

ExlService Holdings, Inc.
Form DEF 14A
April 30, 2012
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United States
Securities and Exchange Commission

Washington, D.C. 20548

SCHEDULE 14A

(Rule 14a-101)

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934**

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

ExlService Holdings, Inc.

(Name of Registrant as Specified in Its Charter)

N/A

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(Name of Person(s) Filing Proxy Statement, If Other Than the Registrant)

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No fee required.

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(2) Aggregate number of securities to which transaction applies:

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(3) Filing Party:

(4) Date Filed:

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280 Park Avenue, 38th Floor

New York, New York 10017

(212) 277-7100

April 30, 2012

Dear Stockholder:

On behalf of the board of directors of ExlService Holdings, Inc., I am pleased to invite you to the 2012 Annual Meeting of Stockholders, which will be held on June 15, 2012, in Charlestown, Rhode Island.

The Annual Meeting will begin with discussion and voting on the matters set forth in the accompanying notice of the Annual Meeting and Proxy Statement, followed by discussion of other business matters properly brought before the Annual Meeting.

Whether or not you attend the Annual Meeting, it is important that your shares be represented and voted at the Annual Meeting. After reading the Proxy Statement, please promptly vote and submit your proxy by completing, dating, signing and returning the enclosed proxy card in the enclosed postage prepaid envelope. Your shares cannot be voted unless you submit your proxy or attend the Annual Meeting in person.

The board of directors and management look forward to seeing you at the Annual Meeting.

Sincerely,

Vikram Talwar

Chairman

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280 Park Avenue, 38th Floor

New York, New York 10017

(212) 277-7100

NOTICE OF 2012 ANNUAL MEETING OF STOCKHOLDERS

Dear Stockholder:

You are cordially invited to the 2012 Annual Meeting of Stockholders of ExlService Holdings, Inc., a Delaware corporation (the "Company"). The Annual Meeting will be held at Shelter Harbor Golf Club, One Golf Drive, Charlestown, Rhode Island, 02813 on June 15, 2012, at 9:00 AM, Eastern Time, for the purposes of voting on the following matters:

1. the election of three Class III members of the board of directors of the Company for a term of three years each;
2. the ratification of the selection of Ernst & Young LLP as the independent registered public accounting firm of the Company for fiscal year 2012;
3. the approval of the compensation of the named executive officers of the Company; and
4. the transaction of such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

If you are a stockholder of record at the close of business on May 1, 2012, you are entitled to vote at the Annual Meeting. A list of stockholders as of the record date will be available for examination for any purpose germane to the Annual Meeting, during ordinary business hours, at the Company's executive offices at 280 Park Avenue, 38th Floor, New York, New York 10017, for a period of 10 days prior to the date of the Annual Meeting and at the Annual Meeting itself.

Whether or not you expect to attend the Annual Meeting in person, the Company encourages you to promptly vote and submit your proxy by completing, signing, dating and returning the enclosed proxy card in the postage prepaid envelope provided. Voting by proxy will not deprive you of the right to attend the Annual Meeting or to vote your shares in person. You can revoke a proxy at any time before it is exercised by voting in person at the Annual Meeting, by delivering a subsequent proxy or by notifying the inspector of elections in writing of such revocation prior to the Annual Meeting.

By Order of the Board of Directors

Amit Shashank

General Counsel and Corporate Secretary

New York, New York

April 30, 2012

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The Company's Annual Report on Form 10-K for fiscal year 2011 accompanies this notice but is not incorporated as part of the enclosed Proxy Statement and should not be considered part of the proxy solicitation materials.

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280 Park Avenue, 38th Floor

New York, New York 10017

(212) 277-7100

PROXY STATEMENT

INFORMATION CONCERNING VOTING AND SOLICITATION

This Proxy Statement is being furnished to you in connection with the solicitation by the board of directors of ExlService Holdings, Inc., a Delaware corporation (us, we, our or the Company), of proxies to be used at our 2012 Annual Meeting of Stockholders to be held at Shelter Harbor Golf Club, One Golf Drive, Charlestown, Rhode Island, 02813 at 9:00 AM, Eastern Time, on June 15, 2012, and any adjournments or postponements thereof. This Proxy Statement and the accompanying form of proxy card are being mailed to stockholders on or about May 15, 2012.

Who Can Vote

Only stockholders who own shares of our common stock at the close of business on May 1, 2012, the record date for the Annual Meeting, can vote at the Annual Meeting. As of the close of business on April 25, 2012, we had 31,619,086 shares of common stock outstanding and entitled to vote. Each holder of common stock is entitled to one vote for each share held as of the record date for the Annual Meeting. There is no cumulative voting in the election of directors.

How You Can Vote

If your shares are registered directly in your name with Registrar and Transfer Company, our transfer agent (which means you are a stockholder of record), you can vote your proxy by completing, signing, dating and returning the enclosed proxy card in the enclosed postage prepaid envelope. Please refer to the specific instructions set forth in the enclosed proxy card.

If you are the beneficial owner of shares held in the name of a brokerage, bank, trust or other nominee as a custodian (also referred to as shares held in street name), your broker, bank, trustee or nominee will provide you with materials and instructions for voting your shares.

Voting at the Annual Meeting. Voting by mail will not limit your right to vote at the Annual Meeting if you decide to attend in person. Our board of directors recommends that you vote by mail as it is not practical for most stockholders to attend the Annual Meeting. If you are a stockholder of record, you may vote your shares in person at the Annual Meeting. If you hold your shares in street name, you must obtain a proxy from your broker, bank, trustee or nominee giving you the right to vote the shares at the Annual Meeting.

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Revocation of Proxies

You can revoke your proxy at any time before it is exercised in any of the following ways:

by voting in person at the Annual Meeting;

by submitting written notice of revocation to the inspector of elections prior to the Annual Meeting; or

by submitting another properly executed proxy of a later date to the inspector of elections prior to the Annual Meeting.

Required Vote; Effect of Abstentions and Broker Non-Votes

Quorum

A quorum, which is a majority of the issued and outstanding shares of our common stock as of May 1, 2012, must be present to hold the Annual Meeting. A quorum is calculated based on the number of shares represented by the stockholders attending the Annual Meeting in person and by their proxy holders. If you indicate an abstention as your voting preference for all matters to be acted upon at the Annual Meeting, your shares will be counted toward a quorum but they will not be voted on any matter.

Proposal 1: Election of Directors

Directors are elected by the affirmative vote of a plurality of shares present in person or represented by proxy and entitled to vote at the Annual Meeting. You may cast your vote in favor of electing the nominees as directors, withhold your vote on one or more nominees or abstain from voting your shares. For purposes of the vote on Proposal 1, abstentions will have no effect on the results of the vote.

Other Proposals

The ratification of the appointment of our independent registered public accounting firm, the approval of the compensation of our named executive officers and each other item to be acted upon at the Annual Meeting will require the affirmative vote of a majority of shares present in person or represented by proxy and entitled to vote at the Annual Meeting. You may cast your vote in favor of or against these proposals or you may abstain from voting your shares. For purposes of the vote on Proposals 2, 3 or such other item to be acted upon at the Annual Meeting, abstentions will have the effect of a vote against these proposals.

If you submit your proxy, but do not mark your voting preference, the proxy holders will vote your shares FOR the election of the nominees for director, FOR the ratification of the appointment of our independent registered public accounting firm and FOR the approval of the compensation of our named executive officers.

Shares Held in Street Name by a Broker

If you are the beneficial owner of shares held in street name by a broker, then your broker, as the record holder of the shares, must vote those shares in accordance with your instructions. If you fail to provide instructions to your broker then, under New York Stock Exchange rules, your broker will not be authorized to exercise its discretion and vote your shares on non-routine proposals, including the election of directors. As a result, a broker non-vote occurs. Accordingly, without your instructions, your broker would have discretionary authority to vote your shares only with respect to Proposal 2, ratification of the appointment of independent registered public accounting firm.

Other Matters to Be Acted Upon at the Meeting

Our board of directors presently is not aware of any matters, other than those specifically stated in the Notice of Annual Meeting, which are to be presented for action at the Annual Meeting. If any matter other than those described in this Proxy Statement is presented at the Annual Meeting on which a vote may properly be taken, the shares represented by proxies will be voted in accordance with the judgment of the person or persons voting those shares.

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Adjournments and Postponements

Any action on the items of business described above may be considered at the Annual Meeting at the time and on the date specified above or at any time and date to which the Annual Meeting may be properly adjourned or postponed.

Solicitation of Proxies

We will pay the cost of printing and mailing proxy materials. Upon request, we will reimburse brokers, dealers, banks and trustees, or their nominees, for reasonable expenses incurred by them in forwarding proxy materials to beneficial owners of shares of our common stock.

Internet Availability of Proxy Materials

Our notice of meeting, proxy statement and form of proxy card are available at our website at <http://ir.exlservice.com/proxy.cfm>.

Important

Please promptly vote and submit your proxy by completing, signing, dating and returning the enclosed proxy card in the postage prepaid envelope so that your shares can be voted at the Annual Meeting. This will not limit your right to attend or vote at the Annual Meeting.

All Annual Meeting attendees may be asked to present valid, government-issued photo identification (federal, state or local), such as a driver's license or passport, and proof of beneficial ownership if you hold your shares through a broker, bank, trust or other nominee, before entering the Annual Meeting. Attendees may be subject to security inspections. Video and audio recording devices and other electronic devices will not be permitted at the Annual Meeting.

If you have any further questions about voting your shares or attending the Annual Meeting, please call our Investor Relations Department at (212) 624-5913.

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OUR BOARD OF DIRECTORS

Our board of directors currently consists of nine directors divided into three classes, with each director serving a three-year term and one class being elected at each year's annual meeting of stockholders. The current composition of our board of directors is as follows:

Class III Directors (term expiring in 2012):	Steven B. Gruber, our Lead Director
	Dr. Mohanbir Sawhney
	Garen K. Staglin
Class I Directors (term expiring in 2013):	Edward V. Dardani
	Rohit Kapoor, our Vice Chairman and Chief Executive Officer (CEO)
	Kiran Karnik
Class II Directors (term expiring in 2014):	David B. Kelso
	Clyde W. Ostler
	Vikram Talwar, our Chairman

The election of our Class III directors will take place at the Annual Meeting. If elected, each of the Class III director nominees will serve on our board of directors until our annual meeting of stockholders in 2015 or until their successors are duly elected and qualified in accordance with our by-laws.

The following sets forth additional information regarding our directors.

Vikram Talwar Age: 62 co-founded ExlService.com, Inc., our predecessor (EXL Inc.), in April 1999 and has served as our Chairman since April 2011 and served as our Executive Chairman from May 2008 through March 2011. Mr. Talwar served as CEO and Vice Chairman of our board of directors from November 2002 to April 2008 and as Chief Executive Officer of EXL Inc. since April 1999. Prior to founding EXL Inc., Mr. Talwar served in various capacities at Bank of America, including Country Manager in India and other Asian countries from 1970 to 1996, and served as Chief Executive Officer and Managing Director of Ernst & Young Consulting India from 1998 to 1999. In the past five years, Mr. Talwar has served on the boards of directors of several private companies. The Company concluded, based in part on Mr. Talwar's experience as a founder and past CEO of the Company, that he should serve as a director.

Rohit Kapoor Age: 47 co-founded EXL Inc. in April 1999 and has served as our Vice Chairman and CEO since April 2012 and as a director since November 2002. Mr. Kapoor served as our President and CEO from May 2008 to March 2012, as our Chief Financial Officer (CFO) from November 2002 until June 2005 and from September 2006 to March 2007, as our Chief Operating Officer from June 2007 until April 2008 and as President and Chief Financial Officer of EXL Inc. since August 2000. Prior to founding EXL Inc., Mr. Kapoor served as a business head of Deutsche Bank from July 1999 to July 2000. From 1991 to 2000, Mr. Kapoor served in various capacities at Bank of America in the United States and Asia, including India. Mr. Kapoor was appointed as a member of the board of directors of CA, Inc. on April 7, 2011. The Company concluded that in connection with Mr. Kapoor's functions and responsibilities as Chief Executive Officer of the Company, he should serve as a director.

Steven B. Gruber Age: 54 has served as our Lead Director since May 2008 and served as our Chairman from November 2002 until April 2008. Since February 1999, Mr. Gruber has been a Managing Partner of Oak Hill Capital Management, Inc., the investment advisor to Oak Hill Capital Partners, L.P., one of our 5% stockholders. Mr. Gruber is also a managing partner of Oak Hill Capital Management, LLC. Since April 1990, Mr. Gruber has been a Managing Director of Oak Hill Partners, Inc. (including its predecessor entities) and the Manager of Acadia Partners, L.P. In the past five years, Mr. Gruber has served on the boards of directors of American Skiing Company, Blackboard Inc. and Williams Scotsman International, Inc. The Company concluded, based on Mr. Gruber's business experience at Oak Hill and as a member of public company boards of directors, that Mr. Gruber should serve as a director.

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Edward V. Dardani Age: 50 has served as a member of our board of directors since April 2005. Mr. Dardani is a Partner of Oak Hill Capital Partners, L.P., one of our 5% stockholders, which he joined in July 2002, and has been a Principal of Oak Hill Capital Management, LLC since January 2006. Mr. Dardani is responsible for investments in business and financial services sectors. Mr. Dardani began his career at Merrill Lynch in their investment banking group. In the past five years, Mr. Dardani has served on the boards of directors of American Skiing Company and RSC Holdings, Inc. The Company concluded, based in part on Mr. Dardani's business experience at Oak Hill and as a member of public company boards of directors, that Mr. Dardani should serve as a director.

David B. Kelso Age: 59 has served as a director since July 2006. Mr. Kelso most recently served as a senior advisor to Inductis, Inc. (Inductis) from June 2004 through June 2006. He served in the Office of the Chairman as Executive Vice President for Strategy and Finance for Aetna, Inc. from September 2001 through September 2003. Mr. Kelso served on the board of directors of Aetna Life Insurance Company from 2001 to 2003. In 2003, Mr. Kelso founded Kelso Advisory Services and serves as its Managing Director. In the past five years, Mr. Kelso has served on the boards of directors of Aspen Holdings, Ltd., Assurant, Inc. and Sound Shore Fund, Inc. The Company concluded, based in part on Mr. Kelso's business experience with Inductis, his experience with companies in the insurance industry and in general, that Mr. Kelso should serve as a director.

Clyde W. Ostler Age: 65 has served as a member of our board of directors since December 2007. Mr. Ostler retired from Wells Fargo and Company as a Group Executive Vice President, Vice Chairman of Wells Fargo Bank California, and President of Wells Fargo Family Wealth. During his forty year tenure with Wells Fargo, Mr. Ostler served in a number of capacities including Vice Chairman in the Office of the President, Chief Financial Officer, Chief Auditor, Head of Retail Branch Banking, Head of Information Technology, Head of Institutional and Personal Investments and Head of Internet Services. He was a member of the Management Committee of the company for over twenty-five years. Mr. Ostler has also served on a number of for-profit and not-for-profit boards. He is the head of the Director's Advisory Council of Scripps Institution of Oceanography and a Regent of Saint Ignatius College Preparatory. The Company concluded, based in part on Mr. Ostler's business experience through his positions at Wells Fargo & Company, that Mr. Ostler should serve as a director.

Dr. Mohanbir Sawhney Age: 48 has served as a member of our board of directors since November 2005. Dr. Sawhney is a recognized author, scholar and consultant on marketing, innovation and technology. He is the McCormick Tribune Foundation Clinical Professor of Technology and the Director of the Center for Research in Technology & Innovation at the Kellogg School of Management, Northwestern University, where he has been on the faculty since September 1993. Dr. Sawhney is also a Fellow of the World Economic Forum. The Company concluded, based in part on Dr. Sawhney's scholarly and business experience, that Dr. Sawhney should serve as a director.

Garen K. Staglin Age: 67 has served as a member of our board of directors since June 2005. Mr. Staglin has over 35 years of experience in the financial services and technology industries. Mr. Staglin served on the board of directors of First Data Corporation, a credit card and financial services processing company, from 1992 to 2002 and was Chief Executive Officer of eONE Global LP, an emerging payments company, from 2001 to 2004. Mr. Staglin serves as a director on the boards of directors of several private companies and non-profit corporations. Mr. Staglin has also served as a member of the Advisory Boards of the Cambridge University Business School in the United Kingdom, and the Stanford Graduate School of Business. In the past five years, Mr. Staglin has served on the board of directors of Bottomline Technologies, Inc., SVB Financial Group, and on the international board of directors of Solera Holdings, Inc. The Company concluded, based in part on Mr. Staglin's experience in the financial services and technology industries and his past experience as a member of public company boards of directors, that Mr. Staglin should serve as a director.

Kiran Karnik Age: 65 has served as a member of our board of directors since September 2008. From September 2001 through January 2008, Mr. Karnik served as President of NASSCOM, an Indian industry body

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representing companies in the information technology (IT) and IT-enabled services sectors. Prior to his tenure at NASSCOM, Mr. Karnik was the Managing Director at Discovery Networks in India. Earlier, Mr. Karnik was Founder-Director of the Consortium for Educational Communication. In the past five years, Mr. Karnik has served on the boards of directors of Torrent Pharmaceuticals Ltd., Torrent Power Ltd., Satyam Computer Services Limited and Sasken Communication Technologies Ltd. and has also served on a number of committees of the Government of India and the board of directors of the Reserve Bank of India. The Company concluded, based in part on Mr. Karnik's business experience as President of NASSCOM and knowledge of the outsourcing industry, that Mr. Karnik should serve as a director.

There are no family relationships among any of our directors or executive officers.

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CORPORATE GOVERNANCE

Director Independence

Our board of directors has determined that all of the members on our board of directors other than Messrs. Talwar and Kapoor meet the independence requirements of the Nasdaq Stock Market and the federal securities laws.

Meeting Attendance

Our directors are expected to attend all board of directors meetings and meetings of committees on which they serve. Directors are also expected to spend sufficient time and meet as frequently as necessary to discharge their responsibilities properly. Overall, during 2011, our board of directors met ten times. Each member of our board of directors attended at least 75% of our board of directors meetings during the period in 2011 in which he served on our board of directors. It is our policy that all of our directors should attend our Annual Meetings of Stockholders absent exceptional cause.

Board Leadership Structure

Our board of directors is currently led by Vikram Talwar, our Chairman, Steven B. Gruber, our Lead Director, and Rohit Kapoor, our Vice Chairman and CEO.

Our by-laws provide that our Chairman or, in the absence of our Chairman, our Lead Director, or in the absence of both our Chairman and Lead Director, our CEO, shall call meetings of our board of directors to order and shall act as the chairman thereof. In the absence of our Chairman, our Lead Director and our CEO, a majority of our directors present may elect as chairman of the meeting any director present.

In April 2012, our board of directors consolidated its executive leadership with the appointment of Rohit Kapoor as our Vice Chairman and CEO. Consolidating the Vice Chairman and CEO positions allows our CEO to contribute his experience and perspective regarding management and leadership of the Company towards the goals of improved corporate governance and greater management accountability. In addition, the presence of our Chairman and our Lead Director also ensures that the board can retain sufficient delineation of responsibilities, such that our Chairman, our Lead Director and our Vice Chairman and CEO may each successfully and effectively perform and discharge their respective duties and, as a corollary, enhance our prospects for success. The Company will thus benefit from the ability to integrate the collective leadership and corporate governance experience of our Chairman, our Lead Director and our Vice Chairman and CEO, while retaining the ability to facilitate the functioning of the board of directors independently of our management and to focus on our commitment to corporate governance.

For the foregoing reasons, our board of directors has determined that its leadership structure is appropriate and in the best interests of our stockholders at this time.

Committees

Our board of directors currently has three standing committees: the Audit Committee, the Nominating and Governance Committee and the Compensation Committee.

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Audit Committee. Our Audit Committee oversees and assists our board of directors in fulfilling its oversight responsibilities with respect to:

our accounting and financial reporting processes, including the integrity of the financial statements and other financial information provided by us to our stockholders, the public, any stock exchange and others;

our compliance with legal and regulatory requirements;

our independent registered public accounting firm's qualifications and independence;

the audit of our financial statements; and

the performance of our internal audit function and independent registered public accounting firm.

Our Audit Committee has direct responsibility for the appointment, compensation, retention (including termination) and oversight of our independent registered public accounting firm, and our independent registered public accounting firm reports directly to our Audit Committee. Our Audit Committee also reviews and approves certain related-party transactions as required by the rules of the Nasdaq Stock Market. A copy of our Audit Committee charter can be found on our website at www.exlservice.com.

The members of our Audit Committee are appointed by our board of directors. All members of our Audit Committee must also be recommended by our Nominating and Governance Committee. Messrs. Kelso, Sawhney and Ostler are the current members of our Audit Committee. Mr. Kelso is the chairman of our Audit Committee. Messrs. Kelso and Ostler qualify as audit committee financial experts under the rules of the SEC implementing Section 407 of the Sarbanes-Oxley Act of 2002. Our board of directors has determined that Messrs. Kelso, Sawhney and Ostler meet the independence and the experience requirements for audit committee membership of the Nasdaq Stock Market and the federal securities laws. During 2011, our Audit Committee met eight times. Each member of our Audit Committee attended at least 75% of our Audit Committee's meetings in 2011.

Nominating and Governance Committee. Our Nominating and Governance Committee identifies individuals qualified to become members of our board of directors (consistent with criteria approved by our board of directors), selects, or recommends that our board of directors select, candidates for election to our board of directors, develops and recommends to our board of directors Corporate Governance Guidelines that are applicable to us and oversees board of director and management evaluations. A copy of our Nominating and Governance Committee charter can be found on our website at www.exlservice.com.

Our Nominating and Governance Committee has a policy, reflected in such committee's charter, of considering director candidates recommended by our stockholders. Candidate recommendations should be sent to our Nominating and Governance Committee, c/o ExlService Holdings, Inc., 280 Park Avenue, 38th Floor, New York, New York 10017, Attention: Corporate Secretary. Our Nominating and Governance Committee evaluates all candidates in the same manner regardless of the source of the recommendation. Our Nominating and Governance Committee, in making its selection of director candidates, considers the appropriate skills and personal characteristics required in the light of the then-current makeup of our board of directors and in the context of our perceived needs at the time. The Nominating and Governance Committee considers a number of factors in selecting director candidates, including:

the ethical standards and integrity in personal and professional dealings of the candidate;

the independence of the candidate under legal, regulatory and other applicable standards;

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the diversity of our existing board of directors, so that we maintain a body of directors from diverse professional and personal backgrounds;

whether the skills and experience of the candidate will complement that of our existing board of directors;

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the number of other public company boards of directors on which the candidate serves or intends to serve, with the expectation that the candidate would not serve on the boards of directors of more than three other public companies;

the ability and willingness of the candidate to dedicate sufficient time, energy and attention to ensure the diligent performance of his or her board of directors' duties;

the ability of the candidate to read and understand fundamental financial statements and understand the use of financial ratios and information in evaluating our financial performance;

the willingness of the candidate to be accountable for his or her decisions as a director;

the ability of the candidate to provide wise and thoughtful counsel on a broad range of issues;

the ability and willingness of the candidate to interact with other directors in a manner that encourages responsible, open, challenging and inspired discussion;

whether the candidate has a history of achievements that reflects high standards;

the ability and willingness of the candidate to be committed to, and enthusiastic about, his or her performance for us as a director, both in absolute terms and relative to his or her peers;

whether the candidate possesses the courage to express views openly, even in the face of opposition;

the ability and willingness of the candidate to comply with the duties and responsibilities set forth in our Corporate Governance Guidelines and by-laws;

the ability and willingness of the candidate to comply with the duties of care, loyalty and confidentiality applicable to directors of publicly traded companies organized in our jurisdiction of incorporation;

the ability and willingness of the candidate to adhere to our Code of Conduct and Ethics, including, but not limited to, the policies on conflicts of interest expressed therein; and

such other attributes of the candidate and external factors as our board of directors deems appropriate.

Our Nominating and Governance Committee reviews written and oral information provided by and about candidates and considers any additional criteria it feels are appropriate to ensure that all director nominees possess appropriate skills and experience to serve as a member of our board of directors.

Although our Nominating and Governance Committee does not have a formal policy with regard to diversity of board members, pursuant to our Corporate Governance Guidelines, our board of directors seeks members from diverse professional and personal backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity. This assessment includes an individual's independence, as well as consideration of diversity, age, skills and experience in the context of the needs of the board of directors. Our Nominating and Governance

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Committee reviews and makes recommendations regarding the composition of our board of directors in order to ensure that the board has an appropriate breadth of expertise and its membership consists of persons with sufficiently diverse and independent skill sets and backgrounds.

The members of our Nominating and Governance Committee are appointed by our board of directors. During 2011, our Nominating and Governance Committee met two times. With the exception of Mr. Sawhney, each member of our Nominating and Governance Committee attended all of our Nominating and Governance Committee's meetings in 2011. Messrs. Dardani, Kelso, Sawhney, Staglin and Talwar are the current members of our Nominating and Governance Committee. Mr. Staglin is the chairman of our Nominating and Governance Committee. Our board of directors has determined that Messrs. Dardani, Kelso, Sawhney and Staglin meet the independence requirements of the Nasdaq Stock Market and the federal securities laws. Mr. Talwar does not meet these independence requirements. However, our board of directors has determined it to be in the best interests of the Company to have Mr. Talwar as a member of our Nominating and Governance Committee. As

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the co-founder and former CEO of the Company, and the former Executive Chairman of our board of directors, Mr. Talwar possesses extensive experience which affords him a unique perspective regarding corporate governance and management oversight of the Company. Accordingly, our board of directors determined that it was appropriate to appoint Mr. Talwar to the Nominating and Governance Committee pursuant to an exception under the Nasdaq Stock Market Rule 5605(e). Pursuant to the Nasdaq Stock Market Rule 5605(e), Mr. Talwar's term as a member of the Nominating and Governance Committee is limited to two years.

Compensation Committee. Our Compensation Committee reviews and recommends policies relating to compensation and benefits of our directors, officers and employees and is responsible for approving the compensation of our CEO and other executive officers. Our Compensation Committee also reviews, evaluates and makes recommendations to our board of directors with respect to our incentive compensation plans and equity-based plans and administers the issuance of awards under our equity incentive plans. Our Compensation Committee charter permits the committee to form and delegate authority to subcommittees when appropriate, provided that the subcommittees are composed entirely of directors who satisfy the applicable independence requirements of the Nasdaq Stock Market. Any such subcommittee must have a published committee charter. Our Compensation Committee charter also permits the committee to retain advisors, consultants or other professionals to assist the Compensation Committee to evaluate director, CEO or other senior executive compensation and to carry out its duties. During 2011, our Compensation Committee did not retain any such advisors, consultants or other professionals. Additional information regarding our Compensation Committee's processes and procedures for consideration for executive compensation are addressed in the Compensation Discussion and Analysis below. A copy of our Compensation Committee charter can be found on our website at www.exlservice.com.

The members of our Compensation Committee are appointed by our board of directors. All members of our Compensation Committee appointed after the formation of our Nominating and Governance Committee in September 2006 in connection with our initial public offering must also be recommended by our Nominating and Governance Committee. Messrs. Gruber, Karnik, Ostler and Staglin are the current members of our Compensation Committee. Mr. Gruber is the chairman of our Compensation Committee. Our board of directors has determined that Messrs. Gruber, Karnik, Ostler and Staglin meet the independence requirements of the Nasdaq Stock Market and the federal securities laws. During 2011, our Compensation Committee met six times. Each member of our Compensation Committee attended at least 75% of our Compensation Committee meetings in 2011.

Risk Oversight

Our board of directors provides risk oversight. Our management assists the board in identifying strategic and operating risks that could affect the achievement of our business goals and objectives, assessing the likelihood and potential impact of these risks and proposing courses of action to mitigate and/or respond to these risks. These risks are reviewed and discussed periodically with the full board of directors as part of the business and operating review.

Our management is responsible for management of our day-to-day risks, and, because we are exposed to financial risks in multiple areas of our business, day-to-day risk management activities and processes are performed by multiple members of our senior and other management. Our board of directors primarily relies on the Audit Committee for oversight of our risk management. The Audit Committee regularly reviews and discusses with management our major financial risk exposures and the steps management has taken to monitor, control and manage such exposures, including our risk assessment and risk management guidelines and policies. In addition, our management maintains, as part of our disclosure controls and procedures, a separate disclosure committee that, as part of its review of our quarterly and annual reports, helps facilitate understanding by the Audit Committee and our full board of directors of new or changing risks affecting us.

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Compensation Committee Interlocks and Insider Participation

Messrs. Gruber, Karnik, Ostler and Staglin are the members of our Compensation Committee.

During 2011, none of our executive officers served as a member of the board of directors or compensation committee of any entity that has one or more executive officers who serve on our board of directors or Compensation Committee.

Code of Conduct and Ethics; Corporate Governance Guidelines

In accordance with SEC rules, our board of directors has adopted a Code of Conduct and Ethics that is applicable to our directors, officers and employees and which outlines the high ethical standards that we support and details how our directors, officers and employees should conduct themselves when dealing with fellow employees, client, suppliers, competitors and the general public. A copy of our Code of Conduct and Ethics can be found on our website at www.exlservice.com.

Our board of directors has also adopted a set of Corporate Governance Guidelines to assist our board of directors in the exercise of its responsibilities. The Corporate Governance Guidelines reflect the commitment of our board of directors to monitor the effectiveness of policy and decision-making, both at the board and senior management levels, and to enhance stockholder value over the long term. A copy of our Corporate Governance Guidelines can be found on our website at www.exlservice.com.

Communications with the Board

Stockholders interested in contacting our board of directors, our Chairman or any individual director are invited to do so by writing to:

Board of Directors of ExlService Holdings, Inc.

c/o Corporate Secretary

ExlService Holdings, Inc.

280 Park Avenue, 38th Floor

New York, New York 10017

All other stockholder communications addressed to our board of directors will be referred to our Chairman and tracked by our Corporate Secretary. Stockholder communications specifically addressed to a particular director will be referred to that director.

Complaints and concerns relating to our accounting, internal accounting controls or auditing matters should be communicated to our Audit Committee, which consists solely of non-employee directors. Any such communication may be anonymous and may be reported to our Audit Committee through our General Counsel by writing to:

Audit Committee

ExlService Holdings, Inc.

280 Park Avenue, 38th Floor

New York, New York 10017

Attn: General Counsel

All such concerns will be reviewed under Audit Committee direction and oversight by our General Counsel, our Head of Internal Audit or such other persons as our Audit Committee determines to be appropriate. Confidentiality will be maintained to the fullest extent possible, consistent with the need to conduct an adequate review. Prompt and appropriate corrective action will be taken when and as warranted in the judgment of our Audit Committee. We prepare a periodic summary report of all such communications for our Audit Committee.

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Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who own more than 10% of a registered class of our equity securities, to file reports of ownership on Forms 3, 4 and 5 with the SEC. Officers, directors and greater than 10% stockholders are required to furnish us with copies of all Forms 3, 4 and 5 they file.

Based solely on our review of the copies of such forms we have received, we believe that, except as set forth in the following sentence, all of our officers, directors and greater than 10% stockholders complied with all Section 16(a) filing requirements applicable to them with respect to transactions during fiscal year 2011. Mr. Talwar filed one late report regarding one transaction.

Table of Contents**OUR EXECUTIVE OFFICERS**

The table below sets forth information regarding our executive officers.

Name	Age	Position
Rohit Kapoor	47	Vice Chairman and CEO
Mohan A.V.K.	46	Executive Vice President and Global Head of Human Resources
Pavan Bagai	50	President and Chief Operating Officer of the Company
Vikas Bhalla	40	Executive Vice President and Head of Outsourcing Services
William A. Bloom	48	President, Global Client Services
Vishal Chhibbar	44	Executive Vice President and CFO
Tyler (Doney) Largey	41	Executive Vice President and Global Head of Finance and Accounting
Amit Shashank	42	Executive Vice President, General Counsel, Chief Compliance Officer and Corporate Secretary of the Company
Rembert de Villa	55	Executive Vice President, Head of Insurance and Chief Strategy Officer

Biographical information for Rohit Kapoor can be found in Our Board of Directors above.

Mohan A.V.K. Age: 46 has served as our Executive Vice President and Global Head of Human Resources since March 2012. Prior to joining us, Mr. A.V.K. was Group President of Global Human Resources at Spice Group, a diversified conglomerate in India and south east Asia and was based in Singapore. Prior to joining Spice Group, Mr. A.V.K. held senior positions in human resources at BAT, Motorola, HP, Trilogy and Airtel, India's largest telecommunications operator.

Pavan Bagai Age: 50 has served as our President and Chief Operating Officer since April 2012, as our Chief Operating Officer from May 2008 to March 2012 and as Vice President, Head of Outsourcing Services of EXL India from June 2006 until April 2008. He previously served as Vice President, Research and Analytics of EXL India from December 2004 to May 2006, as Vice President, Operations of EXL India from November 2003 to November 2004 and as Vice President, Strategic Businesses of EXL India from July 2002 to November 2003. Prior to joining us, Mr. Bagai served in various capacities in several business areas at Bank of America beginning in 1985 in various markets across Asia and Europe, including India.

Vikas Bhalla Age: 40 has served as our Executive Vice President and Head of Outsourcing since April 2012, as our Head of Outsourcing since November 2009 and served as Vice President, Operations of EXL India from June 2006 to October 2009. He previously served as Vice President, Migrations, Quality and Process Excellence of EXL India from April 2002 to June 2006 and as Director, Quality Initiatives of EXL India from May 2001 to March 2002. From May 1998 to May 2001, Mr. Bhalla served in various capacities at General Electric, including as the Quality Leader and E-Business Leader for GE Plastics India.

William A. Bloom Age: 48 has served as our President, Global Client Services since April 2012 and as our Executive Vice President of Global Client Services from July 2010 to March 2012. Prior to joining us, Mr. Bloom was Executive Vice President of Insurance Operations and Technology at Travelers from July 2003 to July 2010. Prior to joining Travelers, Mr. Bloom was a Partner at Accenture and a Vice President at Hartford Life Insurance.

Vishal Chhibbar Age: 44 has served as our Executive Vice President and CFO since April 2012 and as our CFO since June 2009. He has over 22 years of professional experience in finance. Prior to joining us, Mr. Chhibbar was with GE Capital in various leadership roles. Since 2005, Mr. Chhibbar has served as the

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Regional Head, Group Financial Planning for Strategy and Treasury for GE Capital, Australia and New Zealand. In 2004 and 2005, Mr. Chhibbar was Chief Financial Officer for GE Capital, South Korea. From 1998 to 2004, Mr. Chhibbar was the Chief Financial Officer for GE Capital, Indonesia and Malaysia. Prior to GE Capital, Mr. Chhibbar has worked for American Express Bank and Xerox in India. Mr. Chhibbar is a chartered accountant and an associate member of CPA, Australia.

Tyler (Doney) Largey Age: 41 has served as our Executive Vice President and Global Head of Finance and Accounting since April 2012. Prior to joining us, Mr. Largey held various positions for the ACE Group, including Executive Vice President of Global Operations and Reengineering from March 2008 to April 2012, Senior Vice President of Global Reengineering from March 2005 to March 2008 and Senior Vice President of Global Financial Information from October 2001 to March 2005. Prior to joining ACE, Mr. Largey held consulting, finance and auditing roles at PricewaterhouseCoopers, Personnel Group of America and Arthur Andersen, respectively. Mr. Largey is a Certified Public Accountant.

Amit Shashank Age: 42 has served as our Executive Vice President and General Counsel since April 2012, as our General Counsel since June 2004 and as our Chief Compliance Officer since January 2010. Mr. Shashank also serves as Corporate Secretary of the Company. Prior to joining us, Mr. Shashank was an attorney with the law firm of Shearman & Sterling LLP from January 1997 until June 2004.

Rembert de Villa Age: 55 has served as our Executive Vice President, Head of Insurance and Chief Strategy Officer since April 2012, as our Global Head of Client Management and Chief Strategy Officer since September 2010 and as our Managing Principal and Head of Transformation Services from April 2008 to August 2010. Prior to joining us, Mr. de Villa served as Global Practice Leader, Strategic Services at MasterCard Advisors from December 2005 through April 2008 and as Vice President and Financial Services Practice Leader for North America at Capgemini Ernst & Young from March 2003 to December 2005. Prior to this, he was a Partner at A.T. Kearney's Global Financial Institutions Group.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview

We believe that the long-term success of companies that provide outsourcing and transformation services globally is linked to their ability to recruit, train, motivate and retain employees at every level. There is significant competitive pressure in our industry for qualified managers with a track record of achievement. It is critical that we recruit, train, motivate and retain highly talented individuals at all levels of the organization who are committed to our core values of accountability, innovation, excellence, urgency, integrity and mutual respect. We believe that our executive compensation programs are integral to achieving this end.

Our Compensation Committee bases its executive compensation programs on the following objectives, which guide us in establishing all of our compensation programs:

Compensation should be based on the level of job responsibility, individual performance and our performance. As employees progress to higher levels in the organization, they are able to more directly affect our results and strategic initiatives, and therefore an increasing proportion of their pay should be linked to our performance and tied to creation of stockholder value. Our programs should deliver top-tier compensation in return for top-tier individual and company performance; conversely, where individual performance and/or our performance falls short of expectations, the programs should deliver lower-tier compensation. In addition, the objectives of pay-for-performance and retention must be balanced. Even in periods of temporary downturns in our performance, the programs should continue to ensure that successful, high-achieving employees remain motivated and committed.

Compensation should balance long-term focus that is linked to stockholder value as well as short-term financial objectives. Consistent with this philosophy, equity-based compensation should be higher for persons with higher levels of responsibility and greater influence on longer-term results, thereby making a significant portion of their total compensation dependent on long-term stock appreciation. In addition, compensation should focus management on achieving short-term performance goals in a manner that supports and ensures long-term success and profitability.

Compensation should reflect the value of the job in the marketplace. We compete for talent globally. In order to attract and retain a highly skilled work force, we must remain competitive with the pay of other employers who compete with us for talent in the relevant markets.

Compensation programs should be easy to understand. We believe that all aspects of executive compensation should be clearly, comprehensibly and promptly disclosed to employees in order to effectively motivate them. Employees need to easily understand how their efforts can affect their pay, both directly through individual performance accomplishments, and indirectly through contributing to our achievement of our strategic, financial and operational goals. We also believe that compensation for our employees should be administered uniformly across the company and should be administered with clear-cut objectives and performance metrics to eliminate the potential for individual supervisor bias.

Our Named Executive Officers

Our named executive officers in 2011 were: Rohit Kapoor, our Vice Chairman and CEO (previously our President and CEO); Vishal Chhibbar, our Executive Vice President and CFO (previously our CFO); Pavan Bagai, our President and Chief Operating Officer (previously our Chief Operating Officer); Rembert de Villa, our Executive Vice President, Head of Insurance and Healthcare and Chief Strategy Officer (previously our Global Head of Client Management); and William A. Bloom, our President, Global Client Services (previously our Executive Vice President and Chief Strategy Officer of Global Client Services). Each of the named executive officers was promoted to his current title effective April 16, 2012.

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Summary of Key Compensation Decisions in 2011

The following highlights the Compensation Committee's key compensation decisions in 2011. Our executive compensation program for 2011 generally followed the same program implemented in the prior fiscal year. At our 2010 Annual Meeting, approximately 99.4% of our shareholders approved (on a non-binding basis) the compensation of our named executive officers, as disclosed pursuant to the compensation disclosure rules of the SEC in our annual proxy statement for fiscal 2010. The Compensation Committee viewed the strong support from our shareholders as a sign that our compensation program for our named executive officers was designed and implemented to the satisfaction of the interests of our shareholders.

Performance Targets. In 2011, we exceeded two of our financial performance targets. We achieved revenues of \$360.5 million, which represented 100.5% of our revenues target and income before income taxes excluding amortization of acquisition-related intangibles and interest and other income (Adjusted EBITA) of \$50.4 million, which represented 116.9% of our Adjusted EBITA target. We believe that our success in exceeding the revenues and Adjusted EBITA targets was due in part to the efforts of our named executive officers, and we believe that the integrated compensation program we have in place for our named executive officers helped to motivate them to lead us to this achievement.

Base Salaries and Bonus Targets. In 2011, we implemented increases to the bonus targets as well as base salary increases for certain of our named executive officers. On April 1, 2011, Mr. Bagai's bonus target was increased from 50% to 75% and Mr. de Villa's bonus target was increased from 70% to 75%. Mr. Chhibbar's total annual fixed compensation was increased from \$273,018 to \$291,847. For our executives in India, total annual fixed compensation is determined and paid in Indian rupees and includes basic salary, and amounts available as a supplementary allowance, a leave travel allowance, a housing allowance, retirement benefits, an automobile allowance and a medical allowance.

Bonuses and Equity Incentives. In 2011, we modified the performance goals in connection with our bonus program and the relative weightages assigned to such goals and granted bonus awards under our annual bonus program. We granted stock options and restricted stock units to named executive officers in 2011.

Our Compensation Committee's Processes

Our Compensation Committee has established a number of processes to assist it in ensuring that our executive compensation programs are achieving their objectives. Among those are the following:

Assessment of Company Performance. Our Compensation Committee uses financial performance measures to determine a significant portion of the size of payouts under our bonus program. While our revenues and Adjusted EBITA targets focus employees on improving both top-line revenues and bottom-line earnings, our target for new annuity accounts (New Account Revenues) focuses employees on successfully establishing new strategic client relationships that are likely to make meaningful contributions to our future financial performance. No specific acquisition targets are set by our Compensation Committee for bonus determination purposes. Our performance measures are established by our Compensation Committee annually at the beginning of the year and are applied uniformly across the Company.

Our Compensation Committee established 2011 financial performance measures for us based on a weighting of 25% on revenues, 37.5% on New Account Revenues and 37.5% on Adjusted EBITA. Recognizing the importance of New Account Revenues to our future growth prospects, our Compensation Committee increased the weightage assigned to the New Account Revenues target and decreased the weightage assigned to the Adjusted EBITA target.

Our Compensation Committee also established 2011 financial performance measures for our business lines in connection with determining the incentive bonus for senior executives, whose incentive bonuses are tied partially to the financial performance of the relevant business lines. The financial

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performance measures for our business lines give equal weighting to revenues and gross margin percentage. In 2011, the incentive bonus for our vice presidents in the enabling or corporate groups was also partially based on the evaluation of the performance of their respective groups by all of our vice presidents. We generally pay bonuses at target when we achieve the established financial measures that are set forth in our annual operating plan. The incentive bonus for senior executives who have responsibility for our business lines is also tied to the financial or other performance of the business lines or groups headed by such executives. These measures reflect targets that are intended to be aggressive but attainable. The remainder of an individual's payout under our incentive bonus program is determined by individual performance. Following the practice established in 2010, our Compensation Committee determined that it would enhance executive retention and provide for greater executive share ownership and alignment with stockholders by paying approximately 90% of the bonuses in cash and by matching and then paying approximately 10% of the bonuses in the form of restricted stock units which would vest ratably over three years, subject to continued service. The Compensation Committee took into account the fact that the portion of the bonuses not paid in cash were subject to additional vesting (and thus remained at risk for one to three years), and determined that it was appropriate to double the amount of the restricted stock units granted in response to the additional period of risk they create.

Assessment of Individual Performance. Individual performance has a strong impact on the compensation of all employees, including our executive officers. The evaluation of an individual's performance determines a portion of the size of payouts under our incentive bonus program and also influences any changes in base salary. Early each year, our Nominating and Governance Committee meets separately by itself, with our Compensation Committee and with our CEO to set his performance objectives for the year. The performance objectives are initially proposed by our CEO and modified by our Nominating and Governance Committee based on the performance assessment conducted for the preceding year as well as for important priorities for the current year. Each agreed-upon objective is supplemented with key performance indicators. Our Nominating and Governance Committee's goal is to design key performance indicators that are objective and easily measurable. Midway through a given year and at the beginning of the following year, our Nominating and Governance Committee meets with our CEO to conduct a performance review based primarily on his achievement of the agreed-upon objectives as well as his contributions to our performance and other leadership accomplishments, which is shared with our Compensation Committee. After the end of year discussion, our Compensation Committee translates the numerical performance rating into a specific payout under our incentive bonus program and shares the payout information with our CEO, and at the same time our Nominating and Governance Committee shares the performance assessment with our CEO. Any changes in base salary may also be affected by our Nominating and Governance Committee's performance evaluation.

For our other named executive officers, our Compensation Committee receives a performance assessment and compensation recommendation from our CEO. The performance assessments are based on self-evaluations by our other named executive officers and subsequent performance appraisals conducted by our CEO in the presence of our Global Head of Human Resources. Our Compensation Committee reviews the performance assessments of these executives with our CEO based on the achievement of established objectives by each executive officer and his or her business line (if applicable), his or her contribution to our performance and other leadership accomplishments as well as on an evaluation of the executive officer's competence. In determining the numerical performance rating that translates into specific payouts under our incentive bonus program and also influences any changes in base salary, our Compensation Committee may also exercise its judgment based on our board of director's interactions with such executive officers.

Benchmarking and Use of Compensation Consultant. Our Compensation Committee reviews our executive compensation programs for executive officers relative to publicly available compensation data compiled directly for our Compensation Committee by our Global Head of Human Resources for

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a group of companies that provide business and technology services. Our Global Head of Human Resources prepares the information for our Compensation Committee based on input from Equilar, Inc., a compensation data provider that we have engaged for the sole purpose of providing such data. At the time that compensation decisions were made for our U.S.-based executive officers and other senior officers in 2011, our Compensation Committee reviewed the publicly available information for companies that provided similar services and that had similar market capitalizations or annual revenues. In addition, they considered companies that were located in the most relevant geographic area for each executive officer. Where compensation information was not publicly disclosed for a specific management position for companies that provide business and technology services, our Compensation Committee reviewed data corresponding to the most comparable position and also considered the comparative experience of executives. The list of companies against which we benchmarked the compensation of certain of our named executive officers in 2011 included the following companies:

Similar Business	Similar Business	Similar Business; Comparable Market Capitalization or Revenues
Cognizant Technology Solutions Corp.	Solera Holdings, Inc.	iGATE Corp.
Convergys Corporation	Sykes Enterprises Inc.	Virtusa Corp.
Firstsource	Syntel Inc.	
Genpact Ltd.	Teletech Holdings Inc.	
Sapient Corp.	WNS (Holdings) Ltd.	

For geographic areas (such as India) where we are not able to obtain reliable publicly available compensation data for our executive officers because such information is not legally required to be disclosed, our Global Head of Human Resources uses data from a variety of industry, private and informal sources.

Our Compensation Committee uses the data primarily to ensure that our executive compensation programs for executive officers are competitive. Our Compensation Committee adjusts individual executive compensation elements based on changes in job responsibilities of the executive, the performance of the executive or the combination of qualifications and skills that an executive uses to enhance our performance.

Total Compensation Review. Our Compensation Committee designs the categories and presentation of compensation information required to evaluate each executive's base pay, incentive bonus and equity incentives when changes in compensation are considered by our Compensation Committee and requests our Global Head of Human Resources to compile such information. Compensation decisions are designed to promote our fundamental business objectives and strategy. Our Compensation Committee periodically reviews related matters such as succession planning, changes in the scope of managerial responsibilities, evaluation of management performance and consideration of the business environment and considers such matters in making compensation decisions.

Each named executive officer and each of our other executive officers is party to an employment agreement or letter that sets forth the terms of his or her employment, including compensation. The employment agreements for our founder executive officers have fixed terms, but the employment letters for our other executive officers do not have fixed terms and are terminable by either the executive or us at will.

Components of Executive Compensation for 2011

For 2011, the compensation of executive officers consisted of the following five primary components:

base salaries or, in the case of our executive officers based in India, fixed compensation;

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incentive bonuses;

equity incentives of stock options and/or restricted stock units;

benefits and perquisites; and

severance benefits.

Base salaries and incentive bonuses are designed to reward annual achievements and be commensurate with the executive's scope of managerial responsibilities, demonstrated leadership abilities, and management experience and expertise. Our other elements of compensation focus on motivating and challenging the executive to achieve sustained and longer-term results. We generally do not adhere to rigid formulas or necessarily react to short-term changes in business performance in determining the amount and mix of compensation elements. However, we do rely on the formulaic achievement of our revenues, New Account Revenues and Adjusted EBITA targets in connection with determining a significant portion of the incentive bonuses for our executive officers and other members of management.

The periodic review of each executive's base pay, incentive bonus and equity incentives by our Compensation Committee is intended to maintain the appropriate pay mix for each executive officer based on his role and responsibility.

The following is a discussion of our Compensation Committee's considerations in establishing each of the compensation components for our executive officers.

Base Salary

Base salary is a fixed element of employees' annual cash compensation, the payment of which is not tied to our performance. We provide a competitive annual base salary to each of our named executive officers. This attracts and retains an appropriate caliber of talent for the position and provides a base wage that is not subject to our performance risk. We recognize that changes in the scope of managerial responsibilities could warrant increases before the scheduled review. Base salary determinations reflect the individual's experience, scope of managerial responsibilities, skill set and the market value of that skill set. In setting base salaries for 2011, our Compensation Committee considered the following factors:

Individual performance. As described above under "Our Compensation Committee's Processes," base salary increases take into account individual performance and competence assessments.

Market data specific to the executive's position, where applicable. As noted above, our Compensation Committee used certain geographical and market data to test for reasonableness and competitiveness of base salaries, but we also exercised subjective judgment based on the rapid growth of our industry and our view of our compensation objectives.

Consideration of the mix of overall compensation. Consistent with our compensation objectives, as employees progress to higher levels in the organization, a greater proportion of overall compensation is directly linked to our performance and stockholder value. Thus, for example, our CEO's overall compensation is more heavily weighted toward equity compensation than that of our other executive officers.

Incentive Bonus

We have established an annual incentive bonus program in order to align our executive officers' goals with our revenues and profitability objectives for the current year as well as encouraging the establishment of new strategic client relationships that would make meaningful contributions to our future financial performance. An incentive bonus program was approved by our Compensation Committee in early 2011 with respect to the incentive bonuses to be paid in 2012. This bonus program included the changes described above under "Our

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Compensation Committee's Processes beginning on page 16. Under the plan, bonus target amounts, expressed as a percentage of base salary or annual fixed compensation, are established for participants at the beginning of each year unless their employment agreements contain different terms. Funding of possible bonus payouts for the year are determined by our financial results for the year relative to predetermined performance measures, and may be increased or decreased depending upon the executive's individual performance against his or her performance goals. When our performance falls short of target, our aggregate funding of the annual cash bonus incentive pool declines, with no funding of the bonus pool for that parameter if we do not achieve a minimum threshold for the established financial performance objectives. At the end of the performance period, our Compensation Committee has discretion to adjust an award payout from the amount yielded by the formula. For 2011, our Compensation Committee did not adjust an award payout for any named executive officer. Our Compensation Committee considered the following when establishing the awards for 2011:

Bonus Targets. Bonus targets were based on job responsibilities and comparable market data. Our objective was to set bonus targets such that total annual cash compensation was within the broad middle range of market data and a substantial portion of that compensation was linked to our performance. Consistent with our executive compensation policy, individuals with greater job responsibilities had a greater proportion of their total compensation tied to our performance through the bonus plan. During 2011, executives who spent a greater portion of their time with clients and prospective clients, had bonus targets that were consistently increased to 75% of base salary. Thus, our Compensation Committee established the following bonus targets for 2011 (expressed as a percentage of base salary or annual fixed compensation) as well as maximum bonus targets for each named executive officer:

Name	Bonus Target	Bonus Maximum
Rohit Kapoor	75% of base salary	150% of base salary
Vishal Chhibbar	50% of annual fixed compensation	100% of annual fixed compensation
Pavan Bagai	75% of annual fixed compensation	150% of annual fixed compensation
Rembert de Villa	75% of base salary	150% of base salary
William A. Bloom	75% of base salary	150% of base salary

Our Performance Measures. For all employees whose incentive bonus is linked to our financial performance, including our named executive officers, our Compensation Committee revised the 2011 financial performance measures for us based on a weighting of 25% on revenues, 37.5% on New Account Revenues and 37.5% on Adjusted EBITA. Our Compensation Committee also set forth the 2011 financial performance measures for our business lines in connection with determining the incentive bonuses for employees, including senior executives, whose incentive bonuses are also tied partially to the financial performance of the relevant business lines. For 2011, the target bonus for our CEO and Mr. Bagai was 60% dependent on our financial performance and 40% dependent on individual performance. The target bonus for Mr. Chhibbar was 40% dependent on our financial performance, 40% dependent on individual performance and 20% dependent on the appraisal of the performance of the finance organization by all of our vice presidents. As a result of Mr. de Villa's designation as the Global Head of Client Management in September 2010, his target bonus was modified to become 30% dependent on our financial performance, 40% dependent on individual performance and 30% dependent on the financial performance (revenues and gross margin percentages) aggregated across all of our business lines. The target bonus for Mr. Bloom was 25% dependent on our financial performance and 75% dependent on individual performance.

The measures are also effective motivators because they are easy to track and clearly understood by employees. In 2011, payouts could have ranged from zero to 200% of target depending on our

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performance. Our Compensation Committee established the financial performance measures for revenues, New Account Revenues and Adjusted EBITA (and revenues and gross margin percentages for the outsourcing and transformation business lines) against which our executives performance is determined by applying the principles described above under Our Compensation Committee s Processes beginning on page 16.

Changes to Bonus Pool. For the revenues and Adjusted EBITA targets, the amount of bonus pool funding decreases by approximately 7% to 8%, for each 1% by which we miss our target (and there is no bonus pool funding in respect of the revenues target or the Adjusted EBITA target, as applicable, if we do not attain at least 90% of that performance criterion). For the New Account Revenues target, the amount of bonus pool funding decreases by approximately 7% to 8%, for each 3% by which we miss our target (and there is no bonus pool funding in respect of the New Account Revenues target if we do not attain at least 70% of the given performance criterion). For each additional 1% by which we exceed our revenues target, the bonus pool funding in respect of that criterion increases by 13% (with a maximum of 200% funding for that criterion if we equal or exceed 107.5% of the revenues target). For each additional 3% to 4% by which we exceed our New Account Revenues target, the bonus pool funding in respect of that criterion increases by approximately 5% to 8% (with a maximum of 200% funding for that criterion if we equal or exceed 150% of the New Account Revenues target). For each additional 1% by which we exceed our Adjusted EBITA target, the bonus pool funding in respect of that criterion increases on an increasing scale of approximately 5% to 9% (with a maximum of 200% funding for that criterion if we equal or exceed 115% of the Adjusted EBITA target).

Individual performance measures. These goals are designed to balance the attention of our named executive officers between the achievement of near term objectives that improve specific processes or performance metrics and long-term objectives for us. While some of the goals are subjective, certain other goals, such as client and employee satisfaction metrics, are capable of objective measurement.

For Mr. Kapoor, the 40% of target bonus dependent on individual performance is based significantly on the following performance measures: company leadership and operational accomplishments, development of new and strategic capabilities, advancement of strategic objectives and strengthening of our business development capabilities.

For Mr. Bagai, the 40% of target bonus dependent on individual performance is based on the following performance measures: operational and financial metrics for the outsourcing and transformation business lines, integration of acquired businesses, fostering innovation and enabling practices and advancement of strategic objectives.

For Mr. de Villa, the 40% of target bonus dependent on individual performance is based on the following performance measures: financial metrics for the accounts managed by the client management organization, development of a robust corporate strategy, organizational leadership and advancement of strategic objectives.

For Mr. Chhibbar, the 40% of target bonus dependent on individual performance is based on the following performance measures: achievement of corporate financial targets, organic and inorganic growth, and profitability and strengthening finance department organization and operations.

For Mr. Bloom, the 75% of target bonus dependent on individual performance is based on the following performance measures: organizational leadership and operational accomplishments, development of new and strategic capabilities, advancement of strategic objectives and strengthening of our business development capabilities.

In establishing Mr. Kapoor s incentive bonuses for 2011, our Compensation Committee applied the principles described above under Our Compensation Committee s Processes beginning on page 16. Our Nominating and Governance Committee assessed Mr. Kapoor s performance for 2011. They considered his accomplishment of objectives that had been established at the beginning of the year and our Nominating and Governance Committee s own assessment of his performance, including against the pre-established goals. They

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noted that under Mr. Kapoor's leadership, in 2011, we achieved revenues of \$360.5 million, which represented 100.5% of our revenues target and Adjusted EBITA of \$50.4 million, which represented 116.9% of our Adjusted EBITA target. As a result of our exceeding the predetermined financial targets, 106.1% of the bonus pool was funded in respect of the revenues target and 200.0% of the bonus pool was funded in respect of the Adjusted EBITA target. Our Compensation Committee determined that we did not achieve the minimum threshold of our New Account Revenues target and consequently did not fund the bonus pool in respect of this target. In light of the successful acquisition and integration of Business Process Outsourcing, Inc. (OPI) and Trumbull Services, LLC (Trumbull) and the closure of strategic client accounts, our Compensation Committee considered and approved Mr. Kapoor's recommendations for awarding a limited amount of discretionary bonuses to certain employees associated with such transactions, including our named executive officers.

Our Compensation Committee awarded an annual incentive bonus of \$450,000 to Mr. Kapoor. Mr. Kapoor received \$403,804 in cash and the remainder of his incentive bonus was paid in the form of restricted stock units. During 2011, our Nominating and Governance Committee increased the relative weightage assigned to the New Account Revenues target to focus Mr. Kapoor on entering into strategic client relationships with meaningful future financial potential. Fifteen percent of Mr. Kapoor's annual incentive bonus was based on our performance against the revenues target (earned at 106.1% of target as described above), 22.5% of the annual incentive bonus was based on our performance against the New Account Revenues target (earned at 0.0% of target as described above) and 22.5% of the annual cash bonus was based on our performance against the Adjusted EBITA target (earned at 200.0% of target as described above). The remainder of the incentive bonus was based on our Nominating and Governance Committee's evaluation of Mr. Kapoor's contributions in the strengthening of our operational and business development capabilities, leadership in the execution and integration of our acquisitions of OPI and Trumbull as well as development of strategic and other organizational capabilities. The total bonus for Mr. Kapoor was 120.0% of his target annual bonus.

Our CEO made performance assessments and compensation recommendations for our other named executive officers employed by us at the end of 2011, and our Compensation Committee approved the recommendations after reviewing similar considerations for such named executive officers. For Mr. Chhibbar, 10% of the annual incentive bonus was based on our performance against the revenues target (earned at 106.1% of target as described above), 15% of the annual incentive bonus was based on our performance against the New Account Revenues target (earned at 0.0% of target as described above) and 15% of the annual incentive bonus was based on our performance against the Adjusted EBITA target (earned at 200.0% of target as described above). Forty percent of Mr. Chhibbar's annual incentive bonus was based on our Compensation Committee's evaluation of Mr. Chhibbar's performance against his individual performance measures and 20% was based on the appraisal of the performance of the finance organization by all of our vice presidents. Our Compensation Committee noted Mr. Chhibbar's role in strengthening the finance department's personnel and procedures, contributions relating to the acquisition and integration of the OPI and Trumbull acquisitions and effectively engaging with investors and the broader investment community. As a result, the total bonus for Mr. Chhibbar was 135.5% of his target annual bonus.

For Mr. Bagai, 15% of the annual incentive bonus was based on our performance against the revenues target (earned at 106.1% of target as described above), 22.5% of the annual incentive bonus was based on our performance against the New Account Revenues target (earned at 0.0% of target as described above) and 22.5% of the annual cash bonus was based on our performance against the Adjusted EBITA target (earned at 200.0% of target as described above). Forty percent of Mr. Bagai's annual incentive bonus was based on our Compensation Committee's evaluation of Mr. Bagai's performance against his individual performance measures. Our Compensation Committee recognized and gave weight to Mr. Bagai's individual goal achievements, including the superior business and financial performance of our outsourcing and transformation businesses under his leadership, his role in the integration of the OPI and Trumbull acquisitions, his contribution to increased employee and client satisfaction measures and attrition management. As a result, the total annual bonus for Mr. Bagai was 119.2% of his target annual bonus.

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In the case of Mr. de Villa, 7.5% of the annual incentive bonus was based on our performance against the revenues target (earned at 106.1% of target as described above), 11.25% of the annual incentive bonus was based on our performance against the New Account Revenues target (earned at 0.0% of target as described above) and 11.25% of the annual incentive bonus was based on our performance against the Adjusted EBITA target (earned at 200.0% of target as described above). Fifteen percent of Mr. de Villa's annual incentive bonus was based on the revenues aggregated across all of our business lines (which portion was earned at 77.9% of target based on 2011 performance), 15% was based on the gross margin percentage aggregated across all of our business lines (which portion was earned at 130.6% of target based on 2011 performance), and the remainder of the annual cash bonus was based on our Compensation Committee's evaluation of his performance against his individual performance measures. Our Compensation Committee recognized and gave weight to Mr. de Villa's executive sponsorship of our Philippines operations and certain strategic client operations, development of our corporate strategy and leadership on enterprise-wide business initiatives. As a result, the total bonus for Mr. de Villa was 119.4% of his target bonus for 2011.

In the case of Mr. Bloom, 6.25% of the annual incentive bonus was based on our performance against the revenues target (earned at 106.1% of target as described above), 9.375% of the annual incentive bonus was based on our performance against the New Account Revenues target (earned at 0.0% of target as described above) and 9.375% of the annual incentive bonus was based on our performance against the Adjusted EBITA target (earned at 200.0% of target as described above). Our Compensation Committee recognized and gave weight to Mr. Bloom's role in strengthening the global client services organization, successful development of strategic objectives and leadership on enterprise-wide cultural and client-oriented initiatives. As a result, the total bonus for Mr. Bloom was 120.0% of his target bonus for 2011.

Bonuses were paid to our named executive officers in March 2012. The following table sets forth the incentive bonus earned by each of our named executive officers. The amounts set forth in the table below represent the full amount of the incentive bonus earned and details the amounts paid in cash and paid as restricted stock units, which are as follows:

Name	Total 2011 Incentive Bonus (\$)	Amount of Incentive Bonus Paid in	Amount of Incentive Bonus Paid in	Number of Restricted Stock Units Granted (#)
		Cash (\$)	Restricted Stock Units (\$)	
Rohit Kapoor	450,000	403,804	92,392	3,730
Vishal Chhibbar	214,286	193,727	41,118	1,660
Pavan Bagai	301,020	270,677	60,687	2,450
Rembert de Villa	325,000	292,180	65,641	2,650
William A. Bloom	450,000	403,804	92,392	3,730

The number of restricted stock units granted was determined using a per share fair market value of \$24.77 on February 6, 2012, and in the case of Messrs. Chhibbar and Bagai, a conversion rate of 49.00 rupees to \$1.00, the rupee to U.S. dollar exchange rate in effect on February 6, 2012. The restricted stock units vest ratably over three years on each anniversary of the grant date.

Equity Incentives

Our named executive officers have the chance to earn long-term equity incentive awards. Long-term incentive awards provide employees with the incentive to stay with us for longer periods of time, which in turn, provides us with greater stability as we grow. These incentives foster the long-term perspective necessary for continued success in our business because the value of the awards is directly linked to long-term stock price performance, and they ensure that our executive officers are properly focused on stockholder value.

In 2011, we granted stock options and restricted stock units to certain of our employees under our 2006 Omnibus Award Plan, which we refer to as our 2006 Plan.

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Stock Options

Stock options align employee incentives with stockholders because options have value only if the stock price increases over time. Our ten-year options under our 2006 Plan are granted at the average of the high and low price on the trading day immediately prior to the date of grant. Stock options granted under our 2006 Plan generally vest over a four-year period with 10% vesting on the first anniversary of the date of grant, an additional 20% vesting on the second anniversary of the grant date, an additional 30% vesting on the third anniversary of the grant date and the remaining 40% vesting on the fourth anniversary of the grant date what we call Standard Graded Vesting. Our Compensation Committee has, on occasion, altered the vesting cycle based on unique circumstances associated with a particular grant. For example, such occasions have arisen where there has been a delay in the finalization of an employee's employment agreement or where we determined that it was appropriate to credit an employee for service performed by such executive prior to our Compensation Committee's approval of such grant. The four-year vesting period helps focus employees on long-term growth and helps to retain key employees. Our 2006 Plan prohibits the repricing of stock options under our 2006 Plan without the approval of our stockholders.

Our Compensation Committee considered the following when making 2011 option grants:

Grant Size. In determining the number of options to be granted to senior executive officers, our Compensation Committee takes into account the individual's position, scope of managerial responsibility, ability to affect profits and stockholder value, the individual's historic and recent performance, the value of stock options in relation to other elements of total compensation and total compensation amounts paid by peer group companies.

Grant Timing and Price. Our Compensation Committee's procedure for the timing of equity grants (stock options, restricted stock, restricted stock units or any other form of equity award permitted under our 2006 Plan) ensures that grant timing is not being manipulated to result in a price that is favorable to employees. The annual equity grant date for all eligible employees, including executive officers, is generally in and around the first quarter of each year (depending on when our Compensation Committee holds its pre-scheduled meeting or meetings discussed above). The grant date timing coincides with our calendar year-based performance management cycle, allowing supervisors to deliver the equity awards close in time to certain aspects of individual performance appraisals, which increases the impact of the awards by strengthening the link between pay and performance. However, some exceptions to the annual grant date are expected. Exceptions to the annual equity grant date occur periodically for matters such as new hires of executive officers. The primary annual grant date is established by our Compensation Committee well in advance typically in the calendar year prior to our Compensation Committee meeting and on the same date as the meetings of our board of directors and other committees. Scheduling decisions of our Compensation Committee meetings are made without regard to our anticipated earnings or other major announcements.

Grants for new hires are generally made at the next scheduled Compensation Committee meeting after the joining date of such hire.

On February 3, 2011 we approved a grant of 97,500 stock options to Mr. Kapoor, 25% of which vest on each of the four anniversaries of the grant date. On the same date, we approved grants of 11,050, 32,500, 11,050 and 32,500 stock options to Mr. Chhibbar, Mr. Bagai, Mr. de Villa and Mr. Bloom, respectively, with Standard Graded Vesting on each anniversary of the grant date. Each stock option had a per share exercise price of \$19.76.

Restricted Stock Units

Restricted stock unit awards offer executives the opportunity to receive shares of our common stock on the date that the restrictions lapse and serve both to reward and retain executives since the value of the restricted stock unit awards are linked to the price of our stock on the date that the restriction lapses. In addition, restricted stock unit awards are potentially less dilutive to stockholders' equity since restricted stock unit awards are full

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value awards, and our Compensation Committee can award fewer restricted stock unit awards than an equivalent value of stock options. As with stock options, restricted stock unit awards provide a significant degree of alignment of interests between our executive officers and stockholders. Restricted stock unit awards have only been issued under our 2006 Plan. We grant restricted stock units instead of restricted stock so that our executives in India do not receive the shares until they are taxed on the shares. We have extended this practice to all executives globally.

Grant values for individuals were determined based on individual performance and comparable market data. Consistent with our compensation philosophy, individuals at higher levels received a greater proportion of their total pay in the form of equity.

In 2011 we approved a grant of 37,500 shares of restricted stock units to Mr. Kapoor, 25% of which vested on February 3, 2012 and the remainder of which will vest in additional 25% increments on each anniversary of such date. On the same date, we approved grants of 4,250, 12,500, 4,250 and 12,500 shares of restricted stock units to Mr. Chhibbar, Mr. Bagai, Mr. de Villa and Mr. Bloom, respectively, with Standard Graded Vesting on each anniversary of the grant date.

Benefits and Perquisites

We offer employee benefits coverage in order to:

provide our global work force with a reasonable level of financial support in the event of illness or injury; and

enhance productivity and job satisfaction through programs that focus on work/life balance.

The benefits available for all U.S. employees and executive officers include customary medical and dental coverage, disability insurance and life insurance. In addition, our 401(k) Plan provides a reasonable level of retirement income reflecting employees' careers with us. A number of our U.S. employees, including our named executive officers, participate in these plans. The cost of employee benefits is partially borne by our employees, including our executive officers.

We generally do not provide significant perquisites or personal benefits to executive officers other than our CEO and our executive officers stationed in India. Our CEO is provided a limited number of perquisites whose primary purpose is to minimize distractions from his attention to our important initiatives and to be competitive. A discussion of the benefits provided to our CEO is provided under Employment Agreements beginning on page 29.

Severance Benefits

We are obligated to pay severance or other enhanced benefits to our named executive officers upon termination of their employment under the terms of their respective employment agreements that were negotiated through arms-length contract negotiations. A discussion of the severance and other enhanced benefits provided to our named executive officers currently employed by us is provided under Potential Payments Upon Termination or Change in Control at End of 2011 Fiscal Year beginning on page 35.

We have provided change-in-control severance protection for certain of our executive officers, including our named executive officers. Our Compensation Committee believes that such protection is intended to preserve employee morale and productivity and encourage retention in the face of the disruptive impact of an actual or rumored change in control. In addition, for executive officers, the program is intended to align executive officers' and stockholder interests by enabling executive officers to consider corporate transactions that are in the best interests of our stockholders and other constituents without undue concern over whether the transactions may jeopardize the executive officers' own employment.

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Senior executive officers, including our named executive officers, have enhanced levels of benefits based on their job level, seniority and probable loss of employment after a change in control. We also consider it likely that it will take more time for senior executive officers to find new employment.

Deductibility Cap on Executive Compensation

U.S. federal income tax law prohibits us from taking a tax deduction for certain compensation paid in excess of \$1,000,000 to our named executive officers. However, performance-based compensation, as defined in the tax law, is fully deductible if the programs are approved by stockholders and meet other requirements. Our policy is to qualify our incentive compensation programs for full corporate deductibility to the extent feasible and consistent with our overall compensation goals as reflected in the summary compensation table below.

We have taken steps to qualify stock options and performance awards under the 2006 Plan for full deductibility as performance-based compensation. Our Compensation Committee may make payments that are not fully deductible if, in its judgment, such payments are necessary to achieve our compensation objectives and to protect stockholder interests.

Compensation Committee Report

The Compensation Committee of the board of directors of ExlService Holdings, Inc. has reviewed and discussed the Compensation Discussion and Analysis with our management and, based on such review and discussion, has recommended to the board of directors of ExlService Holdings, Inc. that the Compensation Discussion and Analysis be included in our Annual Report on Form 10-K, and our proxy statement relating to our 2011 Annual Meeting of Stockholders.

COMPENSATION COMMITTEE

Mr. Steven B. Gruber (Chairman)

Mr. Garen K. Staglin

Mr. Clyde W. Ostler

Mr. Kiran Karnik

Summary Compensation Table for Fiscal Year 2011

The following table sets forth information for compensation earned in fiscal years 2009, 2010 and 2011 by our named executive officers:

Name and Principal Position (1)	Year (b)	Salary (\$) (c)	Bonus (\$) (d)	Stock Awards (\$) (e) (5)	Option Awards (\$) (f) (5)	Non-equity Incentive Plan Compensation (\$) (g) (6)	Change in Pension Value and Non- qualified Deferred Compensation Earning (\$) (h)(7)	All Other Compensation (\$) (i)	Total (\$) (j)
Rohit Kapoor Vice Chairman & CEO	2011	500,000	49,051	832,884	850,427	354,753		87,476(8)	2,674,590
	2010	483,781		1,383,000		459,837			2,444,715
	2009	420,000				414,414			1,796,501
					863,032			118,097	
								99,055	
Vishal Chhibbar(2)	2011		39,007		96,382	154,720		57,706(9)	

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Executive Vice President and CFO	2010	226,410	26,864	124,686	420,500	200,832	7,740	63,655	706,649
	2009	243,415		184,400			6,657	94,187	698,959
						19,287	6,653		818,524
		151,033							
Pavan Bagai(3)	2011	243,914	15,841	294,226	283,476	254,837	5,228	67,142(10)	1,164,663
	2010	274,564		230,500			10,162		829,248
President and Chief Operating Officer	2009	224,719			204,050	234,553	12,419	79,469	701,693
						195,377		65,128	
Rembert de Villa	2011	362,950	15,378	148,990	78,191	276,802		54,634(11)	936,946
	2010	359,757		147,520		319,548			831,179
Executive Vice President, Head of Insurance and Healthcare and Chief Strategy Officer	2009	350,000			164,146	215,600		4,354	747,989
								18,243	
William A. Bloom	2011	500,000	31,375	340,465	283,476	372,429		32,745(12)	1,560,489
	2010	236,986	453,268(4)		1,732,177				2,451,483
President, Global Client Services								29,051	

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- (1) Our named executive officers were promoted to new titles, effective April 16, 2012. Mr. Kapoor currently serves as our Vice Chairman and CEO; previously he served as President and CEO. Mr. Chhibbar currently serves as Executive Vice President and CFO; previously he served as CFO. Mr. Bagai currently serves as President and Chief Operating Officer; previously he served as Chief Operating Officer. Mr. de Villa currently serves as Executive Vice President, Head of Insurance and Healthcare and Chief Strategy Officer; previously he served as Global Head of Client Management and Chief Strategy Officer. Mr. Bloom currently serves as President, Global Client Services; previously he served as Executive Vice President of Global Client Services.
- (2) The amounts in column (c) for Mr. Chhibbar include \$58,987 that was available as part of an automobile allowance, \$10,646 of leave travel allowance, \$282 that was available as a medical allowance and \$28,694 of a supplementary allowance, and which in each case Mr. Chhibbar elected to receive instead in cash.
- (3) The amounts in column (c) for Mr. Bagai include \$35,173 that was available as part of an automobile allowance, \$9,058 of leave travel allowance, \$282 that was available as a medical allowance and \$90,664 of a supplementary allowance, and which in each case Mr. Bagai elected to receive instead in cash.
- (4) Reflects the cash bonus paid for 2010 pursuant to Mr. Bloom's employment agreement.
- (5) The amounts in column (e) reflect the total grant date fair value of awards recognized for financial statement reporting purposes for the fiscal years ended December 31, 2009, 2010 and 2011, in accordance with FASB ASC Topic 718 (disregarding any forfeiture assumptions). Assumptions used in the calculation of these amounts are included (i) for 2011, in footnotes 2 and 14 to the audited financial statements for the fiscal year ended December 31, 2011 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 6, 2012; (ii) for 2010, in footnotes 2 and 13 to the audited financial statements for the fiscal year ended December 31, 2010 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 17, 2011; and (iii) for 2009, in footnotes 2 and 13 to the audited financial statements for the fiscal year ended December 31, 2009 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 16, 2010.
- (6) The amounts in column (g) reflect cash bonuses earned. For details of our cash bonus program, see Compensation Discussion and Analysis Incentive Bonus beginning on page 19.
- (7) Reflects the present value of accruals under our Indian Gratuity Plan. Information regarding our Gratuity Plan (including the assumptions used to calculate these amounts listed in column (h)) may be found under Pension Benefits For Fiscal Year 2011 beginning on page 34.
- (8) The amount shown in column (i) for Mr. Kapoor includes car payments, associated automobile insurance and registration costs, repair charges, driver's wages, and fuel and toll charges for an automobile in India and in the United States in the aggregate amount of \$36,162. Other items include employer contributions to our 401(k) plan, life insurance premiums, medical insurance premiums, automobile parking expenses, expenses while traveling out of the United States for work (including business class airfare), personal security protection in India, reimbursement for tax services, payment of a club membership, telephone costs and home internet costs.
- (9) The amount shown in column (i) for Mr. Chhibbar includes \$25,682 for a housing allowance, \$15,683 in contributions under an Indian provident plan which is required under Indian law, medical insurance premiums, automobile insurance, driver's wages and fuel, payments for expenses when travelling for work, and telephone costs. Information regarding the Indian provident plan may be found in Note 11 to the audited financial statements for the fiscal year ended December 31, 2011 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 6, 2012.
- (10) The amount shown in column (i) for Mr. Bagai includes \$40,670 for a housing allowance, \$13,048 in contributions under an Indian provident plan that is required under Indian law, medical insurance premiums, automobile insurance, driver's wages and fuel, payments for expenses when travelling for work, and telephone costs. Information regarding the Indian provident plan may be found in Note 11 to the audited financial statements for the fiscal year ended December 31, 2011 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 6, 2012.

(11)

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The amount shown in column (i) for Mr. de Villa includes \$50,000 for tuition for a senior executive educational program at Columbia Business School, as well as employer contributions to life insurance and medical insurance premiums.

(12) The amount shown in column (i) for Mr. Bloom includes \$11,090 for tax planning and legal fees, as well as employer contributions to our 401(k) plan, and life insurance and medical insurance premiums.

For this executive compensation disclosure, U.S. dollar figures have been converted from Indian rupees at a rate of 53.11 rupees to \$1.00, the rupee to U.S. dollar exchange rate in effect on December 29, 2011.

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The following table sets forth information concerning grants of stock and option awards and non-equity incentive plan awards granted to our named executive officers during fiscal year 2011:

Name	Grant Date	Thres-hold (\$)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)		All other Stock Awards: Number of Shares of Stock or Units (#)	All other Option Awards: Number of Securities Underlying Option (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Awards (\$)
			Target (\$)	Maximum (\$)				
(a)	(b)	(c)	(d)	(e)	(i)(5)	(j)(5)	(k)(6)	(l)
Rohit Kapoor	2/3/2011(1)		375,000	750,000				
	2/3/2011(2)				37,500			741,000
	2/3/2011(3)				4,650			91,884
	2/3/2011(4)					97,500	19.76	
Vishal Chhibbar	2/3/2011(1)		143,602	287,204				
	2/3/2011(2)				4,250			83,980
	2/3/2011(3)				2,060			40,706
	2/3/2011(4)					11,050	19.76	
Pavan Bagai	2/3/2011(1)		233,007	466,014				
	2/3/2011(2)				12,500			247,000
	2/3/2011(3)				2,390			47,226
	2/3/2011(4)					32,500	19.76	
Rembert de Villa	2/3/2011(1)		272,213	544,425				
	2/3/2011(2)				4,250			83,980
	2/3/2011(3)				3,290			65,010
	2/3/2011(4)					11,050	19.76	
William A. Bloom	2/3/2011(1)		375,000	750,000				
	2/3/2011(2)				12,500			247,000
	2/3/2011(3)				4,730			93,465
	2/3/2011(4)					32,500	19.76	

(1) These amounts reflect the target and maximum cash bonuses set for 2011. For details of our cash bonus program, see Compensation Discussion and Analysis Incentive Bonus beginning on page 19.

(2) Represents annual awards of restricted stock units granted under the 2006 Plan, subject to the vesting set forth in footnote 5.

(3) Represents bonus-related restricted stock units granted under the 2006 Plan, subject to the vesting set forth in footnote 5.

(4) Represents options granted under the 2006 Plan, subject to the vesting set forth in footnote 5.

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- (5) The vesting schedules of the stock and option grants mentioned in the table are as follows (subject to continued employment through each applicable vesting date):

Name	Grant Date	Vesting Start Date	Vesting Schedule
Rohit Kapoor	2/3/2011	2/3/2011	<i>Option</i> : Vesting over 4 years 25% each year
	2/3/2011	2/3/2011	<i>Restricted Stock Units</i> (Annual Award): Vesting over 4 years 25% each year
	2/3/2011	2/3/2011	<i>Restricted Stock Units</i> (Bonus-Related): Vesting over 3 years 33.33% each year
Vishal Chhibbar	2/3/2011	2/3/2011	<i>Option</i> : Vesting over 4 years 10%, 20%, 30% and 40%
	2/3/2011	2/3/2011	<i>Restricted Stock Units</i> (Annual Award): Vesting over 4 years 10%, 20%, 30% and 40%
	2/3/2011	2/3/2011	<i>Restricted Stock Units</i> (Bonus-Related): Vesting over 3 years 33.33% each year
Pavan Bagai	2/3/2011	2/3/2011	<i>Option</i> : Vesting over 4 years 10%, 20%, 30% and 40%
	2/3/2011	2/3/2011	<i>Restricted Stock Units</i> (Annual Award): Vesting over 4 years 10%, 20%, 30% and 40%
	2/3/2011	2/3/2011	<i>Restricted Stock Units</i> (Bonus-Related): Vesting over 3 years 33.33% each year
Rembert de Villa	2/3/2011	2/3/2011	<i>Option</i> : Vesting over 4 years 10%, 20%, 30% and 40%
	2/3/2011	2/3/2011	<i>Restricted Stock Units</i> (Annual Award): Vesting over 4 years 10%, 20%, 30% and 40%
	2/3/2011	2/3/2011	<i>Restricted Stock Units</i> (Bonus-Related): Vesting over 3 years 33.33% each year
William A. Bloom	2/3/2011	2/3/2011	<i>Option</i> : Vesting over 4 years 10%, 20%, 30% and 40%
	2/3/2011	2/3/2011	<i>Restricted Stock Units</i> (Annual Award): Vesting over 4 years 10%, 20%, 30% and 40%
	2/3/2011	2/3/2011	<i>Restricted Stock Units</i> (Bonus-Related): Vesting over 3 years 33.33% each year

- (6) The exercise price of options granted was set equal to the average of the high and low sales prices of our common stock on the trading day immediately preceding the date of grant. The closing price on February 3, 2011 was \$19.89.

Employment Agreements*Rohit Kapoor*

Mr. Kapoor serves as our Vice Chairman and CEO, and is based at our executive offices in New York, New York.

We entered into an employment agreement with Mr. Kapoor, effective September 30, 2006, which has been amended from time to time. Mr. Kapoor's agreement will be automatically extended for successive 12-month periods at the end of any fixed term unless either party provides the other with 120 days' notice of its desire not to extend the agreement.

Salary and Bonus. Mr. Kapoor receives an annual salary of \$500,000. Mr. Kapoor's base salary can be increased at our sole discretion and cannot be decreased unless a company-wide decrease in pay is implemented. His base salary must not be less than the base salary of any other employee of the Company subject to Section 16 of the Securities Exchange Act of 1934, other than those who become employed by the Company by means of an acquisition of a corporation or business and become employees of the Company subject to a preexisting employment arrangement. Mr. Kapoor's employment agreement provides that he can earn an annual cash bonus, with a target of 75% of base salary and a maximum of 150% of base salary, based upon the attainment of criteria determined by our Compensation Committee.

Equity Grants. Mr. Kapoor remains eligible to receive stock options and/or restricted stock awards annually during the term, in amounts and forms we determine. Any stock options will be granted with an exercise price equal to the fair market value of our common stock at the time of grant. Any future stock option or restricted stock unit awards will vest 25% per year over four years.

Benefits. Mr. Kapoor is eligible to participate in all employee benefit plans we provide to senior executives and employees generally.

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If we require Mr. Kapoor to relocate, we will pay the relocation costs. We will reimburse the executive for the after-tax cost of maintaining his existing home. He will need to use his best efforts to mitigate our cost by either renting or selling his home.

Personal Benefits.

We provide Mr. Kapoor with certain personal benefits, including:

certain club memberships;

furniture and equipment for a home office;

term life insurance policy with a face value of \$500,000;

education allowance for private school tuition for executive's children through secondary school during the period when the executive and his immediate family live outside the United States in connection with Company business;

once-a-year business class airfare between the United States and India (or India and the United States, as applicable) for the executive and his family;

reimbursement of additional taxes the executive must pay because he either works or lives in India or travels to India for work;

up to \$12,000 for personal tax and estate planning expenses during the term of the agreement;

four weeks' paid vacation each year;

expenses associated with maintaining an automobile in the United States (including up to \$1,400 per month for lease or loan payments for Mr. Kapoor);

up to \$12,000 per year for expenses associated with maintaining an automobile in India (including the cost of a driver);

personal security for the executive and his family while in India; and

\$150 per diem billeting allowance for each night that the executive does not stay in a hotel during travel to India on Company business, thereby saving us from incurring boarding and lodging expenses, while Mr. Kapoor resides in the United States.

Vishal Chhibbar

Mr. Chhibbar's annual fixed compensation was increased from \$273,018 to \$291,847, effective April 1, 2011. Mr. Chhibbar is eligible to receive a target bonus equal to 50% of his total annual fixed compensation. As is customary in India, where Mr. Chhibbar is based, annual fixed compensation includes a housing allowance and other allowances summarized under "Base Salaries" on page 19. Mr. Chhibbar is eligible to

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participate in the Company's pension benefit, health and welfare and fringe benefit plans otherwise available to executive employees stationed in India.

Pavan Bagai

Mr. Bagai's annual fixed compensation was not increased in 2011. As is customary in India, where Mr. Bagai is based, annual fixed compensation includes a housing allowance and other allowances summarized under "Base Salaries" on page 19. Mr. Bagai is eligible to participate in the Company's pension benefit, health and welfare and fringe benefit plans otherwise available to executive employees stationed in India. As of April 1, 2011, Mr. Bagai is eligible to receive a target bonus equal to 75% of his total annual fixed compensation.

Rembert de Villa

Mr. de Villa's base salary was not increased in 2011. As of April 1, 2011, Mr. de Villa is eligible to receive a target bonus of 75% of his annual base salary. Mr. de Villa is eligible to participate in our health, dental, vision, life insurance and disability plans and to participate in our 401(k) plan in accordance with its terms.

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William A. Bloom

We entered into an employment agreement with William A. Bloom on June 24, 2010, and he began serving as our Executive Vice President of Global Client Services on July 12, 2010. He currently serves as our President, Global Client Services. Mr. Bloom receives an annual base salary of \$500,000 and is eligible to receive a target bonus of 75% of his annual base salary. Mr. Bloom is eligible to participate in all employee benefit plans we provide to senior executives and employees generally.

Outstanding Equity Awards at Fiscal 2011 Year-End

The following table sets forth the equity awards we have made to our named executive officers that were outstanding as of December 31, 2011:

Name	Option Awards				Stock Awards		
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units That Have Not Vested (\$)
(a)	(b)(1)	(c)(1)	(d)	(e)	(f)	(g)(2)	(h)(3)
Rohit Kapoor	112,500	37,500		16.96	1/23/2018		
	98,200	98,200		8.75	2/10/2019		
	0	97,500		19.76	2/3/2021		
	150,000	0		11.88	7/26/2016		
						56,250	1,258,313
						37,500	838,875
						4,650	104,021
Vishal Chhibbar	19,350	70,000		9.59	6/1/2019		
	0	11,050		19.76	2/3/2021		
						9,000	201,330
						4,250	95,073
						2,060	46,082
Pavan Bagai	30,000	0		11.88	4/20/2016		
	7,500	17,500		8.75	2/10/2019		
	9,000	21,000		8.75	2/10/2019		
	0	32,500		19.76	2/3/2021		
						8,000	178,960
						11,250	251,663
						12,500	279,625
						2,390	53,464
Rembert de Villa	24,000	16,000		23.82	4/24/2018		
	7,500	17,500		8.75	2/10/2019		
	7,500	17,500		8.75	2/10/2019		
	0	11,050		19.76	2/3/2021		
						1,600	35,792
						7,200	161,064
						4,250	95,073
						3,290	73,597
William A. Bloom	25,000	225,000		17.18	7/12/2020		
	0	32,500		19.76	2/3/2021		
						12,500	279,625
						4,730	105,810

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(1) The stock option awards in this table became or will become exercisable as shown in the following table:

Option

Expiration Date (mm/dd/yyyy)	Exercise Schedule
4/20/2016	100% of the award became exercisable on April 20, 2010.
7/26/2016	100% of the award became exercisable on July 26, 2010.
1/23/2018	25% of the options became exercisable on each of January 23, 2009, January 23, 2010, and January 23, 2011. The remaining 25% of the options will become exercisable on January 23, 2012.
4/24/2018	10% of the options vested on April 24, 2009, an additional 20% of the options vested on April 24, 2010, an additional 30% of the options vested on April 24, 2011, and the remaining 40% of the options will vest on April 24, 2012.
2/10/2019	For Mr. Kapoor, 25% of his options vested on each of February 10, 2010, and February 10, 2011. The remaining options will vest 25% on each of February 10, 2012, and February 10, 2013. Options granted to the named executive officers other than Mr. Kapoor vested as to 10% on February 10, 2010, and an additional 20% of the options vested on February 10, 2011. An additional 30% of the options will vest on February 10, 2012, and the remaining 40% of the options will vest on February 10, 2013.
6/1/2019	10% of the options vested on June 1, 2010, and an additional 20% of the options vested on June 1, 2011. An additional 30% of the options will vest on June 1, 2012, and the remaining 40% of the options will vest on June 1, 2013.
7/12/2020	10% of the options vested on July 12, 2011. An additional 20% of the options will vest on July 12, 2012, an additional 30% of the options will vest on July 12, 2013, and the remaining 40% of the options will vest on July 12, 2014.
2/3/2021	For Mr. Kapoor, 25% of his options will vest on each of February 3, 2012, February 3, 2013, February 3, 2014, and February 3, 2015. Options granted to the named executive officers other than Mr. Kapoor will vest 10% on February 3, 2012, an additional 20% of the options will vest on February 3, 2013, an additional 30% of the options will vest on February 3, 2014 and the remaining 40% of the options will vest on February 3, 2015.

(2) The restricted stock unit awards in this table convert to shares, and the restricted stock awards vest, as shown in the following table:

Name	# of Units	Conversion Schedule
Rohit Kapoor	56,250	25% of the restricted stock units vested on February 4, 2011. 25% of the restricted stock units will vest on each of February 4, 2012, February 4, 2013 and February 4, 2014.
	37,500	25% of the restricted stock units will vest on each of February 3, 2012, February 3, 2013, February 3, 2014 and February 3, 2015.
	4,650	33% of the restricted stock units will vest on each of February 3, 2012, February 3, 2013, and February 3, 2014.
Vishal Chhibbar	9,000	10% of the restricted stock units vested on February 4, 2011. An additional 20% of the restricted stock units will vest on February 4, 2012, an additional 30% of the restricted stock units will vest on February 4, 2013 and the remaining 40% of the restricted stock units will vest on February 4, 2014.
	4,250	10% of the restricted stock units will vest on February 3, 2012, an additional 20% of the restricted stock units will vest on February 3, 2013, an additional 30% of the restricted stock units will vest on February 3, 2014 and the remaining 40% of the restricted stock units will vest on February 3, 2015.
	2,060	33% of the restricted stock units will vest on each of February 3, 2012, February 3, 2013, and February 3, 2014.

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Name	# of Units	Conversion Schedule				
Pavan Bagai	8,000	10% of the restricted stock award vested on April 24, 2009, an additional 20% of the restricted stock award vested on April 24, 2010, and an additional 30% of the restricted stock award vested on April 24, 2011. The remaining 40% of the restricted stock award will vest on April 24, 2012.				
Liability						
Credit contracts	Other investments, net		\$58	\$(35)	\$307	\$(264)
Equity contracts	Other investments, net		1	—	—	(1)
Foreign exchange contracts	Receivables for securities sold, Payables for securities purchased *		4	(5)	996	(1,126)
Interest rate contracts	Other investments, net		16	—	7	(25)
Total fair value of derivative instruments			\$79	\$(40)	\$1,310	\$(1,416)

*Forward contracts are presented gross (buy side of the contract as a receivable, sell side of the contract as a payable) in the net assets of the Master Trust. The above table shows the net position of each forward contract as an asset or liability.

The effect of derivatives on the Net investment income (loss) of the Master Trust is as follows:

(in thousands of dollars)		Year ended December 31, 2012	Year ended December 31, 2011
Undesignated Contracts	Master Trust Classification	Income (loss) on Derivatives	Income (loss) on Derivatives
Credit contracts	Other investments, net	\$27	\$(47)
Equity contracts	Other investments, net	9,554	(1,312)
Foreign exchange contracts	Other investments, net	(231)	(592)
Interest rate contracts	Other investments, net	(806)	(3,222)
Total income (loss) of derivative instruments		\$8,544	\$(5,173)

The investment managers continually monitor their positions with, and the credit quality of, the major financial institutions which are counterparties to their financial instruments, and do not anticipate nonperformance by these counterparties. To mitigate the credit risk of certain derivative financial instruments, investment managers may use International Swaps and Derivatives Association (ISDA) agreements with the counterparties. These agreements include provisions that permit netting exposures within similar derivative types and posting collateral if required.

5. Parties-in-Interest

The Trustee is authorized, under contract provisions and by exemption under 29 CFR 408(b) of ERISA regulations, to invest in securities under its control and in securities of the Company.

The investment options available to the participants as summarized in Note 3 include the Caterpillar Stock Fund. The Master Trust also invests in the U.S. Equity Broad Index Fund, International Broad Index Fund, and Bond Index Fund, which are sponsored and managed by The Northern Trust Company, the Trustee for the Master Trust. The Northern Trust Company also manages the cash equitization portion of each of the investment options for liquidity purposes. The custodian of the funds invested in the participant brokerage account is Hewitt Financial Services, a subsidiary of Aon Hewitt which currently provides third party administrative and other plan-related services to the Plan. These transactions, as well as participant loans, qualify as exempt party-in-interest transactions.

6. Reconciliation of Financial Statements to Form 5500

The following table reconciles the net assets available for benefits per the audited financial statements to the Form 5500 Annual Report:

(in thousands of dollars)	2012	2011
Net assets available for benefits per financial statements	\$3,948,383	\$3,496,308
Certain deemed distributions of participant loans	(5,054) (4,533
Adjustment from contract value to fair value for fully benefit-responsive synthetic guaranteed investment contracts	11,289	—
Net assets per Form 5500	\$3,954,618	\$3,491,775

The following table reconciles the net investment income (loss) per the audited financial statements to the Form 5500 Annual Report:

(in thousands of dollars)	2012	2011
Plan interest in net investment income (loss) of the Master Trust per financial statements	\$218,021	\$(20,025
Adjustment from contract value to fair value for fully benefit-responsive synthetic guaranteed investment contracts	11,289	—
Net investment income (loss) of the Master Trust per Form 5500	\$229,310	\$(20,025

Supplemental Schedule

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Caterpillar 401(k) Retirement Plan

EIN 37-0602744

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)

December 31, 2012

(a)	(b)	(c)	(d)	(e)
	Identity of issue, borrower, lessor or similar party	Description of investment, including maturity date, rate of interest, collateral, par or maturity value	Cost	Current value
*	Plan's interest in the Caterpillar Investment Trust	Master Trust – at fair value	**	\$3,726,295,839
*	Plan's interest in the Caterpillar Investment Trust	Master Trust – adjustment from fair value to contract value for fully benefit-responsive synthetic guaranteed investment contracts	**	(11,289,543)
*	Hewitt Financial Services	Participant directed brokerage account	**	79,420,441
*	Participant notes receivable	Participant loans (various maturity dates through September 30, 2022, various interest rates ranging from 3.25% to 11.30%)	—	74,160,523
		Total Investments		\$3,868,587,260

* Denotes party in interest.

** Cost information is not applicable for participant directed investments.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

CATERPILLAR 401(K) RETIREMENT PLAN

June 28, 2013

By: /s/Paul J. Gaeto
Name: Paul J. Gaeto
Title: Plan Administrator

EXHIBIT INDEX

Exhibit No.	Description
23.1	Consent of Independent Registered Public Accounting Firm