

Firstsource Solutions Limited

Q2 FY2016 Earnings Update

October 29, 2015

Disclaimer

Certain statements in this presentation concerning our future growth prospects are forward-looking statements, which involve a number of risks, and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition in BPO services including those factors which may affect our cost advantage, wage increases, our ability to attract and retain highly skilled professional, time and cost overruns on client contracts, client concentration, our ability to manage ramp-ups and growth, our ability to manage our international operations, reduced demand in our key focus verticals, disruptions in telecom infrastructure and technology, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, performance of our subsidiaries, withdrawal of government fiscal incentives, political instability, legal restrictions on raising capital and acquiring companies outside India, unauthorized use of our intellectual property and general economic conditions affecting our industry. Firstsource may, from time to time, make additional written and oral forward-looking statements, including our reports to shareholders. The company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the company.

Agenda

01 | Performance Highlights

02 | Financial Performance

03 | Business Outlook



Q2 FY2016 Highlights

Q2 FY2016 Performance Analysis

- **Operating revenue**

- Q2 FY16 Revenues at INR 792.5 crore compared to INR 774.0 crore in Q2 FY15 and INR 746.9 crore in Q1 FY16
- Q-o-Q growth of 6.1% in INR terms and growth of 3.2% in constant currency terms
- Y-o-Y growth of 2.4% in INR terms and largely flat in constant currency terms

- **Operating EBIT**

- Q2 FY16 operating EBIT at INR 80.1 crore compared to INR 77.1 crore in Q2 FY15 and INR 72.5 crore in Q1 FY16
- Q-o-Q growth of 10.5% while margins expansion by 40 bps from 9.7% to 10.1%
- Y-o-Y growth of 3.9%, margin expansion by 10 bps from 10.0% to 10.1%

- **PAT**

- Q2 FY16 PAT at INR 61.9 crore compared to INR 61.2 crore in Q2 FY15 and INR 56.4 crore in Q1 FY16
- Q-o-Q growth of 9.6%, margin expansion of 25 bps from 7.55% to 7.8%
- Y-o-Y growth of 1.1%, margin reduction by 10 bps, from 7.9% to 7.8%



Q2 FY2016 Highlights (1/2)



Cash and Debt Position

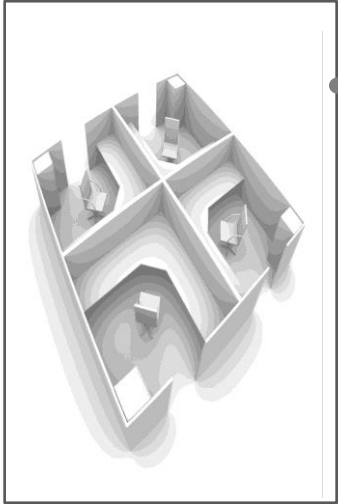
- **Cash and cash equivalents** of INR 172.3 crore as of September 30, 2015 as compared to INR 194.6 crore in previous quarter
 - Repayment of principal installment of \$ 11.25 million on September 30, 2015
 - Capex spend in Q2 FY16 of INR 15.5 crore
- **Net Long-term net debt at \$105 Mn**



Foreign Exchange Hedges

- **Outstanding FX hedges at \$37 million for USD and £87 million for GBP**
 - **Next 12 months:** 86% coverage for USD at INR 68.2 levels, 85% coverage for GBP at INR 113.1 levels, 38% coverage for GBP at PHP 73.1 levels and 24% coverage for USD at PHP 46.8 levels
 - **Next 12 – 24 months:** 45% coverage for USD rates at INR 70.9 levels and 78% coverage for GBP at INR 112.4 levels

Q2 FY2016 Highlights (2/2)



Employee Strength, Seat Capacity And Utilization

- **23,658 employees as on September, 2015; Seat capacity of 23,159 seats worldwide**
 - 46 delivery centers as on September 30, 2015, same as on June 30, 2015
 - 14,135 employees in India and 9,523 employees based outside India, net reduction of 281 employees in Q2FY16
 - Seat fill factor at 66.6% as on September 30, 2015, compared to 68.4% as on June 30, 2015



Attrition

- **Offshore (India and Philippines)** – 44.9% compared to 50.3% in Q1 FY16
- **Onshore (US and Europe)** – 48.9% compared to 46.4 in Q1 FY16
- **Domestic (India and Sri Lanka)** – 76.0% compared to 95.7% in Q1 FY16

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01 | Performance Highlights

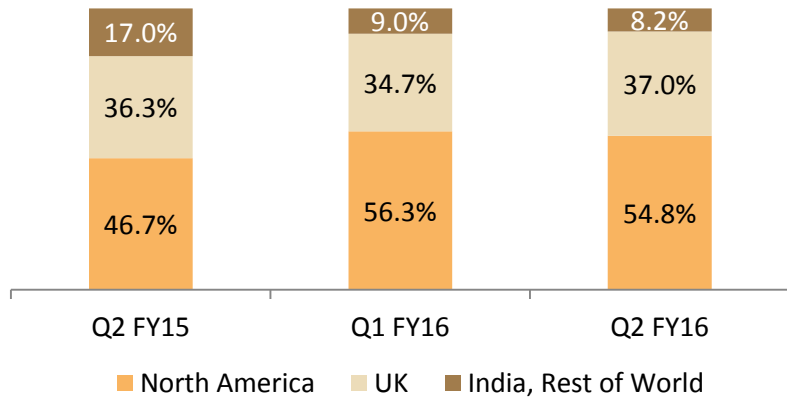
02 | **Financial Performance**

03 | Business Outlook

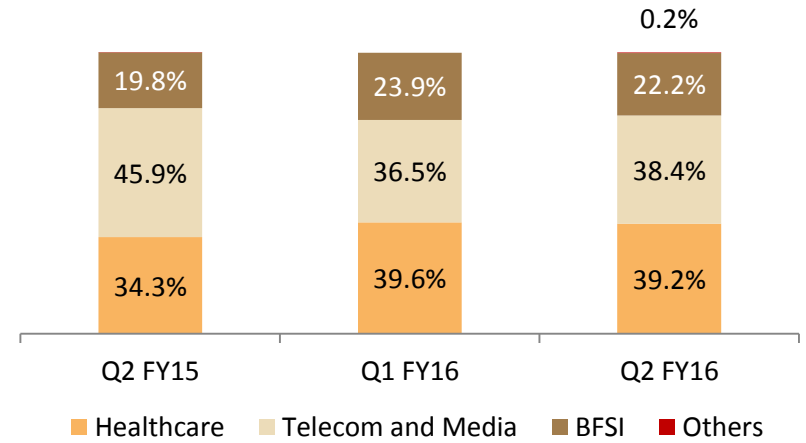


Q2 FY2016 Highlights

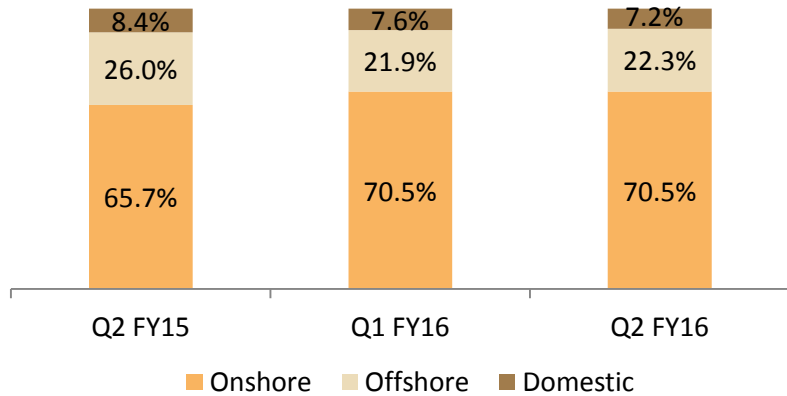
Revenue By Geography



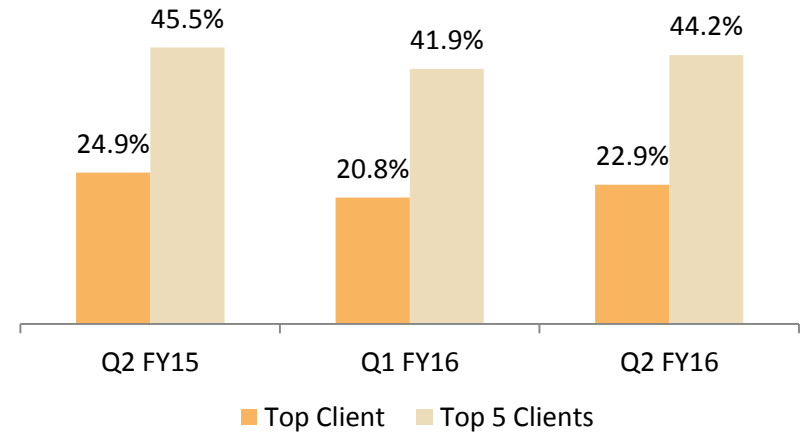
Revenue By Verticals



Revenue By Delivery Location



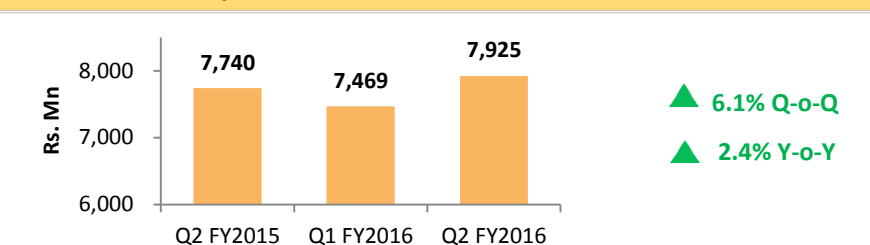
Revenue By Client Concentration



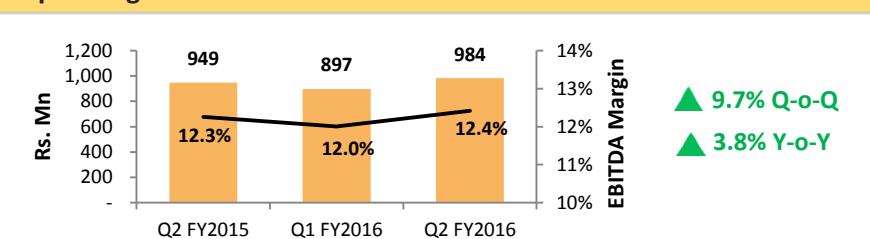
Financial Performance – Q2 FY2016

(IN INR Million)	Q2 FY 2015	Q1 FY 2016	Q2 FY 2016
Income from services	7,698	7,384	7,793
Other operating Income	42	85	132
Revenue from operations	7,740	7,469	7,925
Personnel and Operating Expense	6,791	6,573	6,941
Operating EBITDA	949	897	984
<i>Operating EBITDA %</i>	<i>12.3%</i>	<i>12.0%</i>	<i>12.4%</i>
Depreciation / amortization	177	172	183
Operating EBIT	771	725	801
<i>Operating EBIT %</i>	<i>10.0%</i>	<i>9.7%</i>	<i>10.1%</i>
Other Income / (expense)	40	43	5
Interest Income / (expense), net	(174)	(139)	(125)
PBT	638	628	680
<i>PBT (% of total income)</i>	<i>8.2%</i>	<i>8.4%</i>	<i>8.6%</i>
Taxes and Minority Interest	26	64	62
PAT	612	564	619
<i>PAT (% of total income)</i>	<i>7.9%</i>	<i>7.6%</i>	<i>7.8%</i>

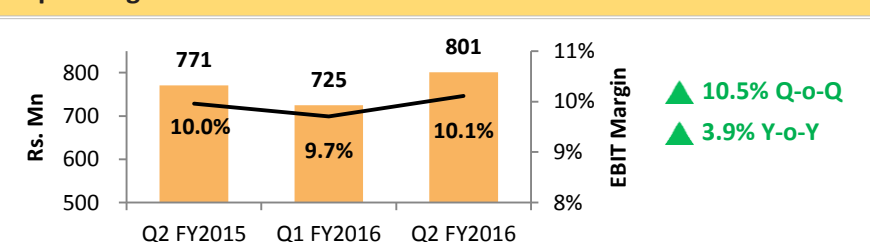
Revenue From Operations



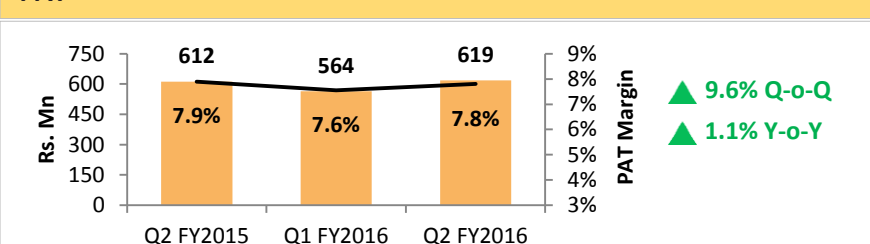
Operating EBITDA



Operating EBIT



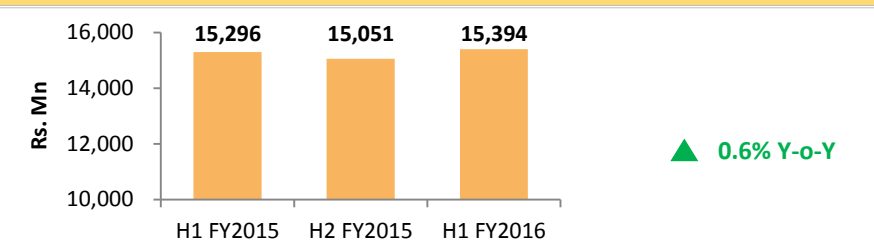
PAT



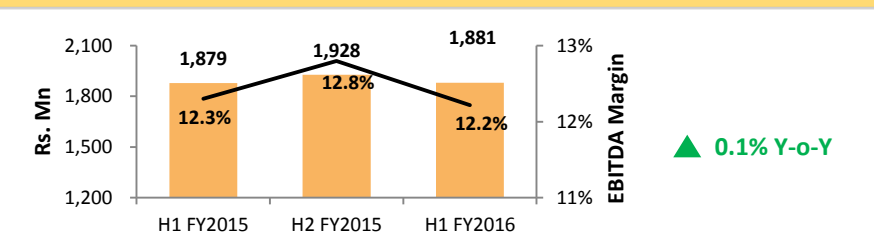
Financial Performance – H1 FY2016

(IN INR Million)	H1 FY 2015	H2 FY 2015	H1 FY 2016
Income from services	15,317	14,716	15,177
Other operating Income	(21)	334	217
Revenue from operations	15,296	15,051	15,394
Personnel and Operating Expense	13,417	13,122	13,513
Operating EBITDA	1,879	1,928	1,881
<i>Operating EBITDA %</i>	<i>12.3%</i>	<i>12.8%</i>	<i>12.2%</i>
Depreciation / amortization	353	369	355
Operating EBIT	1,526	1,559	1,526
<i>Operating EBIT %</i>	<i>10.0%</i>	<i>10.4%</i>	<i>9.9%</i>
Other Income / (expense)	23	(13)	48
Interest Income / (expense), net	(351)	(305)	(265)
PBT	1,199	1,241	1,309
<i>PBT (% of total income)</i>	<i>7.8%</i>	<i>8.3%</i>	<i>8.5%</i>
Taxes and Minority Interest	54	43	126
PAT	1,145	1,198	1,183
<i>PAT (% of total income)</i>	<i>7.5%</i>	<i>8.0%</i>	<i>7.7%</i>

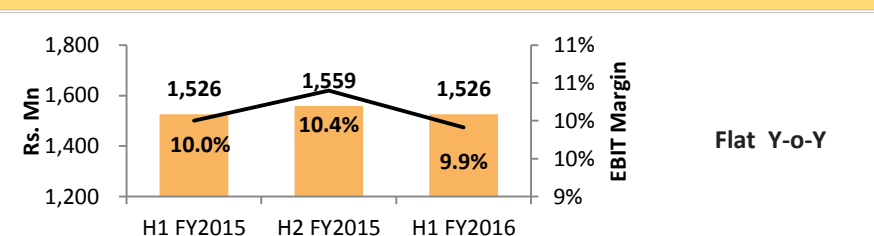
Revenue From Operations



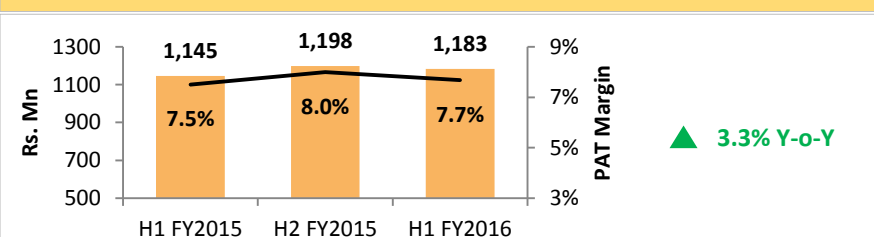
Operating EBITDA



Operating EBIT



PAT



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Business Outlook

- Demand environment continues to be robust across business segments of Healthcare and Customer Management, the primary growth engines for the organization which are witnessing a robust upward trajectory.
- Signed a large transaction processing lift out deal with a UK bank in the area of commercial finance. The transformational nature of this deal involves significant elements of process re-engineering and automation. It will deliver revenues from next quarter at a superior margin profile
- Challenges faced earlier in the US Telco client operations have stabilized. While volumes may take some time to achieve full contract value, operating performance will improve going forward.
- New Product developments around Revenue Enhancement solutions and HIE Analytics solutions continue to drive differentiation and growth with improved pipeline and conversions in the Provider segment. This offsets some headwinds faced in our core offerings due to hospital consolidations
- Uptrends in US economic activity aiding the Collections business favorably, headwinds in the Domestic business have subsided
- H2 will witness strong growth momentum.
- Continue to repay the debt as per plan

THANK YOU

Firstsource (NSE: FSL, BSE: 532809, Reuters: FISO.BO, Bloomberg: FSOL@IN) is a global provider of customised BPO (Business Process Outsourcing) services to the Banking & Financial Services, Insurance, Telecom, Media & Publishing and Healthcare sectors. Its clients include FTSE 100, Fortune 500 and Nifty 50 companies. Firstsource has a “rightshore” delivery model with operations in India, Ireland, US, UK, Philippines and Sri Lanka. (www.firstsource.com)