

Firstsource Solutions Limited

Q1 FY2015 Earnings Update

August 1, 2014

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



Q1 FY2015 Highlights (1/3)

Q1 FY2015 Performance Analysis

- **Operating revenue**

- Q1 FY15 Revenues at INR 7,556 million compared to INR 7,191 million in Q1 FY14 and INR 7,962 million in Q4 FY14
- Y-o-Y growth of 5.1% in INR terms and de-growth of 4.5% in constant currency terms
- Q-o-Q de-growth of 5.1% in INR terms and de-growth of 3.5% in constant currency terms
- Normalizing for Collections seasonality, Q-o-Q de-growth at 4.5% in INR terms and de-growth of 2.9% in constant currency terms

- **Operating EBIT**

- Q1 FY15 operating EBIT at INR 755 million compared to INR 624 million in Q1 FY14 and INR 808 million in Q4 FY14
- Y-o-Y growth of 21.0%, margin expansion by 130 bps from 8.7% to 10.0%
- Q-o-Q de-growth of 6.6%, margin reduction by 16 bps from 10.16% to 10.0%

- **PAT**

- Q1 FY15 PAT at INR 532 million compared to INR 410 million in Q1 FY14 and INR 588 million in Q4 FY14
- Y-o-Y growth of 29.7%, margin expansion by 130 bps, from 5.7% to 7.0%
- Q-o-Q de-growth of 9.5%, margin reduction by 35 bps from 7.35% to 7.0%



Q1 FY2015 Highlights (2/3)



Cash and Debt Position

- **Cash and cash equivalents** of INR 2,100 million as of June 30, 2014 as compared to INR 1,889 million in previous quarter
 - Repayment of fifth principal installment of \$ 11.3 million on June 30, 2014
 - Capex spend in Q1 FY15 of INR 58 million

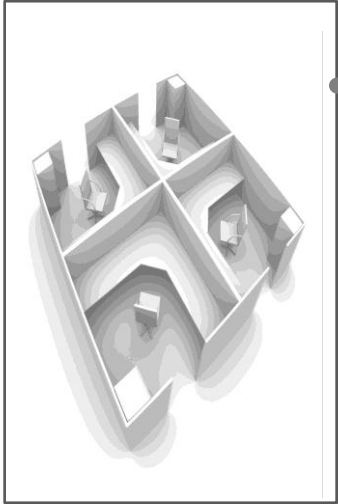
- **Net Long Term Debt** of \$ 114 million as of June 30, 2014



Foreign Exchange Hedges

- **Outstanding FX hedges at \$39 million, £60 million and AUD 1 million for USD, GBP and AUD respectively**
 - **Next 12 months:** 88% coverage for USD at INR 65.3 levels, 89% coverage for GBP at INR 102.7 levels, 54% coverage for AUD at INR 60.7 levels and 25% coverage for GBP at PHP 73.2
 - **Next 12 – 24 months:** 46% coverage for USD rates at INR 68.1 levels and 66% coverage for GBP at INR 112.8 levels

Q1 FY2015 Highlights (3/3)



Employee Strength, Seat Capacity And Utilization

- **27,147 employees as on June 30, 2014; Seat capacity of 23,711 seats worldwide**
 - 46 delivery centers as on June 30, 2014, same as on March 31, 2014
 - 17,853 employees in India and 9,294 employees based outside India, net reduction of 519 employees in Q1FY15
 - Seat fill factor at 73.4% as on June 30, 2014, compared to 77% as on March 31, 2014



Attrition

- **Offshore (India and Philippines)** – 56.6% compared to 54.8% in Q4 FY14
- **Onshore (US and Europe)** – 46.4% compared to 38.6% in Q4 FY14
- **Domestic (India and Sri Lanka)** – 102.5% compared to 85.6% in Q4 FY14

Agenda

01 | Performance Highlights

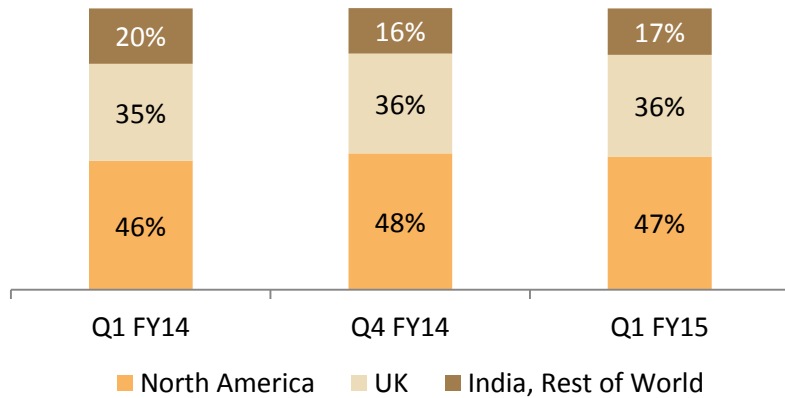
02 | **Financial Performance**

03 | Business Outlook

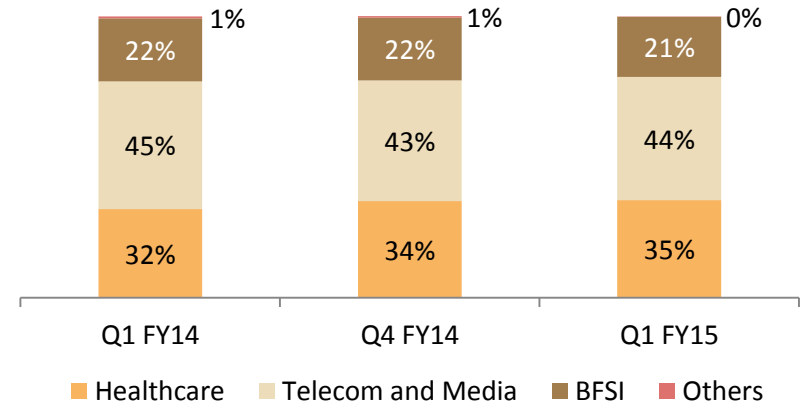


Q1 FY2015 Financial Summary

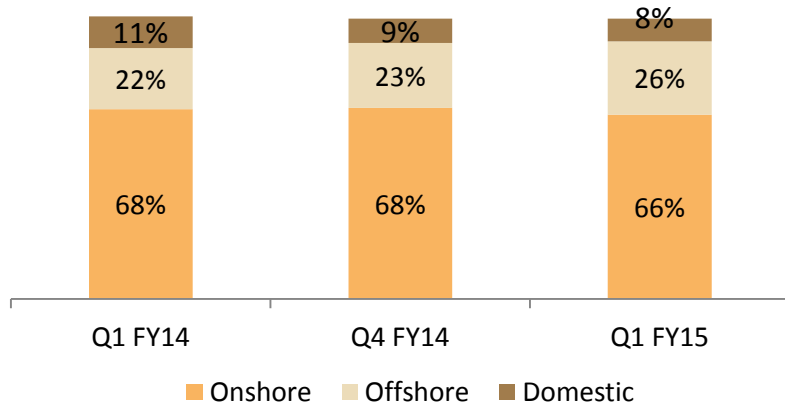
Revenue By Geography



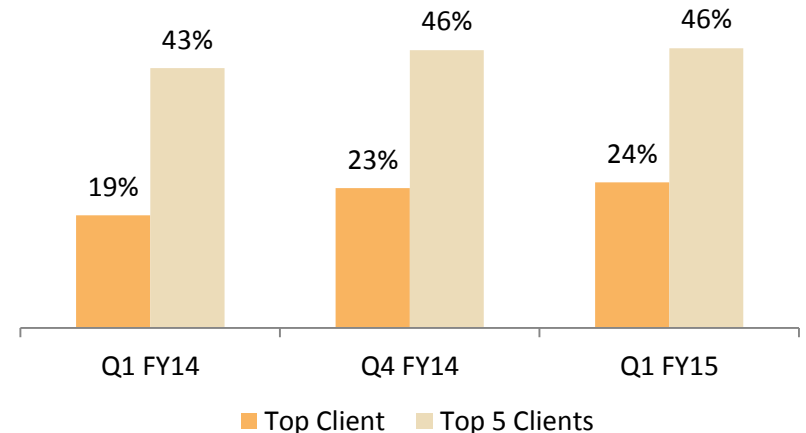
Revenue By Verticals



Revenue By Delivery Location



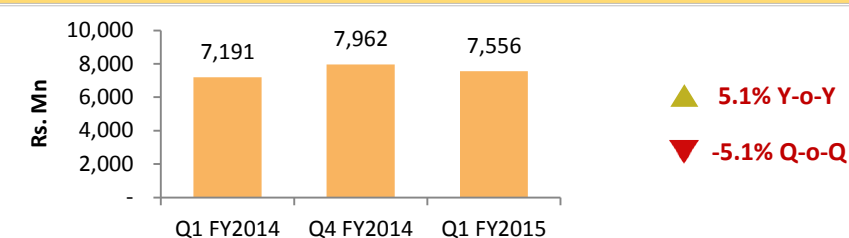
Revenue By Client Concentration



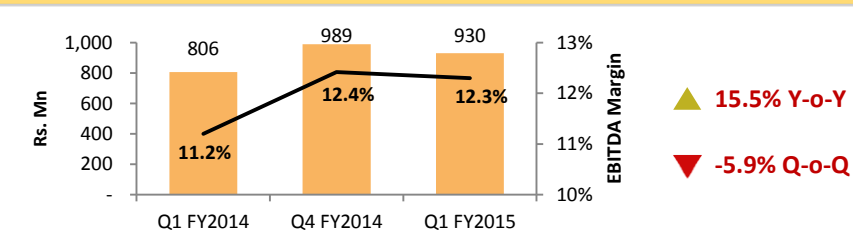
Financial Performance – Q1 FY2015

(IN INR Million)	Q1 FY 2014	Q4 FY 2014	Q1 FY 2015
Income from services	7,234	8,063	7,619
Other operating Income	(43)	(101)	(63)
Revenue from operations	7,191	7,962	7,556
Personnel and Operating Expense	6,386	6,973	6,626
Operating EBITDA	806	989	930
<i>Operating EBITDA %</i>	<i>11.2%</i>	<i>12.4%</i>	<i>12.3%</i>
Depreciation / amortization	182	181	175
Operating EBIT	624	808	755
<i>Operating EBIT %</i>	<i>8.7%</i>	<i>10.1%</i>	<i>10.0%</i>
Other Income / (expense)	12	(17)	(17)
Interest Income / (expense), net	(207)	(191)	(177)
PBT	430	600	561
<i>PBT (% of total income)</i>	<i>6.0%</i>	<i>7.6%</i>	<i>7.4%</i>
Taxes and Minority Interest	19	12	29
PAT	410	588	532
<i>PAT (% of total income)</i>	<i>5.7%</i>	<i>7.4%</i>	<i>7.0%</i>

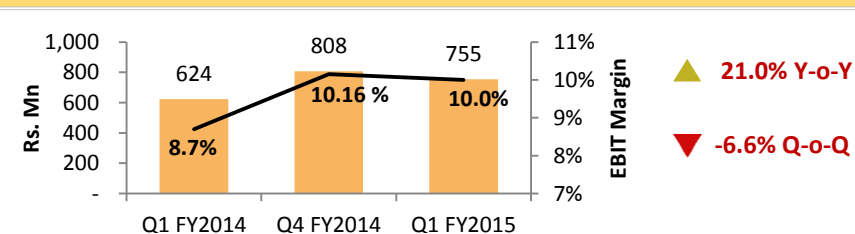
Revenue From Operations



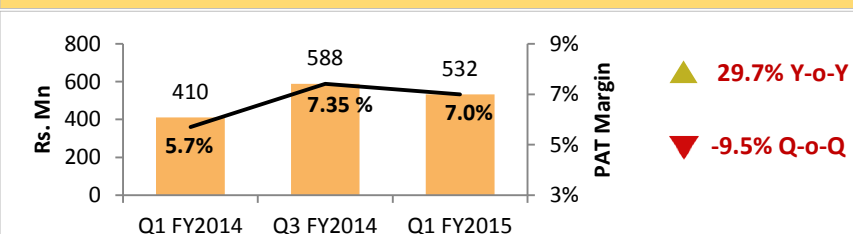
Operating EBITDA



Operating EBIT



PAT



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03 | **Business Outlook**



Business Outlook

- New deals worth \$36 million ACV signed up with existing and new customers. Revenue realization from Q3 onwards. There have been delays due to elongated sales and implementation cycles but sets us up very well going forward
- Pipeline build-up continues to be robust across all segments
- New productized services in Customer Management and Healthcare gaining traction in the market.
- Margin expansion continues to be on track between 150 to 200 basis points on a full year basis
- Repayment of debt to continue as per schedule

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)