strategy

Our goal is to become the leading provider of BPO, research and analytics and advisory services in the BFSI sector and other sectors that we believe have significant potential, such as utilities, healthcare and media. Specific elements of our growth strategy include:

Maintaining Our Focus on Large-scale, Long-term Relationships. We believe there are significant opportunities for additional growth with our existing clients, and we seek to expand these relationships by increasing the depth and breadth of the services we provide.

Offering a Broad Range of Outsourcing Services. We seek to differentiate ourselves by emphasizing the broad range of outsourcing services that we provide. Many of our services are complementary, enabling us to combine them and provide a more sophisticated overall level of service for our clients. We will continue to identify opportunities for cross-selling our service offerings and enhancing client satisfaction.

Expanding Our Client Base. We intend to develop long-term relationships that present recurring revenue opportunities with new clients by leveraging our industry experience and expanding our marketing activities. In developing such relationships, we continue to be highly selective and seek industry-leading clients who are committed to long-term and strategic relationships with us.

Extending Our Industry Expertise. We intend to continue to strengthen our processing capabilities for the BFSI sector and other high-potential sectors by focusing on the more complex and value-enhancing services that are common to these sectors. We have begun to implement this strategy, expanding into the utilities, healthcare and media sectors during 2006.

Continuing to Focus on Complex Processes. We intend to continue to leverage our industry expertise to provide increasingly more complex services for our clients. As a result of our established and developing industry expertise and knowledge of our clients businesses and processes, our employees are able to handle processes that are non-routine and that cannot be readily automated or transferred to other parties.

Continuing to Invest in Operational Infrastructure. We will continue to invest in infrastructure, including human resources, process optimization and delivery platforms, to meet our growing client requirements. We will also continue to invest in developing and refining methodologies and analytical models and tools.

Pursuing Strategic Relationships and Acquisitions. We will continue to selectively consider strategic relationships with industry leaders or acquisitions or investments, such as the Inductis acquisition, that would expand the scope of our existing services, add new clients or allow us to enter new geographic markets.

Information about the Company

Our pre-predecessor, ExlService.com, Inc., or EXL Inc., a Delaware corporation, was formed on April 9, 1999 and began commercial operations in October 2000. On August 1, 2001, EXL Inc. was acquired by Conseco in the 2001 Acquisition, and operated as Conseco s wholly owned subsidiary until November 14, 2002.

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We were formed by a group including Vikram Talwar, Rohit Kapoor, Oak Hill Capital Partners L.P., FTVentures and certain other senior members of our management team, and on November 14, 2002 we purchased EXL Inc. from Conseco in the 2002 Acquisition, and EXL Inc. became our wholly owned subsidiary.

We completed the acquisition of Inductis, a provider of research and analytics services, which we refer to as the Inductis Acquisition, on July 1, 2006. The Inductis Acquisition has expanded the types and sophistication of the research and analytics services we offer. Inductis had approximately 250 employees and had revenues of $13.6 million in the first six months of 2006 and $20.9 million in fiscal year 2005. We estimate that the total consideration for the Inductis Acquisition, including the assumption of liabilities, earnout and contingent payments and transaction costs, but excluding a working capital adjustment of approximately $0.5 million, is approximately $30.9 million. We paid approximately $13.0 million at the closing of the Inductis Acquisition in the form of $2.4 million in cash, the issuance of 535,918 shares of our Series A common stock (1,071,836 shares of our common stock after giving effect to the Share Conversion), subject to reduction for any cashless withholding in respect of taxes, $0.9 million in transaction costs and a $0.4 million bonus payable in January 2007. We assumed $4.3 million of Inductis debt, which we repaid in full on September 26, 2006. We are obligated to make additional working capital adjustment, earnout and contingent payments to former holders of Inductis securities based on certain agreed-upon financial performance goals. The maximum number of shares to be issued in the earnout payment is 389,906 shares of Series A common stock (779,812 shares of our common stock after giving effect to the Share Conversion). The value of the contingent payment, payable in a mix of cash and additional shares of our common stock, the mix of which cannot be determined until the size of the contingent payment, if any, is determined, is expected to range from $0.6 million to $6.5 million. The actual value of the shares of our common stock to be issued in the earnout and contingent payments will vary based upon trading prices for our common stock at the time of issuance. See The Inductis Acquisition for a more detailed description of the terms of the Inductis Acquisition.

Our subsidiaries are EXL Inc., ExlService.com (India) Private Limited, an Indian corporation, or EXL India, Noida Customer Operations Private Limited, an Indian corporation, or NCOP, ExlService (U.K.) Limited, an entity formed in the United Kingdom, or EXL U.K., Exl Support Service Private Limited, an Indian corporation, or ESS, and Inductis, a Delaware corporation, and its wholly owned subsidiaries, Inductis LLC, a Delaware limited liability company, Inductis India Private Limited, an Indian corporation, or Inductis India, and Inductis (Singapore) PTE Ltd., a Singapore corporation.

The selected and other financial information included in this prospectus include those of both our company and our predecessor, EXL Inc. Periods prior to August 1, 2001 represent the accounts of EXL Inc. prior to the 2001 Acquisition, or the pre-predecessor; periods on or after August 1, 2001 and prior to November 15, 2002 represent the accounts of EXL Inc. after the 2001 Acquisition, or the predecessor; and periods on or after November 15, 2002 represent our accounts after the 2002 Acquisition, or the successor. Our fiscal year ends on December 31.

The unaudited pro forma financial and statistical information included in this prospectus reflect the Inductis Acquisition and are based on the historical financial statements of ExlService Holdings, Inc., or ExlService Holdings, and Inductis, subject to certain assumptions and adjustments.

ExlService Holdings was incorporated in Delaware on October 29, 2002. Our principal executive offices are located at 350 Park Avenue, New York, New York 10022, and our telephone number at that address is (212) 277-7100. Our website address is http://www.exlservice.com. The information on our website is not part of, nor is it incorporated into, this prospectus.

Unless the context indicates or requires otherwise, the terms EXL, we, our, us and the company refer collectively to ExlService Holdings an wholly owned subsidiaries and all predecessor entities. ProMPT, SOFT, MOST, ECS and MICROANALYTIX are unregistered trademarks of EXL or our subsidiaries.

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In this prospectus, certain financial data has been rounded to ensure arithmetical accuracy. Certain U.S. dollar figures in this prospectus have been converted from Indian rupees at a rate of 45.56 rupees to $1.00, the exchange rate in effect on June 30, 2006, unless otherwise specified.

Share Conversion

Prior to this offering, we had two classes of common stock, our Series A common stock and Series B common stock. In accordance with the terms of our certificate of incorporation and our existing stock option plan arrangements, immediately prior to the consummation of this offering, each share of our Series B common stock will be converted automatically and without any action on the part of the holders or our part into one share of our Series A common stock, and each option to purchase shares of our Series B common stock will be adjusted to convert without any action on the part of the holders into an option to purchase the same number of shares of our Series A common stock. In addition, prior to the consummation of this offering, we will increase our total authorized number of shares of capital stock, make certain changes to our charter documents and effect a two to one stock split, which we refer to as the Stock Split. As a result, after this offering, we will only have one class of common stock outstanding, which will be referred to as common stock. Investors will be acquiring common stock in this offering. We refer to the conversion of all our shares of Series B common stock into Series A common stock, the Stock Split and the other transactions described above collectively in this prospectus as the Share Conversion.

After the Share Conversion and the consummation of this offering, we will have 27,507,638 shares of common stock outstanding (or 28,257,638 shares if the underwriters exercise their option in full), 1,921,476 shares of common stock issuable upon the exercise of options to purchase common stock and 317,004 unvested shares of restricted stock. 5,000,000 shares of common stock offered hereby (or 5,750,000 shares if the underwriters exercise their option in full) will be freely tradable. Following this offering, we intend to file a registration statement under the Securities Act registering 4,231,130 shares of our common stock reserved for issuance under our equity incentive plans and 807,258 shares held for resale by our existing stockholders that were previously issued under our equity incentive plans. In addition, we intend to enter into a registration rights agreement with certain of our stockholders pursuant to which these holders will have the right, subject to certain conditions and the expiration of the lock-up applicable to those stockholders in connection with this offering, to require us to file registration statements covering 18,493,816 shares of our common stock (including restricted stock and shares issuable upon the exercise of currently outstanding options) or to include those shares and 2,124,940 additional shares of common stock in registration statements that we may file on our behalf or on behalf of other stockholders.

Share Ownership

Assuming that the underwriters do not exercise their option to purchase additional shares, immediately following the Share Conversion and the consummation of this offering, Oak Hill Capital Partners L.P. and certain of its affiliates will beneficially own 10,542,504 shares (or 38.3%) of our outstanding common stock; FTVentures and certain of its affiliates will beneficially own 3,514,168 shares (or 12.8%) of our outstanding common stock; our Vice Chairman and Chief Executive Officer, Vikram Talwar, will beneficially own 2,106,072 shares (or 7.7%) of our outstanding common stock; our President and Chief Financial Officer, Rohit Kapoor, will beneficially own 2,106,072 shares (or 7.7%) of our outstanding common stock; and certain other members of our management will beneficially own, collectively, 1,407,628 shares (or 5.1%) of our outstanding common stock.

Risk Factors

Investing in our shares involves risks, which include, among other things:

We have a limited number of clients and provide services to few industries. In 2005, 62.8% of our pro forma revenues came from three clients and our contracts with two of those clients, representing 24.5% of such pro forma revenues, are terminable without cause with 30 days or less prior notice to us;

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We may fail to attract and retain enough sufficiently trained employees to support our operations, as competition for highly skilled personnel is intense and we experience significant employee turnover rates;

Our operating results may experience significant variability and as a result it may be difficult for us to make accurate financial forecasts;

Our senior management team is critical to our continued success and the loss of one or more members of our senior management team could harm our business;

Wage increases in India may prevent us from sustaining our competitive advantage and may reduce our profit margin;

Our client contracts contain certain termination and other provisions, including provisions generally permitting our clients to terminate their agreements with us without cause and with limited prior notice generally ranging from 30 days to six months. As a result, our expected revenue stream could experience significant fluctuations;

Our agreements with our largest client, Norwich Union, which represented 38.3% of our pro forma revenues in fiscal year 2005, give it the option to assume the operations of one of our facilities. Norwich Union has recently publicly announced its intention to start exercising its option to assume the operations of the facilities of certain of its third party vendor-contractors, including one of our facilities in Pune; and

Oak Hill Capital Partners L.P. and FTVentures, which, together with certain of their respective affiliates, beneficially own 49.6% and 16.5%, respectively, of our outstanding voting stock have the ability to control substantially all matters brought before our board of directors and their interests in our business may be different than yours. They will continue to beneficially own 38.3% and 12.8%, respectively, of our outstanding common stock following the consummation of this offering.

See Risk Factors for a description of these and other risks of investing in our common stock.

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The Offering

Common stock outstanding before this offering	22,507,638 shares.
Common stock offered by us	5,000,000 shares.
Common stock to be outstanding immediately after this offering	27,507,638 shares.
Use of proceeds	We expect to use the net proceeds from this offering: to repurchase or redeem all outstanding shares of our Series A preferred stock held by certain of our directors, officers and significant stockholders; to repay all outstanding senior promissory notes payable to certain of our directors, officers and significant stockholders; and for working capital and general corporate purposes.
Proposed Nasdaq Global Market symbol	EXLS.
Directed Share Program	At our request, the underwriters have reserved up to 5% of the shares of common stock offered in this offering for sale at the initial public offering price to certain persons who are our directors, officers and employees, and certain friends and family members of these persons, and certain clients and prospective clients, through a directed share program.

Unless we specifically state otherwise, the information in this prospectus:

- assumes an initial public offering price of $11.00 per share, the mid-point of the offering range set forth on the cover of this prospectus;
- gives effect to the Share Conversion;
- excludes, in the number of shares of common stock to be outstanding after this offering, options to purchase 1,921,476 shares of common stock that are currently outstanding under our equity incentive plans or otherwise or that are to be granted upon consummation of this offering under our equity incentive plans, 317,004 unvested shares of restricted stock that are currently outstanding under our equity incentive plans and any additional shares of common stock that may be issued as an earnout or contingent payment in connection with the Inductis Acquisition; and

assumes no exercise of the underwriters option to purchase up to 750,000 additional shares. If the underwriters exercise this option in full, we will offer 750,000 additional shares of common stock and any such shares that are sold will thereafter be outstanding. See Underwriting.

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Summary Historical and Pro Forma Consolidated Financial and Other Data

The following table sets forth our summary consolidated financial and other data for the six months ended June 30, 2006 and June 30, 2005, and the fiscal years ended December 31, 2005, 2004 and 2003.

The summary balance sheet data as of December 31, 2005, and the summary statement of operations data for the years ended December 31, 2005, 2004 and 2003 are derived from our consolidated financial statements, which have been audited by Ernst & Young LLP, our independent registered public accounting firm, and are included elsewhere in this prospectus. The balance sheet data as of June 30, 2006 and the income statement data for the six months ended June 30, 2006 and 2005 were derived from our unaudited consolidated financial statements for these periods which include all adjustments consisting of normal recurring adjustments that management considers necessary for a fair presentation of the financial position and results of operations for these periods. The results for any interim period are not necessarily indicative of the results that may be expected for the full year.

The following table also presents summary unaudited pro forma consolidated financial data for the year ended December 31, 2005 and as of and for the six months ended June 30, 2006 that give effect to the Inductis Acquisition. The unaudited pro forma consolidated statement of operations data for the year ended December 31, 2005 and the six months ended June 30, 2006 give effect to the Inductis Acquisition as if it had occurred at the beginning of the respective periods, and the unaudited pro forma consolidated balance sheet data at June 30, 2006 give effect to the Inductis Acquisition as if it had occurred on June 30, 2006. Such data has been derived from our audited and unaudited consolidated financial statements referred to above and the audited and unaudited financial statements of Inductis which are included elsewhere in this prospectus.

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You should read the following information in conjunction with Capitalization, Selected Historical Consolidated Financial and Other Data, Management s Discussion and Analysis of Financial Condition and Results of Operations, our audited and unaudited consolidated financial statements and related notes thereto and the audited and unaudited consolidated financial statements of Inductis and the related notes thereto included elsewhere in this prospectus. The summary unaudited pro forma consolidated financial data should be read in conjunction with the data set forth in Unaudited Pro Forma Consolidated Financial Information.

	Pro Forma Six Months Ended June 30,	Six Months Ended June 30,		Pro Forma Year Ended December 31,	Year Ended December 31,		
	2006	2006	2005	2005	2005	2004	2003
	(unaudited)	(unaudited)	(unaudited)	(unaudited) (in millions)			
Statement of Operations Data:							
Revenues(1)	$ 60.4	$ 46.8	$ 35.6	$ 94.9	$ 74.0	$ 60.5	$ 27.8
Cost of revenues(2)	38.3	29.9	23.7	58.4	47.6	38.7	18.4
Gross profit	22.1	16.9	11.9	36.5	26.4	21.8	9.4
Operating expenses:							
General and administrative expenses(3)	12.0	7.3	6.0	18.3	13.2	11.1	7.9
Selling and marketing expenses(3)	2.4	1.5	0.8	2.5	1.7	1.5	1.1
Depreciation and amortization	3.9	3.6	3.0	6.4	5.9	3.9	0.4
Amortization of intangibles	1.2			2.5			
Impairment of loan receivable	0.3			2.8			
Total operating expenses	19.8	12.4	9.8	32.5	20.8	16.5	9.4
Income (loss) from operations	2.3	4.5	2.1	4.0	5.6	5.3	
Other income (expense):							
Foreign exchange gain (loss)	(0.7)	(0.7)	1.1	0.9	0.9	0.8	0.4
Interest and other income	0.7	0.6	0.2	0.9	0.7	0.2	0.2
Interest expense	(0.4)	(0.2)	(0.2)	(0.8)	(0.4)	(0.3)	(0.3)
Interest expense redeemable preferred stock			(0.3)	(0.4)	(0.4)	(0.6)	(0.3)
Income before income taxes	1.9	4.2	2.9	4.6	6.4	5.4	
Income tax (benefit) provision	0.3	0.5	0.2	(0.4)	(0.6)		0.8
Net income (loss)	1.6	3.7	2.7	5.0	7.0	5.4	(0.8)
Dividends and accretion on preferred stock	(0.3)	(0.3)		(0.2)	(0.2)		(0.2)
Net income (loss) to common stockholders	$ 1.3	$ 3.4	$ 2.7	$ 4.8	$ 6.8	$ 5.4	$ (1.0)
Other Unaudited Financial Data:							
EBITDA(4)	$ 7.7	$ 8.0	$ 6.4	$ 17.5	$ 13.1	$ 10.2	$ 1.0

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	Pro Forma As Adjusted at June 30, 2006(5)	At June 30, 2006	At December 31, 2005
	(unaudited)	(unaudited) (in millions)	
Balance Sheet Data:			
Cash and cash equivalents	$ 59.8	$ 24.3	$ 24.2
Working capital(6)	63.9	29.7	23.3
Total assets	125.0	68.0	62.6
Total debt		5.7	5.6
Series A preferred stock (liquidation preference)		6.5	6.2
Stockholders equity	92.2	34.3	30.9

(1) In accordance with U.S. generally accepted accounting principles, or GAAP, we include the amount of telecommunications and travel-related costs that are billed to and reimbursed by our clients in our revenues. Revenues include reimbursable expenses of $2.0 million ($3.1 million on a pro forma basis) for the six months ended June 30, 2006, $1.6 million for the six months ended June 30, 2005, $3.4 million ($5.1 million on a pro forma basis) in 2005, $4.2 million in 2004 and $0.6 million in 2003.

(2) Cost of revenues includes non-cash amortization of deferred stock compensation expense relating to our issuance of stock options to employees directly involved in providing services to our clients. Cost of revenues excludes depreciation and amortization related to fixed assets.

(3) General and administrative and selling and marketing expenses, or SG&A expenses, include non-cash amortization of deferred stock compensation expense relating to our issuance of stock options to our non-operations staff.

(4) EBITDA represents net income (loss) to common stockholders before deductions for interest, income taxes, the effects of dividends and accretion on preferred stock and depreciation, amortization and impairment. EBITDA is a supplemental non-GAAP financial measure used by management, and industry analysts to evaluate operations.

The following is a reconciliation of net income to EBITDA (in millions):

	Pro Forma Six Months Ended June 30,	Six Months Ended June 30,		Pro Forma Year Ended December 31,	Year Ended December 31,		
	2006	2006	2005	2005	2005	2004	2003
Net income (loss) to common stockholders	$ 1.3	$ 3.4	$ 2.7	$ 4.8	$ 6.8	$ 5.4	$ (1.0)
Interest expense	0.4	0.2	0.2	0.8	0.4	0.3	0.3
Dividends and accretion on preferred stock	0.3	0.3		0.2	0.2		0.2
Interest expense redeemable preferred stock			0.3	0.4	0.4	0.6	0.3
Income tax (benefit) provision	0.3	0.5	0.2	(0.4)	(0.6)		0.8
Depreciation and amortization and impairment	5.4	3.6	3.0	11.7	5.9	3.9	0.4
EBITDA	$ 7.7	$ 8.0	$ 6.4	$ 17.5	$ 13.1	$ 10.2	$ 1.0

We believe that EBITDA is useful to investors as a measure of comparative operating performance, as it is less susceptible to variances in actual performance resulting from depreciation, amortization and other non-cash charges and more reflective of changes in pricing decisions, cost controls and other factors that affect operating performance. Management also uses EBITDA to develop incentive compensation plans and to measure operating performance. We are also presenting EBITDA because we believe it is useful to investors as a way to measure our ability to incur and service debt, make capital expenditures and meet working capital requirements. EBITDA is not intended as an alternative to net income as an indicator of our operating performance, or as an alternative to any other measure of performance in conformity with GAAP or as an alternative to cash flow from operating activities.

(5) As further adjusted to give effect to this offering and the application of the offering proceeds.
(6) Working capital means total current assets minus total current liabilities.

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RISK FACTORS

Investing in our common stock involves substantial risks. In addition to the other information in this prospectus, you should carefully consider the following factors before investing in our common stock. Any of the risk factors we describe below could adversely affect our business, financial condition or results of operations. The market price of our common stock could decline if one or more of these risks and uncertainties develop into actual events, causing you to lose all or part of the money you paid to buy our shares. Certain statements in Risk Factors are forward-looking statements. See Forward-Looking Statements.

Risks Related To Our Business

We have a limited number of clients and provide services to few industries. In 2005, 62.8% of our pro forma revenues came from three clients.

We have derived and believe that we will continue to derive a substantial portion of our revenues from a limited number of large clients. In 2005, our three largest clients, Norwich Union (an Aviva company), a United Kingdom-based company, American Express and Dell (including Dell Financial Services), accounted for 62.8% of our pro forma revenues under several contracts. We provide services to Norwich Union under two framework agreements and work orders generated by these agreements. The first framework agreement expires in January 2007 and can be terminated by our client for cause only during its initial term, but work orders under that agreement cannot be terminated without cause before July 1, 2007. The second framework agreement expires in July 2009 and can be terminated by our client without cause upon six months prior notice and payment to us of a break-up fee during its initial term. After these initial terms, Norwich Union may terminate these agreements without cause or penalty with six months notice. American Express may terminate its agreement with us at any time and without cause with five days prior notice. We provide services to Dell (including Dell Financial Services) under two main agreements. The first agreement expires on November 1, 2006, is automatically renewable for additional one-year terms and can be terminated by our client at any time and without cause with 30 days prior notice. The second agreement expires on May 15, 2009, is automatically renewable for additional one-year terms and can be terminated by our client at any time and without cause with 120 days prior notice. We expect that a significant portion of our revenues will continue to be contributed by a limited number of large clients in the near future. The loss or financial difficulties of any of our large clients would have a material adverse effect on our business, results of operations, financial condition and cash flows.

In addition, the BPO services we provide to our clients (particularly under our general framework agreements), and the revenues and income from those services, may decline or vary as the type and quantity of services we provide under those contracts changes over time, including as a result of a shift in the mix of products and services we provide. Furthermore, our clients, some of which have experienced rapid changes in their prospects, substantial price competition and pressures on their profitability, have in the past and may in the future demand price reductions, automate some or all of their processes or change their outsourcing strategy by moving more work in-house or to other providers, any of which could reduce our profitability. Any significant reduction in or the elimination of the use of the services we provide to any of our clients, or any requirement to lower our prices, would harm our business.

A substantial portion of our BPO clients are concentrated in the BFSI sector. In 2005, 85.8% of our pro forma BPO revenues were derived from clients in those industries, including 66.9% of our pro forma BPO revenues that were derived from clients in the insurance industry. Our business and growth largely depend on continued demand for our services from clients and potential clients in these industries and those industries where we are focusing expansion efforts, such as utilities, healthcare and media. A downturn in any of these industries, particularly the insurance industry, or a slowdown or reversal of the trend to outsource business processes in any of these industries could decrease demand for our services. Other developments, such as consolidation, particularly involving our clients, could also cause the demand for our services in these industries to decline. In addition, our agreements with Norwich Union and American Express also contain certain restrictions (limited in duration or scope) on our ability to provide services to certain competitors of these entities without the approval of these entities.

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We may fail to attract and retain enough sufficiently trained employees to support our operations, as competition for highly skilled personnel is intense and we experience significant employee turnover rates.

The BPO industry is very labor intensive and our success depends to a significant extent on our ability to attract, hire, train and retain qualified employees, including our ability to attract employees with needed skills in the geographic areas in which we operate. The industry, including us, experiences high employee turnover. In the quarter ended June 30, 2006, our turnover rate for billable employees employees who execute business processes for our clients following the completion of our six-month probationary period was approximately 38%. There is significant competition for professionals in India with skills necessary to perform the services we offer to our clients. Increased competition for these professionals, in the BPO industry or otherwise, could have an adverse effect on us. A significant increase in the turnover rate among our employees in India, particularly among the highly skilled workforce needed to provide BPO services, would increase our recruiting and training costs and decrease our operating efficiency, productivity and profit margins, and could lead to a decline in demand for our services. High turnover rates generally do not impact our revenues as we factor the attrition rate into our pricing models by maintaining additional employees for each process. However, high turnover rates do increase our cost of revenues and therefore impact our profit margins due to higher recruitment, training and retention costs as a result of maintaining larger hiring, training and human resources departments and higher operating costs due to having to reallocate certain business processes among our operating facilities where we have access to the skilled workforce needed for the business. In 2005, on a pro forma basis, we incurred approximately $1.0 million on recruitment and approximately $0.4 million on training costs due to employee turnover, thereby increasing our cost of revenues and reducing our pro forma profit margins for that period by $1.4 million.

In addition, our ability to maintain and renew existing engagements and obtain new business will depend, in large part, on our ability to attract, train and retain personnel with skills that keep pace with the demand for outsourcing, evolving industry standards and changing client preferences. A lack of sufficiently qualified personnel could also inhibit our ability to establish operations in new markets and our efforts to expand geographically. Our failure either to attract, train and retain personnel with the qualifications necessary to fulfill the needs of our existing and future clients or to assimilate new employees successfully could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Our agreements with our largest client give it the option to assume the operations of one of our facilities and operating subsidiaries, and the exercise of that option could have an adverse effect on our business and results of operations.

Under one of our agreements with Norwich Union, our largest client, Norwich Union has the option from January 2008 through February 2011 to purchase the shares of our subsidiary that operates one of our facilities in Pune, India, by paying us an amount approximating the net asset value of that facility on the date of transfer. The affected facility generated 23.9% of our revenues and 18.5% of our pro forma revenues in the six months ended June 30, 2006 and 26.7% of our revenues and 20.8% of our pro forma revenues in 2005. Norwich Union has recently publicly announced its intention to start exercising its option to assume the operations of the facilities of certain of its third party vendor-contractors, including one of our facilities in Pune. In addition, under our other agreement with Norwich Union, it also has the option to purchase certain of the assets of our operating subsidiary, EXL India, for the book value of those assets if we are in a material default of our agreement and such default affects the insurance services provided by more than 300 of our full-time employees or prejudices or is likely to prejudice the reputation of Norwich Union or its affiliates, or if there is a change of control that is not approved by Norwich Union. The exercise of either of these options would result in both a loss of revenues and a loss of our employees who are at that time working in the related facilities.

We have a long selling cycle for our BPO services that requires significant funds and management resources and a long implementation cycle that requires significant resource commitments.

We have a long selling cycle for our BPO services, which requires significant investment of capital, resources and time by both our clients and us. Before committing to use our services, potential clients require us to expend substantial time and resources educating them as to the value of our services and assessing the feasibility of integrating our systems and processes with theirs. Our clients then evaluate our services before deciding whether to use them. Therefore, our selling cycle, which generally ranges from six to 12 months, is subject to many risks and delays over which we have little or no control, including our clients decision to choose alternatives to our services (such as other providers or in-house offshore resources) and the timing of our clients budget cycles and approval processes. In addition, we may not be able to successfully conclude a contract after the selling cycle is complete.

Implementing our services involves a significant commitment of resources over an extended period of time from both our clients and us. Our clients may also experience delays in obtaining internal approvals or delays associated with technology or system implementations, thereby delaying further the implementation process. Our clients and future clients may not be willing or able to invest the time and resources necessary to implement our services, and we may fail to close sales with potential clients to which we have devoted significant time and resources, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Once we are engaged by a client, it may take us several months before we start to recognize revenues.

When we are engaged by a client after the selling process, it takes from four to six weeks to integrate the client s systems with ours, and up to three months thereafter to build up our services to the client s requirements. Depending on the complexity of the processes being implemented, these time periods may be significantly longer. Implementing processes can be subject to potential delays similar to certain of those affecting the selling cycle. Therefore, we do not recognize significant revenues until after we have completed the implementation phase.

We enter into long-term contracts with our BPO clients, and our failure to estimate the resources and time required for our contracts may negatively affect our profitability.

The initial terms of our BPO client contracts typically range from three to seven years. In many of our BPO contracts we commit to long-term pricing with our clients and therefore bear the risk of cost overruns, completion delays and wage inflation in connection with these contracts. If we fail to estimate accurately the resources and time required for a contract, future wage inflation rates or currency exchange rates or if we fail to complete our contractual obligations within the contracted timeframe, our revenues and profitability may be negatively affected.

If we are unable to adjust our pricing terms to meet the changing demands of our BPO clients and potential BPO clients, our results of operations may be adversely affected.

Most of our BPO contracts use a pricing model that provides for hourly or annual billing rates. Industry pricing models are evolving, however, and we anticipate that clients may increasingly request transaction-based pricing. This pricing model will place additional pressure on the efficiency of our service delivery so that we can maintain reasonable operating margins. If we are unable to adapt our operations to evolving pricing protocols, our results of operations may be adversely affected or we may not be able to offer pricing that is attractive relative to our competitors.

Our research and analytics services and our advisory services are cyclical and based on specific projects involving short-term contracts.

Our research and analytics services and our advisory services are cyclical and can be significantly affected by variations in business cycles. Changes in the deadlines or the scope of work required for compliance with the requirements of the Sarbanes-Oxley Act of 2002, for example, could have a significant impact on certain risk advisory service offerings of our advisory services business.

In addition, our research and analytics services and our advisory services usually consist of specific projects with contract terms generally not exceeding one year and may not produce ongoing or recurring business for us once the project is completed. These contracts also usually contain provisions permitting termination of the contract after a short notice period. The short-term nature and specificity of these projects could lead to material fluctuations and uncertainties in the revenues generated from these businesses. In 2005, 31.6% of our pro forma revenues were generated by our research and analytics services and our advisory services.

Our operating results may experience significant variability and as a result it may be difficult for us to make accurate financial forecasts.

Our operating results may vary significantly from period to period. Although 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 business, the long selling cycle for our services and the budget and approval processes of prospective clients make it difficult to predict the timing of new client acquisitions. The timing of revenue recognition under new client agreements also varies depending on when we complete the implementation phase. The completion of implementation varies significantly based upon the complexity of the processes being implemented. Our period-to-period results have in the past and may also in the future fluctuate due to other factors, including client losses, delays or failure by our clients to provide anticipated business, variations in employee utilization rates resulting from changes in our clients operations, delays or difficulties in expanding our operational facilities and infrastructure (including hiring new employees or constructing new operations centers), changes to our pricing structure or that of our competitors, currency fluctuation, seasonal changes in the operations of our clients and other events identified under Forward-Looking Statements. Our revenues are also affected by changes in pricing under our contracts at the time of renewal or by pricing under new contracts. For example, because the majority of our revenues are denominated in pounds sterling or U.S. dollars while most of our expenses are incurred and paid in Indian rupees, our revenues can decrease or increase significantly if the exchange rates among the Indian rupee, the pound sterling and the U.S. dollar fluctuate significantly. Furthermore, Dell, one of our largest clients, experiences seasonal changes in its operations in connection with the year-end holiday season and the school year, which affects our period-to-period results. In addition, some of our contracts do not commit our clients to provide us with a specific volume of business. These factors may make it difficult to make accurate financial forecasts or replace anticipated revenues that we do not receive as a result of delays in implementing our services or client losses. If our actual results do not meet any estimated results that we announce, or if we underperform market expectations as a result of such factors, trading prices for our common stock could be adversely affected.

Our senior management team is critical to our continued success and the loss of one or more members of our senior management team could harm our business.

Our future success substantially depends on the continued services and performance of the members of our management team and other key employees possessing technical and business capabilities, including industry expertise, that are difficult to replace. Specifically, the loss of the services of our Vice Chairman and Chief Executive Officer, Vikram Talwar, or of our President and Chief Financial Officer, Rohit Kapoor, could seriously impair our ability to continue to manage and expand our business. There is intense competition for experienced senior management and personnel with technical and industry expertise in the industry in which we operate, and we may not be able to retain these officers or key employees. Although we have entered into employment and non-competition agreements with all of our executive officers, certain terms of those agreements may not be enforceable and in any event these agreements do not ensure the continued service of these executive officers. In addition, we currently do not maintain key person insurance covering any member of our management team. The loss of any of our key employees, particularly to competitors, could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Our inability to effectively manage our rapid infrastructure and personnel growth could have a material adverse effect on our operations, results of operations and financial condition.

Since we were founded in April 1999, we have experienced rapid growth and significantly expanded our operations. We have six operations facilities in India, including a new facility in Noida, India, that became operational in February 2006. Our employees have increased from approximately 1,800 on December 31, 2002 to approximately 7,300 on July 1, 2006. We expect to develop and improve our internal systems in the locations where we operate in order to address the anticipated growth of our business. In addition, we are actively looking at a few specific locations to invest in an operations facility outside of India and are contractually committed to one of our clients to do so by March 2007. We believe expanding our geographic base of operations will provide higher value to our clients by decreasing the risks of operating from a single country (including potential shortages of skilled employees, increases in wage costs during strong economic times and currency fluctuations), while also giving our clients access to a wider talent pool and establishing a base in countries that may be competitive in the future. However, we may not be able to effectively manage our infrastructure and employee expansion, open additional operations facilities or hire additional skilled employees as and when they are required to meet the ongoing needs of our clients, and we may not be able to develop and improve our internal systems. Our inability to execute our growth strategy, to ensure the continued adequacy of our current systems or to manage our expansion effectively could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Wage increases in India may prevent us from sustaining our competitive advantage and may reduce our profit margin.

Our most significant costs are the salaries and related benefits of our operations staff and other employees. Wage costs in India have historically been significantly lower than wage costs in the United States and Europe for comparably skilled professionals, which has been one of our competitive advantages. However, because of rapid economic growth in India, increased demand for BPO to India and increased competition for skilled employees in India, wages for comparably skilled employees in India are increasing at a faster rate than in the United States and Europe, which may reduce this competitive advantage. In addition, as the U.S. dollar declines in value against the Indian rupee, wages in the United States will decrease relative to wages in India, which may further reduce our competitive advantage. We may need to increase the levels of employee compensation more rapidly than in the past to remain competitive in attracting and retaining the quality and number of employees that our business requires. Wages are generally higher for employees performing research and analytics services and advisory services than for employees performing other BPO services. As the scale of our research and analytics services and our advisory services increases, wages as a percentage of revenues will likely increase. Wage increases in the long term may reduce our profit margins. Additionally, because substantially all of our employees are based in India and paid in Indian rupees, while our revenues are primarily in U.S. dollars and pounds sterling, our employee costs as a percentage of revenues may increase or decrease significantly if the exchange rates among the Indian rupee, the pound sterling and the U.S. dollar fluctuate significantly.

We may disrupt our clients operations as a result of inadequate service or other factors, including telecommunications or technology downtime or interruptions.

The services we provide are often critical to our clients businesses, and any failure to provide those services could result in a reduction in revenues or a claim for substantial damages against us, regardless of whether we are responsible for that failure. In particular, our dependence on our offshore operations centers requires us to maintain active voice and data communications among our main operations centers in India, our international technology hubs in the United States and our clients offices. Although we maintain redundant facilities and communications links, disruptions could result from, among other things, technical breakdowns, computer glitches and viruses and weather conditions. We also depend on certain significant vendors for facility storage and related maintenance of our main technology equipment and data at those technology hubs. Any failure by these vendors to perform those services, any temporary or permanent loss of our equipment or systems, or any disruptions to basic infrastructure like power and telecommunications could impede our ability to provide services to our clients, have a negative impact on our reputation, cause us to lose clients, reduce our revenues and harm our business.

We may not be fully insured for all losses we may incur.

Although we attempt to limit and mitigate our liability for damages arising from negligent acts, errors or omissions through contractual provisions, limitations of liability set forth in our contracts may not be enforceable

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in all instances or may not otherwise protect us from liability for damages. In addition, certain liabilities, such as claims of third parties for which we may be required to indemnify our clients, are generally not limited under those agreements. Although we have general liability insurance coverage, including coverage for errors or omissions and breaches of privacy and network security, that coverage may not continue to be available on reasonable terms or to be available in sufficient amounts to cover one or more large claims, and our insurers may disclaim coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or changes in our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have a material adverse effect on our business, reputation, results of operations, financial condition and cash flows.

Unauthorized disclosure of sensitive or confidential client and customer data, whether through breach of our computer systems or otherwise, could expose us to protracted and costly litigation and cause us to lose clients.

We are typically required to collect and store sensitive data in connection with our services, including names, addresses, social security numbers, credit card account numbers, checking and savings account numbers and payment history records, such as account closures and returned checks. In addition, many of our agreements with our clients do not include any limitation on our liability to them with respect to breaches of our obligation to keep the information we receive from them confidential. We take precautions to protect confidential client and customer data. However, if any person, including any of our employees, penetrates our network security or otherwise mismanages or misappropriates sensitive data, we could be subject to significant liability and lawsuits from our clients or their own customers for breaching contractual confidentiality provisions or privacy laws. Penetration of the network security of our data centers could have a negative impact on our reputation, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Our industry may not develop in ways that we currently anticipate due to negative public reaction in the United States and elsewhere to offshore outsourcing, recently proposed legislation or otherwise.

We have based our strategy of future growth on certain assumptions regarding our industry and future developments in the BFSI market. For example, we believe that there will continue to be changes in product and service requirements, and investments in the products offered by our clients will continue to increase. However, the trend to outsource business processes may not continue and could reverse. Offshore outsourcing is a politically sensitive topic in the United States and elsewhere, and many organizations and public figures have publicly expressed concern about a perceived association between offshore outsourcing providers and the loss of jobs in the United States and elsewhere. In addition, there has been recent publicity about the negative experience of certain companies that use offshore outsourcing, particularly in India. Current or prospective clients may elect to perform such services themselves or may be discouraged from transferring these services to offshore providers to avoid any negative perception that may be associated with using an offshore provider. Any slowdown or reversal of existing industry trends would harm our ability to compete effectively with competitors that operate out of facilities located in the United States and elsewhere.

A variety of U.S. federal and state legislation has been proposed that, if enacted, could restrict or discourage U.S. companies from outsourcing their services to companies outside the United States. For example, legislation has been proposed that would require offshore providers to identify where they are located. Because most of our clients are located in the United States, any expansion of existing laws or the enactment of new legislation restricting offshore outsourcing could adversely impact our ability to do business with U.S. clients and have a material and adverse effect on our business, results of operations, financial condition and cash flows. In addition, it is possible that legislation could be adopted that would restrict U.S. private sector companies that have federal or state government contracts from outsourcing their services to offshore service providers. Such restrictions could affect our ability to attract or retain clients that have such contracts in the future.

In other countries, such as the United Kingdom where we derived 40.4% of our pro forma revenues in 2005, there has also been some negative publicity and concern expressed regarding the possible effect of job losses caused by outsourcing. Recent legislation introduced in the United Kingdom (consolidating past case law)

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provides that if a company transfers or outsources its business or a part of its business to a transferee or a service provider, the employees who were employed in such business are entitled to become employed by the transferee or service provider on the same terms and conditions as they had been employed before. The dismissal of such employees as a result of such transfer of business is deemed unfair dismissal and entitles the employees to compensation. As a result, we may become liable for redundancy payments to the employees of our clients in the United Kingdom who outsource business to us. We are generally indemnified in our existing contracts with clients in the United Kingdom to the extent we incur losses or additional costs due to the application of this legislation to us, and we intend to obtain indemnification in future contracts with clients. However, if we are unable to obtain indemnification in future contracts with clients, we may be liable under any service level agreements we enter into in the future with United Kingdom clients. Although we are not yet able to assess at this time the potential impact of this new legislation, which came into effect in April 2006, we expect this legislation to have a material adverse effect on potential business from clients in the United Kingdom.

We face significant competition from U.S.-based and non-U.S.-based outsourcing and information technology companies and from our clients, who may perform outsourcing services themselves, either in-house, in the United States or through offshore groups or other arrangements.

The market for outsourcing services is highly competitive, and we expect competition to intensify and increase from a number of sources. We believe that the principal competitive factors in our markets are price, service quality, sales and marketing skills, the ability to develop customized services and technological and industry expertise. We face significant competition for our services from our clients own in-house groups, including, in some cases, in-house groups operating offshore. For example, Norwich Union, our largest client, has the option under one of our contracts to purchase the shares of our subsidiary that operates one of our facilities in Pune, India. Norwich Union has recently publicly announced its intention to start exercising its option to assume the operations of the facilities of certain of its third party vendor-contractors, including one of our facilities in Pune. We also face competition from non-U.S.-based outsourcing and information technology, or IT, companies (including those in the United Kingdom and India) and U.S.-based outsourcing and IT companies. In addition, the trend toward offshore outsourcing, international expansion by foreign and domestic competitors and continuing technological changes will result in new and different competitors entering our markets. These competitors may include entrants from the communications, software and data networking industries or entrants in geographic locations with lower costs than those in which we operate. Some of these existing and future competitors have greater financial, personnel and other resources, longer operating histories, a broader range of service offerings, greater technological expertise, more recognizable brand names and more established relationships in industries that we currently serve or may serve in the future. In addition, some of our competitors may enter into strategic or commercial relationships among themselves or with larger, more established companies in order to increase their ability to address client needs, or enter into similar arrangements with potential clients. The trend in multi-vendor relationships has been growing, which could reduce our revenues to the extent that clients obtain services from other vendors. Increased competition, our inability to compete successfully against competitors, pricing pressures or loss of market share could result in reduced operating margins, which could harm our business, results of operations, financial condition and cash flows.

Our client contracts contain certain termination provisions that could have an adverse effect on our business and results of operations.

We provide services to Norwich Union under two framework agreements and work orders generated by these agreements. The first framework agreement expires in January 2007 and can be terminated by our client for cause only during its initial term, but work orders under that agreement cannot be terminated without cause before July 1, 2007. The second framework agreement expires in July 2009 and can be terminated by our client without cause upon six months prior notice and payment to us of a break-up fee during its initial term. After the initial term expires, these agreements can be terminated without cause or penalty by Norwich Union with six months notice. Cause under the Norwich contracts includes our failure to perform services agreed upon in a specific work order adequately, disposal of our material assets, our filing for bankruptcy or a change of control where our new controlling party is a named competitor of Norwich Union. Our agreement with American Express, which represented 12.6% of our pro forma revenues in 2005, permits American Express to terminate the agreement at any time and without cause with five days prior notice. We provide services to Dell (including Dell Financial Services) under two main agreements which represented 11.9% of our pro forma revenues in 2005. The first agreement expires on November 1, 2006, is automatically renewable for additional one-year terms and can be terminated by our client at any time and without cause with 30 days prior notice. The second agreement expires on May 15, 2009, is automatically renewable for additional one-year terms and can be terminated by our client at any time and without cause with 120 days prior notice. Contracts representing approximately 3.6% of our pro forma revenues from our other BPO clients in 2005 will expire within 12 months. The termination of a substantial percentage of these contracts with or without cause could have a material adverse impact on the predictability of our expected revenue stream. Many of our client contracts do not commit our clients to provide us with a specific volume of business, and any failure to meet a client s expectations could result in a cancellation or non-renewal of a contract or a decrease in business provided to us. We may not be able to replace any client that elects to terminate or not renew its contract with us, which would reduce our revenues.

Oak Hill Capital Partners, FTVentures, certain of their respective affiliates, Vikram Talwar, Rohit Kapoor and certain other members of management will continue to exercise significant influence over us, and their interests in our business may be different than yours.

Almost all of the issued and outstanding shares of our common stock are currently beneficially owned by Oak Hill Capital Partners L.P., FTVentures and certain of their respective affiliates, our Vice Chairman and Chief Executive Officer, Vikram Talwar, our President, Rohit Kapoor, and certain other members of management. Assuming that the underwriters do not exercise their option to purchase additional shares, immediately following the consummation of this offering, Oak Hill Capital Partners L.P. and certain of its affiliates will beneficially own 10,542,504 shares (or 38.3%) of our outstanding common stock; FTVentures and certain of its affiliates will beneficially own 3,514,168 shares (or 12.8%) of our outstanding common stock; Mr. Talwar will beneficially own 2,106,072 shares (or 7.7%) of our outstanding common stock; Mr. Kapoor will beneficially own 2,106,072 shares (or 7.7%) of our outstanding common stock; and certain other members of our management will beneficially own 1,407,628 shares (or 5.1%) of our outstanding common stock. Accordingly, each of these parties can exercise significant influence over our business policies and affairs and all matters requiring a stockholders vote, including the composition of our board of directors, the adoption of amendments to our certificate of incorporation and the approval of mergers or sales of substantially all of our assets. This concentration of ownership also may delay, defer or even prevent a change in control of our company and may make some transactions more difficult or impossible without the support of these stockholders. The interests of these stockholders may conflict with your interests.

We may not succeed in identifying suitable acquisition candidates or integrating Inductis or any other acquired business into our operations, which could have a material adverse effect on our operations, results of operations and financial condition.

One of our strategies is to broaden our geographic presence, gain new clients, enter new streams of services and expand capacity both organically and through strategic acquisitions. We may not, however, succeed in identifying suitable acquisition candidates available for sale at reasonable prices, have access to the capital required to finance potential acquisitions or be able to consummate any acquisition. Our management may not be able to successfully integrate Inductis or any other acquired business into our operations, and any acquisition we do complete, including the Inductis Acquisition, may not result in long-term benefits to us. Acquisitions involve a number of risks, including diversion of management s attention, ability to finance the acquisition on attractive terms, failure to retain key personnel, legal liabilities and the need to amortize acquired intangible assets, any of which could have a material adverse effect on our business, results of operations, financial condition and cash flows. Future acquisitions may also result in the incurrence of indebtedness or the issuance of additional equity securities.

We may not be able to realize in full all of the benefits that we anticipate from the Inductis Acquisition.

The value of our common stock will reflect the combined results of ExlService Holdings and Inductis, and will be affected by our ability to achieve the benefits expected from the Inductis Acquisition. Achieving these

benefits will depend in part upon meeting the challenges inherent in the successful combination of two business enterprises of the size and scope of ExlService Holdings and Inductis, which include the possible loss of management-level and highly qualified employees and the possible inability to integrate the management culture and enterprise systems and operations of these two companies. We may not be able to meet these challenges, which could have a material adverse effect on our operations following the Inductis Acquisition and prevent the combined company from realizing any of the anticipated benefits of the Inductis Acquisition.

In addition, the senior management of Inductis has significant relationships with key Inductis clients, and the services provided by Inductis are highly dependent on developing client relationships of trust and confidence. The loss of any member of the senior management of Inductis could adversely affect our relationship with those clients or result in the loss of their business.

We have a limited independent operating history and our future business prospects are difficult to evaluate.

We have a limited operating history. We started commercial operations in our first facility in October 2000. In August 2001, we were acquired by our then-largest client, Conseco, and until November 2002, we operated as Conseco s subsidiary. While substantially all of our revenues were generated by Conseco and its affiliates in 2001 and 2002, in November 2002, our ownership again changed, and since that time revenues from Conseco and its affiliates have substantially decreased to $1.5 million, $1.5 million and $4.9 million in 2005, 2004 and 2003, respectively. We have serviced large unaffiliated clients only for a limited time, and we may not continue to succeed in securing or retaining additional business from non-affiliates. In addition, we did not become profitable until the three months ended September 30, 2003, and we incurred losses in each of our financial reporting periods until that quarter. We may incur additional operating losses in the future, and we may not remain profitable.

Failure to adhere to the regulations that govern our business could have an adverse impact on our operations.

Our clients are often subject to regulations that may require that we comply with certain rules and regulations in performing services for them that would not otherwise apply to us. Debt collection services, for example, may be subject to the Fair Debt Collection Practices Act, which regulates debt collection practices. In addition, many U.S. states require a debt collector to apply for, be granted and maintain a license to engage in debt collection activities in a state. We are currently licensed (or exempt from licensing requirements) to provide debt collection services in all but one U.S. state that have non-exempt requirements and have separate per-customer exemptions with respect to our ongoing collection obligations. Other federal laws and regulations that apply to certain portions of our business include the Fair Credit Reporting Act, the Gramm-Leach-Bliley Act, the Health Insurance Portability and Accountability Act of 1996, the Truth in Lending Act, the Fair Credit Billing Act and U.S. Federal Deposit Insurance Corporation, or the FDIC, rules and regulations. If we do not maintain our licenses or other qualifications to provide our services, we may not be able to provide services to existing customers or be able to attract new clients and could lose revenues, which could have a material adverse effect on our business. In addition, our failure to comply with any applicable laws and regulations could subject us to civil fines and criminal penalties.

We will incur increased costs as a result of being a public company subject to the Sarbanes-Oxley Act of 2002, and our management faces challenges in implementing those requirements.

As a public company, we will incur significant additional legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as new rules subsequently implemented by the Securities and Exchange Commission, or the Commission, and the Nasdaq Global Market, have required more regulation and more corporate governance practices of public companies. We expect that our legal and financial compliance costs will increase and that a significant portion of management s time will be diverted to comply with these rules. For example, we are reviewing and adopting comprehensive new policies regarding internal control over financial reporting and disclosure controls and procedures. We are also evaluating and testing our internal controls systems in anticipation of compliance with Section 404 of the Sarbanes-Oxley Act. If

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we do not implement the requirements of Section 404 in a timely manner or with adequate compliance, we may not be able to accurately report our financial results or prevent fraud and might be subject to sanctions or investigation by regulatory authorities, such as the Commission. Any such action could harm our business or investors confidence in our company, and could cause our stock price to fall. We will also incur additional costs associated with our reporting requirements as a public company. We also expect that the need to comply with these rules and regulations will make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified candidates to serve on our board of directors or as executive officers.

Risks Related to India and the International Nature of our Business

Our financial condition could be negatively affected if the Government of India reduces or withdraws tax benefits and other incentives it currently provides to companies within our industry, or if the same are not available for other reasons.

Under the Indian Finance Act, 2000, we currently benefit from a holiday from Indian corporate income taxes. As a result, our service operations have been subject to relatively lower tax liabilities. We incurred minimal income tax expense in 2005 as a result of the tax holiday, compared to approximately $2.4 million that we would have incurred if the tax holiday had not been available for that period (without accounting for double taxation treaty set-offs). The Indian Finance Act, 2000 phases out the tax holiday over a ten-year period from fiscal 2000 through fiscal 2009. Our current tax holidays expire by location by 2009. When our tax holiday expires or terminates, our tax expense will materially increase.

We may be required to pay additional taxes in connection with audits by the Indian taxing authorities.

The Indian taxing authorities recently issued an assessment order with respect to their audit of EXL India s 2003-04 tax year alleging that the transfer price we applied to transactions between EXL India and EXL Inc. was not appropriate and disallowing certain expenses claimed as tax deductible by EXL India. Indian transfer pricing regulations require that any international transaction involving related corporations be at an arms length price. Transactions among our subsidiaries and us may be considered such transactions. This assessment demands that EXL India pay additional taxes in the amount of 96,796,762 Indian rupees (approximately $2.1 million at the exchange rate in effect on June 30, 2006).

The Indian taxing authorities also recently issued a second assessment order alleging that EXL Inc. has a permanent establishment in India and demanding the payment of additional taxes in the amount of 146,655,473 Indian rupees (approximately $3.2 million at the exchange rate in effect on June 30, 2006). If EXL Inc. were found to have a permanent establishment in India, it would be required to pay Indian taxes on the income deemed attributed to such permanent establishment not only for the 2003-04 tax year but for subsequent years as well.

The Indian tax authorities also initiated proceedings seeking to levy certain penalties in connection with these two assessments.

We are contesting both of these assessments and have filed appeals with the appropriate Indian tax authorities. Based on advice from our Indian tax advisors, the facts underlying our position and our experience with these types of assessments, we believe that the probability of loss is remote and have not accrued any amount with respect to these matters in our consolidated financial statements. Under Indian tax regulations, we have been required to pay approximately 20.0 million Indian rupees (approximately $436,000 at the exchange rate in effect on June 30, 2006) as a deposit on the first assessment before exhausting all our available opportunities to appeal this assessment. In the appeal process, we may be required to pay additional amounts with respect to the first and second assessments. Any amount paid by us will be refunded to us with interest if we succeed in our appeals. We cannot assure you that our appeals will be successful.

In addition, the Indian tax authorities are conducting an audit of our 2004-05 tax year. While no assessments have yet been made in connection with the 2004-05 audit, there can be no assurance that we will not receive additional assessments or be required to pay significant additional taxes with respect to that tax year, or that the Indian taxing authorities will not pursue audits for other tax years.

Any failure of our appeals or further assessments would reduce our profitability and cash flows.

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A substantial portion of our assets and operations are located in India, and we are subject to regulatory, economic and political uncertainties in India.

Our primary operating subsidiaries are incorporated in India, and virtually all of our assets and our professionals are located in India. We intend to continue to develop and expand our offshore facilities in India. In the early 1990s, India experienced significant inflation, low growth in gross domestic product and shortages of foreign currency reserves. The Indian government, however, has exercised and continues to exercise significant influence over many aspects of the Indian economy. India s government has provided significant tax incentives and relaxed certain regulatory restrictions in order to encourage foreign investment in specified sectors of the economy, including the BPO industry. Certain of those programs, which have benefited us, include tax holidays, liberalized import and export duties and preferential rules on foreign investment and repatriation. We cannot assure you that liberalization policies will continue. The Government of India is considering introducing a reservation policy to the private sector in India, pursuant to which all private sector companies operating in India, including our subsidiaries, would be required to reserve a certain percentage of jobs for the economically underprivileged population in the states where such companies are incorporated. If this policy is adopted, our ability to hire employees of our choice may be affected due to restrictions on our pool of potential employees and competition for these professionals.

Furthermore, the rate of economic liberalization could change, and specific laws and policies affecting technology companies, foreign investment, currency exchange rates and other matters affecting investment in our securities could also change. Since 1996, the Government of India has changed six times. The current Indian government is a coalition of many parties, some of which are communist and other far left parties in India, some of which do not want to continue India s current economic policies. Various factors, including a collapse of the present coalition government due to the withdrawal of support of coalition members, could trigger significant changes in India s economic liberalization and deregulation policies, disrupt business and economic conditions in India generally and our business in particular. Our financial performance and the market price of our shares may be adversely affected by changes in inflation, exchange rates and controls, interest rates, Government of India policies (including taxation policies), social stability or other political, economic or diplomatic developments affecting India in the future.

Terrorist attacks and other acts of violence involving India, the United States or other countries could adversely affect the financial markets, result in a loss of client confidence and adversely affect our business, results of operations, financial condition and cash flows.

Terrorist attacks and other acts of violence or war, including those involving India, the United States or other countries, may adversely affect worldwide financial markets and could potentially lead to economic recession, which could adversely affect our business, results of operations, financial condition and cash flows. South Asia has, from time to time, experienced instances of civil unrest and hostilities among neighboring countries, including India, Pakistan and China. In recent years there have been several instances of military confrontations along the Indo-Pakistani border. There continues to be potential for hostilities between India and Pakistan due to recent terrorist activities, troop mobilizations along the border and the geopolitical climate along the border. Although this has not been the case to date, such political tensions could create a perception that there is a risk of disruption of services provided by India-based companies, which could have a material adverse effect on the market for our services. Furthermore, if India were to become engaged in armed hostilities, particularly hostilities that were protracted or involved the threat or use of nuclear weapons, we might not be able to continue to operate.

An outbreak of an infectious disease or any other serious public health concerns in Asia or elsewhere could have a material adverse effect on our business and results of operations.

The outbreak of an infectious disease in Asia or elsewhere or any other serious public health concerns could have a negative impact on the economies, financial markets and business activities in the countries in which our end markets are located, which could have a material adverse effect on our business. The outbreak in 2003 of Severe Acute Respiratory Syndrome in Asia and the outbreak of avian influenza, or bird flu, across Asia and

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Europe, including recent outbreaks in parts of India, have adversely affected a number of countries and companies. Although we have not been adversely impacted by these recent outbreaks, we can give no assurance that a future outbreak of an infectious disease among humans or animals or any other serious public health concerns will not have a material adverse effect on our business.

We are vulnerable to natural disasters that could severely disrupt the normal operation of our business and adversely affect our business, results of operation, financial condition and cash flows.

India is susceptible to natural disasters, including typhoons, tsunamis, floods and earthquakes. Substantially all of our facilities and employees are located in India. If our facilities are damaged by a typhoon, tsunami, flood, earthquake or other natural disaster, our operations and our ability to provide services to our clients could be interrupted or delayed significantly. Our insurance coverage may not be sufficient to cover all of our potential losses. In addition, although all six of our operations centers have access to other power sources, disaster management facilities in India may not be adequate to protect against potential losses. In addition, clients may terminate their contracts with us if we cannot resume providing services quickly enough. As a result, a natural disaster in India could have a material adverse effect on our business, results of operation, financial condition and cash flows.

Restrictions on entry visas may affect our ability to compete for and provide services to clients in the United States, which could have a material adverse effect on future revenues.

The vast majority of our employees are Indian nationals. The ability of some of our executives and employees to work with and meet our U.S. and European clients and our clients from other countries depends on their ability to obtain the necessary visas and entry permits. In response to terrorist attacks and global unrest, U.S. and European immigration authorities have increased the level of scrutiny in granting visas. Immigration laws in those countries may also require us to meet certain levels of compensation and comply with other legal requirements as a condition to obtaining or maintaining entry visas. These restrictions have significantly lengthened the time requirements to obtain visas for our personnel, which has in the past resulted, and may continue to result, in delays in the ability of our personnel to meet with our clients. In addition, immigration laws are subject to legislative change and varying standards of application and enforcement due to political forces, economic conditions or other events, including terrorist attacks. We cannot predict the political or economic events that could affect immigration laws, or any restrictive impact those events could have on obtaining or monitoring entry visas for our professionals. If we are unable to obtain the necessary visas for personnel who need to get to our clients sites, or if such visas are delayed, we may not be able to provide services to our clients or to continue to provide these services on a timely basis, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Currency fluctuations among the Indian rupee, the pound sterling and the U.S. dollar could have a material adverse effect on our results of operations.

Although substantially all of our revenues are denominated in pounds sterling (51.8% in 2005, or 40.4% on a pro forma basis) or U.S. dollars (48.2% in 2005, or 59.6% on a pro forma basis), most of our expenses (78.9% in 2005, or 64.5% on a pro forma basis) are incurred and paid in Indian rupees. We report our financial results in U.S. dollars. The exchange rates among the Indian rupee, the pound sterling and the U.S. dollar have changed substantially in recent years and may fluctuate substantially in the future. The average Indian rupee/U.S. dollar exchange rate in 2005 was approximately 44.0 (based on the noon buying rate in the City of New York for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York), representing depreciation of 2.9% compared to the average exchange rate for 2004. The average Indian rupee/pound sterling exchange rate in 2005 was approximately 80.2 (based on the Bloomberg Composite Rate), representing depreciation of 3.4% compared to the average exchange rate in 2004. The average U.S. dollar/pound sterling exchange rate remained stable from 2004 to 2005. Although we take steps to hedge a substantial portion of our Indian rupee-U.S. dollar foreign currency exposures, our results of operations may be adversely affected if the Indian rupee fluctuates significantly against the pound sterling or the U.S. dollar, the pound sterling depreciates against the U.S. dollar or our hedging strategy is unsuccessful.

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If more stringent labor laws or other industry standards become applicable to us, our profitability may be adversely affected.

India has stringent labor legislation that protects the interests of workers, including legislation that sets forth detailed procedures for dispute resolution and employee removal and legislation that imposes financial obligations on employers upon retrenchment. In addition, we are subject to certain industry standards regarding our employees, particularly with regard to overtime and transportation of employees. Our employees may also in the future form unions. If these labor laws or industry standards become more stringent or are more strictly enforced, or if our employees unionize, it may become difficult for us to maintain flexible human resource policies, discharge employees or downsize, any of which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Investors may have difficulty effecting service of process or enforcing judgments obtained in the United States against our subsidiaries in India or our executive officers.

Our primary operating subsidiaries are organized in India and a number of our executive officers reside outside of the United States. Most of our assets are located in India. As a result, you may be unable to effect service of process upon our affiliates who reside in India outside their jurisdiction of residence. In addition, you may be unable to enforce against these persons outside the jurisdiction of their residence judgments obtained in courts of the United States, including judgments predicated solely upon the federal securities laws of the United States.

Section 44A and Section 13 of the Indian Civil Procedure Code, 1908, or the Civil Code, govern recognition and enforcement of foreign judgments. Section 44A of the Civil Code provides for recognition and enforcement of a foreign judgment without having to file an original suit in India, provided such judgments have been rendered by courts in a country or territory outside India which the Government of India has declared to be a reciprocating territory. We have been advised by our Indian counsel that the United States and India do not currently have a treaty providing for reciprocal recognition and enforcement of judgments (other than certain arbitration awards) in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not it is predicated upon the federal securities laws of the United States, would not be enforceable in India as such.

However, if the party in whose favor such final judgment is rendered brings a new suit in a competent court in India based on a final judgment that has been obtained in the United States, Section 13 of the Civil Code provides that the foreign judgment will be conclusive as to certain matters. The suit must be brought in India within three years of the date of the foreign judgment. It is unlikely, however, that a court in India would award damages on the same basis as a court in the United States if an action is brought in India. It is also unlikely that an Indian court would enforce judgments obtained in the United States if it viewed the amount of damages awarded as excessive or inconsistent with Indian practice.

In addition, the party seeking to enforce in India a judgment obtained in the United States would also be required to obtain approval from the Reserve Bank of India under the Foreign Exchange Management Act, 1999 to execute such a judgment or to repatriate any money recovered in an Indian court.

Risks Related to this Offering

Because the initial public offering price per common share is substantially higher than our book value per common share, purchasers in this offering will immediately experience a substantial dilution in net tangible book value.

Purchasers of our common stock will experience immediate and substantial dilution in net tangible book value per share from the initial public offering price per share. After giving effect to the Share Conversion and the Inductis Acquisition, the sale of the 5,000,000 shares of common stock we have offered hereby, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us, and the

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application of the net proceeds therefrom, our pro forma as adjusted net tangible book value as of June 30, 2006, would have been $81.2 million, or $2.97 per share of common stock. This represents an immediate dilution in pro forma net tangible book value of $8.03 per share to new investors purchasing shares of our common stock in this offering. A calculation of the dilution purchasers will incur is provided under Dilution.

Substantial future sales of shares of our common stock in the public market could cause our stock price to fall.

Upon consummation of this offering, we will have outstanding 27,507,638 shares of common stock (approximately 28,257,638 if the underwriters exercise their option in full). Of these shares, the 5,000,000 shares of common stock offered hereby will be freely tradable without restriction in the public market, unless purchased by our affiliates. Upon completion of this offering, our existing stockholders will beneficially own 22,507,638 shares of our common stock, which will represent approximately 81.8% of our outstanding common stock (approximately 79.7% if the underwriters exercise their option in full). In addition, we could issue up to 389,906 additional shares of our Series A common stock (779,812 shares of our common stock after giving effect to the Share Conversion) under the earnout payment provisions relating to the Inductis Acquisition. Based on satisfaction of agreed upon financial performance goals in 2007, we also agreed to make certain additional contingent payments to former holders of Inductis securities in a mix of cash and additional shares of our common stock, the mix of which cannot be determined until the size of the contingent payments, if any, is determined. The value of any such contingent payment will range from $0.6 million to $6.5 million. Immediately following the consummation of this offering, the holders of approximately 103,912 shares of common stock will be entitled to dispose of their shares pursuant to Rule 144 under the Securities Act, the holders of approximately 21,240,768 shares of common stock, representing approximately 77.6% of our outstanding common stock, will be entitled to dispose of their shares following the expiration of an initial 180-day lock-up period pursuant to the volume and other restrictions of Rule 144 and the holders of approximately 130,346 shares of common stock, will be entitled to dispose of their shares following the expiration of an initial 180-day lock-up pursuant to the holding, volume and other restrictions of Rule 144. The underwriters are entitled to waive these lock-up provisions at their discretion prior to the expiration dates of such lock-up agreements. In addition, beginning June 30, 2007 holders of approximately 1,071,836 shares of common stock will be entitled to dispose of an aggregate of 357,278 of such shares on June 30 of each year. The Company is entitled to waive these lock-up provisions at its discretion prior to the expiration date of such lock-up restrictions.

In connection with this offering, we intend to enter into a registration rights agreement with Oak Hill Capital Partners L.P., FTVentures, Vikram Talwar, Rohit Kapoor and certain of their respective affiliates. We have also agreed to provide registration rights to Norwich Union, TCV V, L.P., TCV V Member Fund and Prudential Financial. Pursuant to these agreements, these holders will have the right, subject to some conditions, to require us to file registration statements covering 18,493,816 shares of our common stock (including restricted stock and shares issuable upon the exercise of currently outstanding options) which they will own upon consummation of this offering or to include those shares and 2,124,940 additional shares of common stock in registration statements that we may file for ourselves or other stockholders. Following their registration and sale under the applicable registration statement, those shares will become freely tradeable. By exercising their registration rights and selling a large number of shares, these holders could cause the price of our common stock to decline. In addition, options to purchase 1,921,476 shares of common stock will be outstanding upon consummation of this offering. Following this offering, we intend to file a registration statement under the Securities Act registering 4,231,130 shares of our common stock reserved for issuance under our equity incentive plans and 807,258 shares held for resale by our existing stockholders that were previously issued under our equity incentive plans.

We do not intend to pay dividends in the foreseeable future.

We have never declared or paid any cash dividends on our common stock. For the foreseeable future, we intend to retain any earnings to finance the development and expansion of our business, and we do not anticipate paying any cash dividends on our common stock.

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Delaware law and our amended and restated certificate of incorporation and by-laws will contain certain anti-takeover provisions that could delay or discourage business combinations and takeover attempts that stockholders may consider favorable.

Our amended and restated certificate of incorporation and by-laws, which we intend to adopt prior to the completion of this offering, will contain provisions that may make it more difficult, expensive or otherwise discourage a tender offer or a change in control or takeover attempt by a third-party that is opposed by our board of directors. These provisions will include classified board provisions, provisions permitting the board of directors to fill vacancies created by its expansion, provisions permitting the removal of directors only for cause and with a $66\,^{2}/3\%$ stockholder vote, provisions requiring a $66\,^{2}/3\%$ stockholder vote for certain amendments to our organizational documents, provisions barring stockholders from calling a special meeting of stockholders or requiring one to be called or from taking action by written consent and provisions that set forth advance notice procedures for stockholders nominations of directors and proposals for consideration at meetings of stockholders. These provisions may have the effect of delaying or preventing a change of control or changes in management that stockholders consider favorable. Additionally, because we are incorporated in Delaware, we are subject to Section 203 of the Delaware General Corporation Law. Section 203 may prohibit large stockholders, in particular those owning 15.0% or more of our outstanding voting stock, from merging or combining with us. These provisions of our amended and restated certificate of incorporation, by-laws and Delaware law could discourage potential takeover attempts and reduce the price that investors might be willing to pay for shares of our common stock in the future which could reduce the market price of our stock.

The stock price may be volatile, and you may be unable to resell your shares at or above the offering price or at all.

Prior to this offering, there has been no public market for our common stock, and an active trading market may not develop or be sustained upon the completion of this offering. The initial public offering price of the common stock offered hereby was determined through our negotiations with the underwriters and may not be indicative of the market price of the common stock after this offering. The market price of our common stock after this offering will be subject to significant fluctuations in response to, among other factors, variations in our operating results, market conditions specific to the BPO services industry and developments relating to India.

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FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. You should not place undue reliance on those 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. Forward-looking statements include information concerning our possible or assumed future results of operations, including descriptions of our business strategy. 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 prospectus, you should understand that these statements are not guarantees of performance or results. They involve known and unknown risks, uncertainties and assumptions. Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect our actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements. These factors include but are not limited to:

- our dependence on a limited number of clients in a limited number of industries;
- fluctuations in our earnings;
- our ability to attract and retain clients;
- our ability to hire and retain enough sufficiently trained employees to support our operations;
- restrictions on immigration;
- our ability to grow our business or effectively manage growth and international operations;
- increasing competition in the BPO industry;
- telecommunications or technology disruptions;
- fluctuations in exchange rates between pounds sterling, U.S. dollars and Indian rupees;
- negative public reaction in the United States or elsewhere to offshore outsourcing;
- regulatory, legislative and judicial developments, including the withdrawal of governmental fiscal incentives;
- technological innovation;

political or economic instability in India;

worldwide political, economic and business conditions; and

our ability to successfully consummate or integrate strategic acquisitions, including the Inductis Acquisition.

These and other factors are more fully discussed in the Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations sections and elsewhere in this prospectus. These risks could cause actual results to differ materially from those implied by forward-looking statements in this prospectus.

All information contained in this prospectus is materially accurate and complete as of the date of this prospectus. You should keep in mind, however, that any forward-looking statement made by us in this prospectus, or elsewhere, speaks only as of the date on which we make it. New risks and uncertainties come up from time to time, and it is impossible for us to predict these events or how they may affect us. We have no obligation to update any forward-looking statements in this prospectus after the date of this prospectus, except as required by federal securities laws. In light of these risks and uncertainties, you should keep in mind that any event described in a forward-looking statement made in this prospectus or elsewhere might not occur.

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USE OF PROCEEDS

We estimate that our net proceeds from this offering will be approximately $48.7 million, at an assumed public offering price of $11.00 per share (the midpoint of the range set forth on the cover page of this prospectus), after deducting the underwriting discount and commission and estimated offering expenses of approximately $6.4 million.

We intend to use the proceeds from this offering:

- to repurchase or redeem all outstanding shares of Series A preferred stock, the aggregate principal amount of which was $4.5 million plus accrued dividends of $2.0 million at June 30, 2006;

- to repay all outstanding senior promissory notes payable to stockholders, the aggregate principal amount of which was $4.9 million plus accrued interest of $0.8 million at June 30, 2006; and

- for working capital and general corporate purposes.

The Series A preferred stock is held by, and the senior promissory notes are payable to, certain of our directors, officers and significant stockholders. See Certain Relationships and Related Transactions Stock and Note Purchase Agreement.

The senior promissory notes to be repaid mature on December 13, 2007. The interest on $4.6 million in aggregate principal amount of the notes accrues every six months from December 13, 2002 through maturity and the interest on $0.3 million in aggregate principal amount of the notes accrues every six months from December 13, 2003 through maturity, in each case, at a rate equal to the greater of 2.02% per semi-annum or LIBOR and must be paid on December 13, 2007 or on the day of any prepayment.

We have broad discretion as to the application of these proceeds. Prior to application, we may hold any net proceeds in cash or invest them in short-term securities. You will not have an opportunity to evaluate the economic, financial or other information on which we base our decisions regarding the use of these proceeds.

DIVIDEND POLICY

We have never declared or paid any dividends on our common stock. For the foreseeable future, we intend to retain any earnings to finance the development and expansion of our business, and we do not anticipate paying any cash dividends on our common stock. Any future determination to pay dividends will be at the discretion of our board of directors and will be dependent upon then existing conditions, including our financial condition and results of operations, capital requirements, contractual restrictions, business prospects and other factors that our board of directors considers relevant.

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CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2006:

- on an actual basis;
- on a pro forma basis, to give effect to the Inductis Acquisition; and
- on a pro forma as-adjusted basis, to give effect to:
  - the Inductis Acquisition;
  - the sale of 5,000,000 shares of our common stock in this offering at an assumed public offering price of $11.00 per share (the midpoint of the range set forth on the cover page of this prospectus), after deducting the underwriting discount and the estimated offering expenses;
  - the application of the net proceeds of this offering as described under Use of Proceeds; and
  - the Share Conversion as described under Certain Relationships and Related Transactions Transactions Entered Into in Connection with this Offering Share Conversion.

	As of June 30, 2006		
	Actual	**Pro Forma**	**Pro Forma As Adjusted**
	(dollars in millions)		
Cash and cash equivalents	$ 24.3	$ 23.3	$ 59.8
Short-term and long-term debt(1):			
Revolving lines of credit		2.5	2.5
Term loan		1.8	1.8
Total short-term and long-term debt		4.3	4.3
Senior promissory notes payable to stockholders	$ 5.7	$ 5.7	$
Series A preferred stock, par value $.001 per share; 45,833.36 shares authorized (pro forma, 45,833.36 shares authorized and, pro forma as adjusted, no shares authorized); 45,304 shares issued and outstanding (pro forma, 45,304 shares issued and outstanding and, pro forma as adjusted, no shares issued and outstanding)	6.5	6.5	
Stockholders equity (deficit):			

Series A common stock, par value $.001 per share, 11,122,702 shares authorized (pro forma 11,122,702 shares authorized and, pro forma as adjusted, no shares authorized); 10,081,778 shares issued and outstanding (pro forma, 10,617,696 shares issued and outstanding and, pro forma as adjusted, no shares issued and outstanding)			
Series B non-voting common stock, par value $.001 per share, 1,659,230 shares authorized (pro forma, 1,659,230 shares authorized and, pro forma as adjusted, no shares authorized); 617,240 shares issued and outstanding (pro forma, 617,240 shares issued and outstanding and, pro forma as adjusted, no shares issued and outstanding)			
Common stock, par value $.001 per share, no authorized shares (pro forma, no authorized shares and, pro forma as adjusted, 100,000,000 shares authorized); no shares issued and outstanding (pro forma, no shares issued and outstanding and, pro forma as adjusted, 27,507,638 shares issued and outstanding)(2)			
Additional paid-in capital	17.3	26.6	75.2
Deferred stock based compensation			
Retained earnings	18.6	18.6	18.5
Accumulated other comprehensive loss	(1.6)	(1.6)	(1.6)
Treasury stock			
Total stockholders equity	34.3	43.6	92.2
Total capitalization	$46.5	$ 60.1	$ 96.5

(1) In connection with the Inductis Acquisition, we assumed the obligations of Inductis under existing lines of credit, a term loan and other debt. We repaid these obligations in full on September 26, 2006.

(2) Does not include options to purchase an aggregate of 1,921,476 shares of common stock that are currently outstanding under our equity incentive plans or otherwise or that are to be granted upon consummation of this offering under our equity incentive plans, 317,004 unvested shares of restricted stock that are currently outstanding under our equity incentive plans or additional shares of common stock that may be issued pursuant to the earnout and contingent payment provisions of the Inductis Acquisition.

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DILUTION

If you invest in our common stock, you will be diluted to the extent the initial public offering price per share of our common stock exceeds the net tangible book value per share of our common stock immediately after this offering.

Our pro forma net tangible book value as of June 30, 2006 was approximately $32.6 million, or $1.46 per share of common stock (after giving effect to the Share Conversion and the Inductis Acquisition). The net tangible book value per share represents the amount of our net worth, or total tangible assets less total liabilities, divided by 22,320,734 shares of our common stock outstanding as of that date (after giving effect to the Share Conversion and the Inductis Acquisition and not including outstanding stock held in our treasury).

After giving effect to the Share Conversion and the Inductis Acquisition, the issuance and sale of 5,000,000 shares of our common stock in this offering and our receipt of approximately $48.7 million in net proceeds from such sale, based on an assumed public offering price of $11.00 per share (the midpoint of the range set forth on the cover page of this prospectus), and after deducting the underwriting discount and commission and the estimated expenses of the offering, our pro forma as adjusted net tangible book value per share as of June 30, 2006 would have been approximately $81.2 million, or $2.97 per share. This amount represents an immediate increase in pro forma net tangible book value of $1.51 to existing stockholders and an immediate dilution in pro forma net tangible book value of $8.03 per share to new investors purchasing shares of our common stock in this offering. Dilution per share is determined by subtracting the pro forma net tangible book value per share as adjusted for this offering from the amount of cash paid by a new investor for a share of our common stock. The following table illustrates the per share dilution:

Initial public offering price per share	$ 11.00
Pro forma net tangible book value per share as of June 30, 2006 (adjusted for the Share Conversion and the Inductis Acquisition but excluding this offering)	$ 1.46
Increase in net tangible book value per share attributable to new investors	$ 1.51
Pro forma as adjusted net tangible book value per share after this offering	$ 2.97
Dilution per share to new investors	$ 8.03

The following table summarizes as of June 30, 2006, after giving effect to the Share Conversion, the Inductis Acquisition and this offering as described above:

- the total number of shares of common stock purchased from us;
- the total consideration paid to us before deducting underwriting discounts and commissions of $3.9 million and estimated offering expenses of approximately $2.5 million; and
- the average price per share paid by existing stockholders and by new investors who purchase shares of common stock in this offering at the assumed initial public offering price of $11.00 per share.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders	22,507,638	81.8%	$ 24,348,432	30.7%	$ 2.16
New investors	5,000,000	18.2	55,000,000	69.3	11.00
Total	27,507,638	100.0%	$ 79,348,432	100.0%	$ 3.01

The foregoing tables do not include options to purchase an aggregate of 1,921,476 shares of common stock that are currently outstanding under our equity incentive plans or otherwise or that are to be granted upon consummation of this offering under our equity incentive plans, 317,004 unvested shares of restricted stock that are currently outstanding under our equity incentive plans or additional shares of our common stock that could be issued pursuant to the earnout and contingent payment provisions of the Inductis Acquisition. See Management Equity Incentive Plans.

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SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The table below presents our selected historical consolidated financial and other data for:

- the following successor periods:
  - the six months ended June 30, 2006;
  - the six months ended June 30, 2005;
  - the years ended December 31, 2005, 2004 and 2003;
  - the period from November 15, 2002 to December 31, 2002;
- the following predecessor periods:
  - the period from January 1, 2002 to November 14, 2002;
  - the period from August 1, 2001 to December 31, 2001; and
- the pre-predecessor period from April 1, 2001 to July 31, 2001.

The selected balance sheet data as of December 31, 2005, 2004, 2003 and 2002, and the selected statement of operations data for the years ended 2005, 2004 and 2003, the period from November 15 to December 31, 2002, the period from January 1 to November 14, 2002, the period from August 1 to December 31, 2001 and the period from April 1 to July 31, 2001 were derived from our consolidated financial statements that have been audited by Ernst & Young LLP, our independent registered public accounting firm. The balance sheet data as of June 30, 2006, June 30, 2005 and December 31, 2001 and the income statement data for the six months ended June 30, 2006 and 2005 were derived from our unaudited consolidated financial statements for these periods which include all adjustments consisting of normal recurring adjustments that management considers necessary for a fair presentation of the financial position and results of operations for these periods. The results for any interim period are not necessarily indicative of the results that may be expected for the full year.

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The information set forth below should be read in conjunction with Capitalization, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this prospectus.

	Successor						Predecessor		Pre Predecessor
	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005	Year Ended December 31, 2005	Year Ended December 31, 2004	Year Ended December 31, 2003	Period from November 15 to December 31, 2002	Period from January 1 to November 14, 2002	Period from August 1 to December 31, 2001	Period from April 1 to July 31, 2001
	(unaudited)	(unaudited)							
	(in millions, except share and per share data)								
Statement of Operations Data:									
Revenues(1)	$ 46.8	$ 35.6	$ 74.0	$ 60.5	$ 27.8	$ 3.3	$ 23.8	$ 8.7	$ 3.2
Cost of revenues(2)	29.9	23.7	47.6	38.7	18.4	1.3	11.7	4.6	2.2
Gross profit	16.9	11.9	26.4	21.8	9.4	2.0	12.1	4.1	1.0
Operating expenses:									
General and administrative expenses(3)	7.3	6.0	13.2	11.1	7.9	3.0	8.8	2.7	2.2
Selling and marketing expenses(3)	1.5	0.8	1.7	1.5	1.1		0.6	0.3	
Depreciation and amortization	3.6	3.0	5.9	3.9	0.4		3.9	1.0	0.4
Total operating expenses	12.4	9.8	20.8	16.5	9.4	3.0	13.3	4.0	2.6
Income (loss) from operations	4.5	2.1	5.6	5.3		(1.0)	(1.2)	0.1	(1.6)
Other income (expense):									
Foreign exchange gain (loss)	(0.7)	1.1	0.9	0.8	0.4	0.1		(0.1)	
Interest and other income	0.6	0.2	0.7	0.2	0.2				
Interest expense	(0.2)	(0.2)	(0.4)	(0.3)	(0.3)				
Interest expense redeemable preferred stock		(0.3)	(0.4)	(0.6)	(0.3)				
Goodwill impairment(4)							(46.0)		
Income (loss) before income taxes and extraordinary item	4.2	2.9	6.4	5.4		(0.9)	(47.2)		(1.6)
Income tax (benefit) provision	0.5	0.2	(0.6)		0.8		0.1		
Income (loss) before extraordinary gain	3.7	2.7	7.0	5.4	(0.8)	(0.9)	(47.3)		(1.6)
Extraordinary gain						5.0			

Net income (loss)	3.7	2.7	7.0	5.4	(0.8)	4.1	(47.3)		(1.6)
Dividends and accretion on preferred stock	(0.3)		(0.2)		(0.2)	(0.1)			
Net income (loss) to common stockholders	$ 3.4	$ 2.7	$ 6.8	$ 5.4	$ (1.0)	$ 4.0	$ (47.3)	$	$ (1.6)
Basic and diluted earnings (loss) per share to common stockholders:									
Basic	$ 0.32	$ 0.25	$ 0.64	$ 0.52	$ (0.10)	$ 0.43	$ (4.95)	$	$ (0.16)
Diluted	$ 0.31	$ 0.25	$ 0.63	$ 0.51	$ (0.10)	$ 0.43	$ (4.95)	$	$ (0.16)
Weighted average number of shares used in computing earnings per share:									
Basic	10,608,813	10,573,977	10,587,274	10,259,166	9,784,420	9,555,462	9,555,462	9,555,462	9,555,462
Diluted	10,714,911	10,729,467	10,795,514	10,508,626	9,784,420	9,555,462	9,555,462	9,555,462	9,555,462

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	At June 30, 2006	At June 30, 2005	At December 31, 2005	At December 31, 2004	At December 31, 2003	At December 31, 2002	At December 31, 2001
	(unaudited)	(unaudited)					(unaudited)
				(in millions)			
Balance Sheet Data:							
Cash and cash equivalents	$ 24.3	$ 21.2	$ 24.2	$ 18.8	$ 8.6	$ 15.7	$ 2.5
Working capital(5)	29.7	22.1	23.3	18.4	8.4	13.7	(5.6)
Total assets	68.0	52.1	62.6	50.4	22.3	20.3	65.1
Total debt	5.7	5.5	5.6	5.4	5.2	4.7	
Series A preferred stock (liquidation preference)	6.5	5.9	6.2	5.6	5.1	4.3	
Stockholders equity	34.3	27.7	30.9	24.8	4.9	6.2	51.8

(1) In accordance with GAAP, we include the amount of telecommunications and travel-related costs that are billed to and reimbursed by our clients in our revenues. Revenues include reimbursable expenses of $2.0 million for the six months ended June 30, 2006, $1.6 million for the six months ended June 30, 2005, $3.4 million in 2005, $4.2 million in 2004, $0.6 million in 2003, $2,470 for the period from November 15 to December 31, 2002, $69,096 for the period from January 1 to November 14, 2002, $56,838 for the period from August 1 to December 31, 2001, and $0 for the period from April 1 to July 31, 2001.

(2) Cost of revenues includes non-cash amortization of deferred stock compensation expense relating to our issuance of stock options to employees directly involved in providing services to our clients. Cost of revenues excludes depreciation and amortization related to fixed assets.

(3) SG&A expenses include non-cash amortization of deferred stock compensation expense relating to our issuance of stock options to our non-operations staff.

(4) Impairment of goodwill in connection with the 2001 Acquisition recognized by our predecessor.

(5) Working capital means total current assets minus total current liabilities.

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UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma consolidated financial information should be read in conjunction with the historical financial statements of ExlService Holdings and Inductis and the related notes thereto, which are included elsewhere in this prospectus. The following unaudited pro forma consolidated financial information has been prepared by our management and is based on (a) the historical financial statements of ExlService Holdings and Inductis and (b) the assumptions and adjustments described below.

The unaudited pro forma consolidated statement of operations data for the year ended December 31, 2005 and the six months ended June 30, 2006 give effect to the Inductis Acquisition as if it had occurred at the beginning of the respective periods, and the unaudited pro forma consolidated balance sheet data at June 30, 2006 give effect to the Inductis Acquisition as if it had occurred on June 30, 2006.

We have included all adjustments, consisting of normal recurring adjustments, which in the opinion of management, are necessary for a fair presentation of the data. We based the pro forma adjustments on available information and on assumptions that we believe are reasonable under the circumstances. See Notes to Unaudited Pro Forma Consolidated Statement of Operations for a discussion of assumptions made. The unaudited pro forma consolidated financial statements are presented for informational purposes and are based on management s estimates. The unaudited pro forma consolidated financial statements do not purport to represent what our results of operations or financial position actually would have been if the transactions set forth above had occurred on the dates indicated or what our results of operations or financial position will be for future periods.

On July 1, 2006, we completed the Inductis Acquisition under an Agreement and Plan of Merger, dated June 30, 2006, among us, our wholly-owned merger subsidiary, Inductis, Sandeep Tyagi and certain former major stockholders of Inductis. We estimate that the total consideration for this acquisition, including the assumption of liabilities, earnout and contingent payments and transaction costs, but excluding a working capital adjustment of approximately $0.5 million, is approximately $30.9 million. We paid approximately $13.0 million at the closing of the Inductis Acquisition in the form of $2.4 million in cash, the issuance of 535,918 shares of our Series A common stock (1,071,836 shares of our common stock after giving effect to the Share Conversion), subject to reduction for any cashless withholding in respect of taxes, $0.9 million in transaction costs and a $0.4 million bonus payable in January 2007. We assumed $4.3 million of Inductis debt, which we repaid in full on September 26, 2006. We are obligated to make an additional approximately $0.5 million working capital adjustment payment based on the net working capital of Inductis and its subsidiaries as of June 30, 2006. We also agreed to make certain earnout payments to the former holders of Inductis securities of up to 389,906 shares of Series A common stock (779,812 shares of our common stock after giving effect to the Share Conversion) based on the satisfaction of certain agreed-upon financial performance goals for the historic Inductis business in 2006 and 2007 and certain additional contingent payments in a mix of cash and additional shares of our common stock, the mix of which cannot be determined until the size of the contingent payments, if any, is determined, based on the satisfaction of certain agreed-upon financial performance goals for the historic Inductis business in 2007. See The Inductis Acquisition for a more detailed discussion of the terms of the Inductis Acquisition.

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ExlService Holdings, Inc. & Subsidiaries

Unaudited Pro Forma Consolidated Statement of Operations Data

Fiscal Year ended December 31, 2005

	ExlService Holdings Inc.	Inductis, Inc.	Pro Forma Adjustments	Pro Forma Consolidated
	(in millions, except share and per share data)			
Statement of Operations Data:				
Revenues	$ 74.0	$ 20.9	$	$ 94.9
Cost of revenues(a)	47.6	10.2	0.6	58.4