

# Firstsource Solutions Limited

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**Q1 FY2013 Earnings Update**



## Disclaimer

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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

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- Q1 FY2013 Highlights
- Financial Performance
- Business Outlook



## Q1 FY2013 Highlights (1/4)

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### Q1 FY2013 Performance Analysis

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#### ■ Operating Revenue

- Q1 Revenues at INR 6,752 million
- Q-o-Q growth of 8.6% in INR terms and 1.0% in constant currency terms; largely on account of
  - Growth from ramp-ups in new T&M client wins announced last year
  - Partially offset by seasonality fall-off in BFSI Collections and Healthcare Provider
- Y-o-Y growth of 29.1% in INR terms and 12.8% in constant currency terms

#### ■ Operating EBIT

- Q1 FY13 operating EBIT margins at 5.0% - maintained at the Q4FY12 level despite seasonality fall-off and wage hikes for India agents:
  - Driven by cost rationalization related savings
  - Offset by cost of growth associated with ramping up new accounts in Customer Management
- Y-o-Y operating margin expansion by 100 bps



## Q1 FY2013 Highlights (2/4)



### Cash Position

- **Cash and cash equivalents** of Rs 7,507 million as of Jun 30, 2012 (USD 135 million) as compared to Rs 7,631 million in previous quarter
  - Positive operating cash flows offset by
    - Repayment of post-shipment credit
    - Interest payment while interest accrues on the cash balance
    - Funding for cost of growth in new T&M client wins
    - Twin Lakes option exercise



### Employee Strength

- **32,553 employees as on June 30, 2012**
  - 22,529 employees based in India and 10,024 employees based outside of India
  - Net addition of 2,467 employees in Q1 FY13 compared to net reduction of 163 employees in Q1 FY12 and net reduction of 35 in Q4 FY12



### Attrition

- **Offshore (India and Philippines)** – 63.9% compared to 59.4% in Q4 FY12
- **Onshore (US and Europe)** – 38.9% compared to 34.0% in Q4 FY12
- **Domestic (India and Sri Lanka)** – 97.0% compared to 95.9% in Q4 FY12

## Q1 FY2013 Highlights (3/4)



### Seat Capacity And Utilization

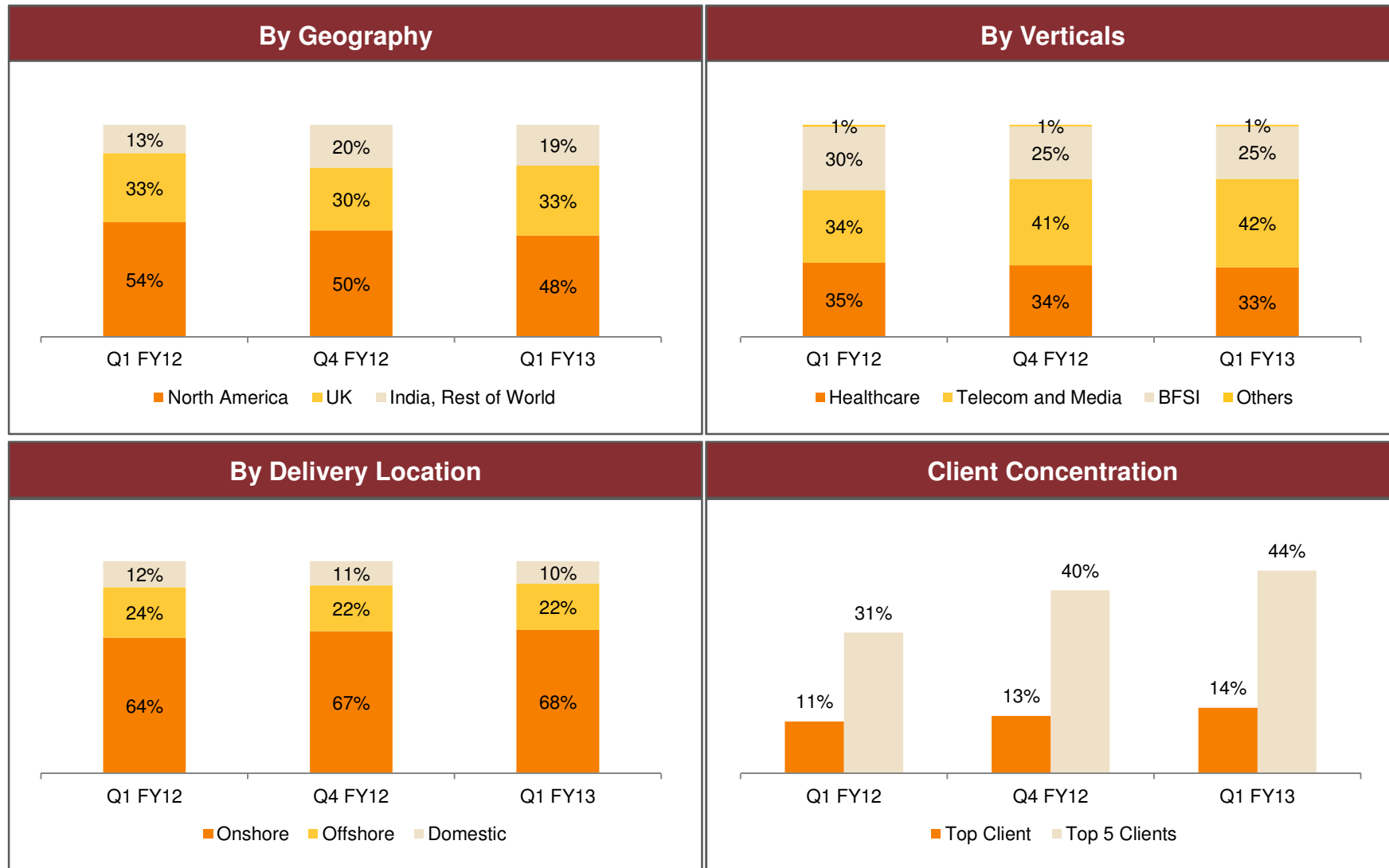
- **Seat capacity of 24,946 seats worldwide**
  - Added 704 seats during the quarter
  - 48 delivery centers as on June 30, 2012, same as on March 31, 2012
    - Addition of one center in UK and reduction of one center in India
  - Seat fill factor at 77% as on June 30, 2012, compared to 74% as on March 31, 2012
    - Average seat fill factor for Q1 FY13 at 76%



### Foreign Exchange Hedges

- **Outstanding FX hedges at \$29 million, £41 million and AUD 12 million for USD, GBP and AUD respectively**
  - **Next 12 months:** Overall 91% coverage with covered rates for USD at Rs. 52 levels, GBP at Rs. 81 levels and AUD at Rs. 50 levels
  - **Next 12 – 24 months:** Overall 47% coverage with covered rates for USD rates at Rs. 55 levels, GBP at Rs. 87 levels and AUD at 52 levels

# Q1 FY2013 Highlights (4/4)



# Agenda

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- Q1 FY2013 Highlights
- **Financial Performance**
- Business Outlook

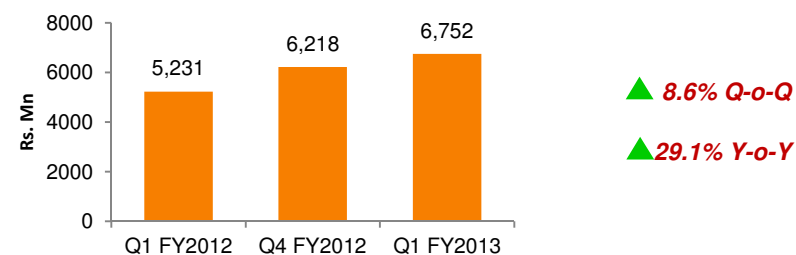




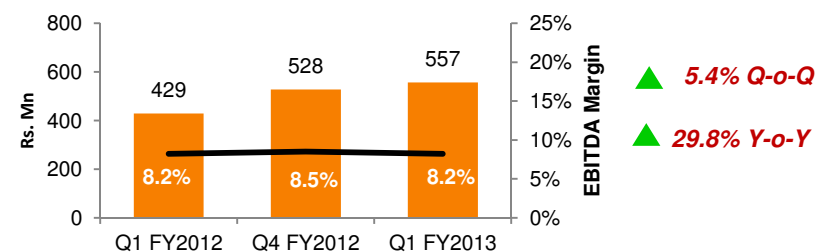
# Financial Performance – Q1 FY2013

| (IN INR Million)                                | Q1 FY 2012   | Q4 FY 2012   | Q1 FY 2013   |
|---|--------------|--------------|--------------|
| Income from services                            | 5,189        | 6,259        | 6,852        |
| Other operating Income                          | 42           | (41)         | (101)        |
| <b>Revenue from operations</b>                  | <b>5,231</b> | <b>6,218</b> | <b>6,752</b> |
| Personnel and Operating Expense                 | 4,802        | 5,690        | 6,195        |
| <b>Operating EBITDA</b>                         | <b>429</b>   | <b>528</b>   | <b>557</b>   |
| <i>Operating EBITDA %</i>                       | <i>8.2%</i>  | <i>8.5%</i>  | <i>8.2%</i>  |
| Depreciation / amortization                     | 220          | 218          | 222          |
| <b>Operating EBIT</b>                           | <b>209</b>   | <b>310</b>   | <b>334</b>   |
| <i>Operating EBIT %</i>                         | <i>4.0%</i>  | <i>5.0%</i>  | <i>5.0%</i>  |
| Other Income / (expense)                        | (9)          | (24)         | 12           |
| Interest Income / (expense), net                | (11)         | 1            | 27           |
| Amortized (cost ) on fair value of FCCB         | (35)         | (37)         | (39)         |
| Exchange gain / (loss) on Foreign currency loan | (1)          | 1            | 3            |
| Gain / (loss) on FCCB Buyback                   | -            | (0)          | -            |
| <b>PBT</b>                                      | <b>154</b>   | <b>252</b>   | <b>338</b>   |
| <i>PBT (% of total income)</i>                  | <i>2.9%</i>  | <i>4.1%</i>  | <i>5.0%</i>  |
| Taxes and Minority Interest                     | 47           | 21           | 48           |
| <b>PAT</b>                                      | <b>106</b>   | <b>231</b>   | <b>290</b>   |
| <i>PAT (% of total income)</i>                  | <i>2.0%</i>  | <i>3.7%</i>  | <i>4.3%</i>  |
| <b>Reported Basic EPS (INR)</b>                 | <b>0.25</b>  | <b>0.54</b>  | <b>0.67</b>  |
| <b>Reported Diluted EPS (INR)</b>               | <b>0.25</b>  | <b>0.53</b>  | <b>0.65</b>  |

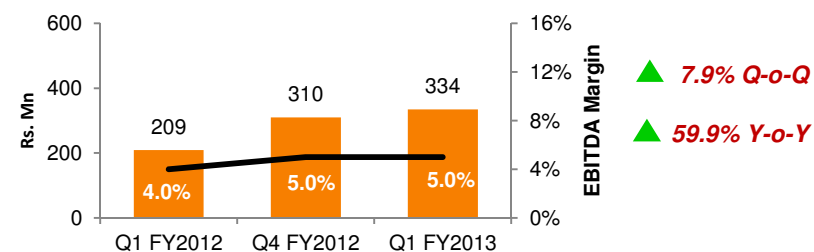
## Revenue From Operations



## Operating EBITDA



## Operating EBIT



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- **Business Outlook**



# Business Outlook

## Revenue

- **Growth momentum to continue in Customer Management**
  - Continuing ramp-ups in T&M
  - Rising volumes from existing clients
- **Steady growth in Healthcare**
  - Stable growth in the provider segment
  - Witnessing higher traction in the payor business
- **Continue to encounter industry specific headwinds in the BFSI Collections business with declining volumes**

## Operating Margin

- **Meaningful margin improvement over FY12 on track**
  - Additional revenues contributing to margins
  - Cost rationalization savings
  - Higher rate on foreign exchange hedges as opposed to FY12
  - However, BFSI Collections may fall short of its margin targets

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- **Moving into Q2 FY13**
    - **Expect strong revenue growth along with margin improvement**

# THANK YOU

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