

Firstsource Solutions Limited

Q2 FY2015 Earnings Update

November 14, 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



Q2 FY2015 Highlights

Q2 FY2015 Performance Analysis

- **Operating revenue**

- Q2 FY15 Revenues at INR 7,740 million compared to INR 7,908 million in Q2 FY14 and INR 7,556 million in Q1 FY15
- Q-o-Q growth of 2.4% in INR terms and flat in constant currency terms
- Y-o-Y de-growth of 2.1% in INR terms and de-growth of 4.2% in constant currency terms

- **Operating EBIT**

- Q2 FY15 operating EBIT at INR 771 million compared to INR 691 million in Q2 FY14 and INR 755 million in Q1 FY15
- Q-o-Q growth of 2.2% while margins being flat
- Y-o-Y growth of 11.7%, margin expansion by 130 bps from 8.7% to 10.0%

- **PAT**

- Q2 FY15 PAT at INR 612 million compared to INR 448 million in Q2 FY14 and INR 532 million in Q1 FY15
- Q-o-Q growth of 15.0%, margin expansion by 90 bps from 7.0% to 7.9%
- Y-o-Y growth of 36.8%, margin expansion by 220 bps, from 5.7% to 7.9%



H1 FY2015 Highlights

H1 FY2015 Performance Analysis

- **Operating revenue**

- H1 FY15 Revenues at INR 15,296 million compared to INR 15,099 million in H1 FY14
- Y-o-Y growth of 1.3% in INR terms and de-growth of 4.3% in constant currency terms

- **Operating EBIT**

- H1 FY15 operating EBIT at INR 1,526 million compared to INR 1,315 million in H1 FY14
- Y-o-Y growth of 16%, margin expansion by 130 bps from 8.7% to 10.0%

- **PAT**

- H1 FY15 PAT at INR 1,145 million compared to INR 858 million in H1 FY14
- Y-o-Y growth of 33.4%, margin expansion by 180 bps, from 5.7% to 7.5%



Q2 FY2015 Highlights (1/2)



Cash and Debt Position

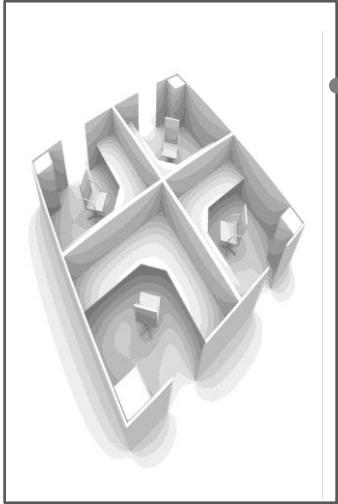
- **Cash and cash equivalents** of INR 1,843 million as of September 30, 2014 as compared to INR 2,100 million in previous quarter
 - Repayment of sixth principal installment of \$ 11.25 million on September 30, 2014
 - Capex spend in Q2 FY15 of INR 44 million
- **Net Long Term Debt** of \$ 102 million as of September 30, 2014



Foreign Exchange Hedges

- **Outstanding FX hedges at \$41 million, £63 million and AUD 0.25 million for USD, GBP and AUD respectively**
 - **Next 12 months:** 89% coverage for USD at INR 66.3 levels, 90% coverage for GBP at INR 105.4 levels, 20% coverage for AUD at INR 61.9 levels and 39% coverage for GBP at PHP 72.9
 - **Next 12 – 24 months:** 52% coverage for USD rates at INR 68.6 levels and 72% coverage for GBP at INR 113.7 levels

Q2 FY2015 Highlights (2/2)



Employee Strength, Seat Capacity And Utilization

- **26,923 employees as on September 30, 2014; Seat capacity of 23,593 seats worldwide**
 - 47 delivery centers as on September 30, 2014, compared to 46 as on June 30, 2014
 - 17,703 employees in India and 9,220 employees based outside India, net reduction of 224 employees in Q2FY15
 - Seat fill factor at 73.1% as on September 30, 2014, compared to 73.4% as on June 30, 2014



Attrition

- **Offshore (India and Philippines)** – 49.6% compared to 56.6% in Q1 FY15
- **Onshore (US and Europe)** – 43.6% compared to 46.4% in Q1 FY15
- **Domestic (India and Sri Lanka)** – 85.7% compared to 102.5% in Q1 FY15

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01 | Performance Highlights

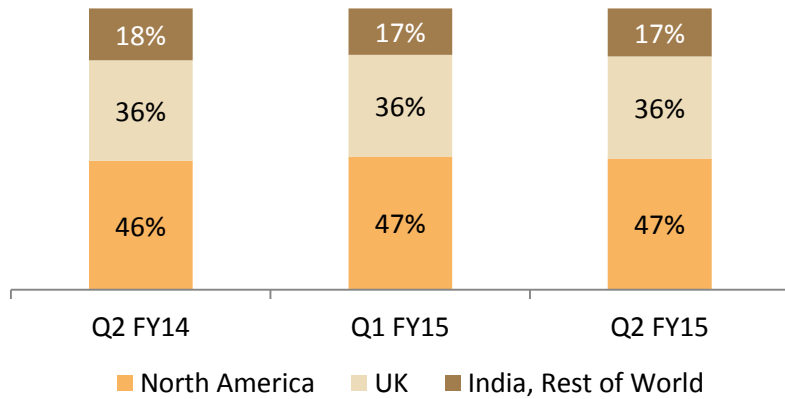
02 | **Financial Performance**

03 | Business Outlook

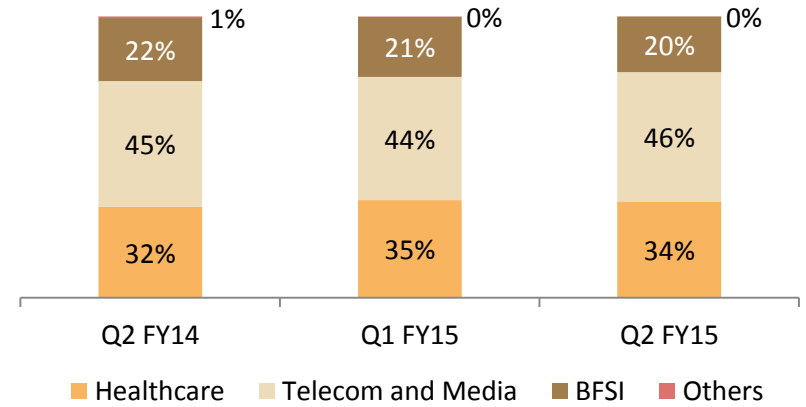


Q2 FY2015 Financial Summary

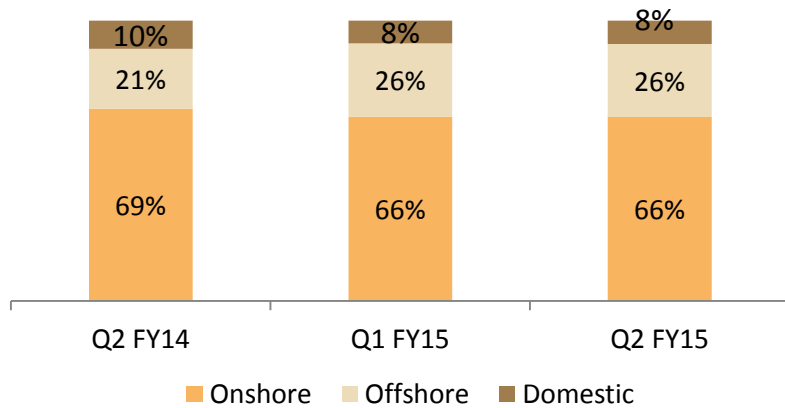
Revenue By Geography



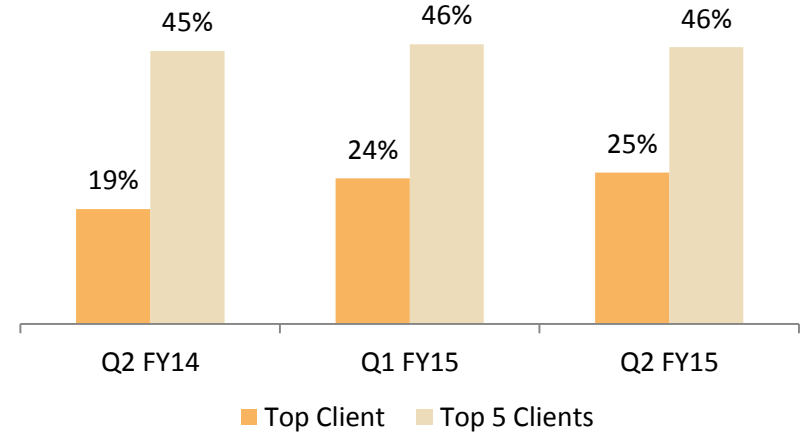
Revenue By Verticals



Revenue By Delivery Location



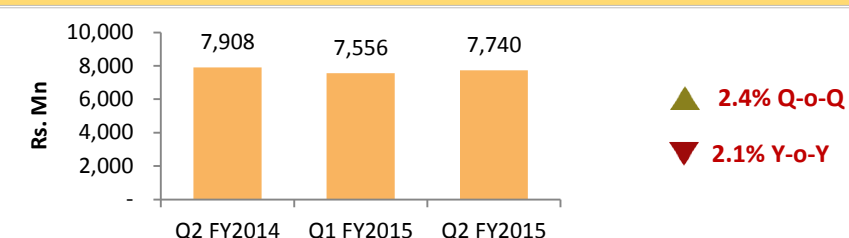
Revenue By Client Concentration



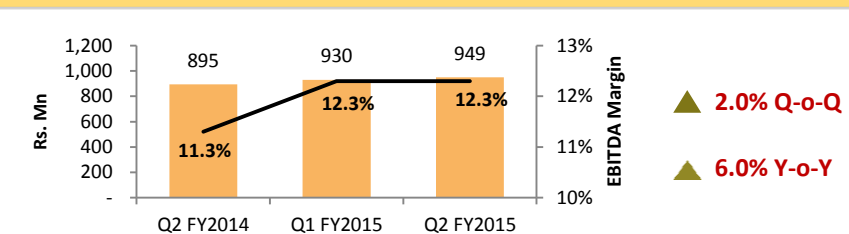
Financial Performance – Q2 FY2015

(IN INR Million)	Q2 FY 2014	Q1 FY 2015	Q2 FY 2015
Income from services	7,979	7,619	7,698
Other operating Income	(71)	(63)	42
Revenue from operations	7,908	7,556	7,740
Personnel and Operating Expense	7,013	6,626	6,791
Operating EBITDA	895	930	949
<i>Operating EBITDA %</i>	<i>11.3%</i>	<i>12.3%</i>	<i>12.3%</i>
Depreciation / amortization	205	175	177
Operating EBIT	691	755	771
<i>Operating EBIT %</i>	<i>8.7%</i>	<i>10.0%</i>	<i>10.0%</i>
Other Income / (expense)	9	(17)	40
Interest Income / (expense), net	(229)	(177)	(174)
PBT	471	561	638
<i>PBT (% of total income)</i>	<i>6.0%</i>	<i>7.4%</i>	<i>8.2%</i>
Taxes and Minority Interest	23	29	26
PAT	448	532	612
<i>PAT (% of total income)</i>	<i>5.7%</i>	<i>7.0%</i>	<i>7.9%</i>

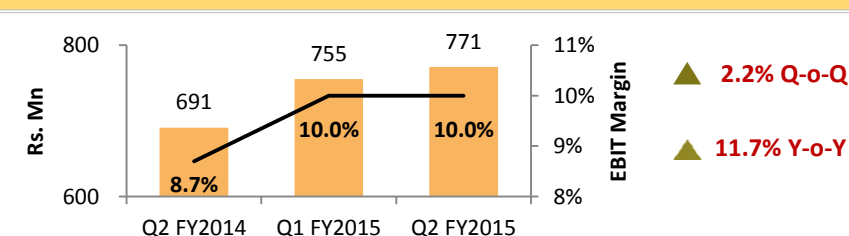
Revenue From Operations



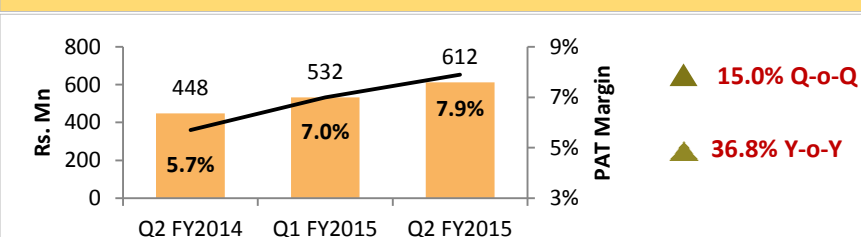
Operating EBITDA



Operating EBIT



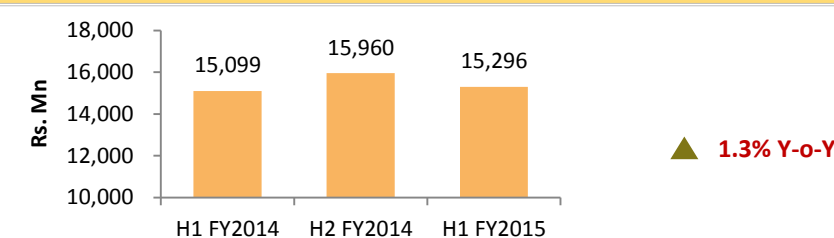
PAT



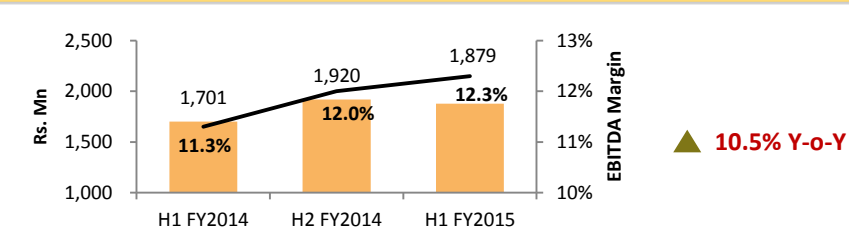
Financial Performance – H1 FY2015

(IN INR Million)	H1 FY 2014	H2 FY 2014	H1 FY 2015
Income from services	15,213	16,057	15,317
Other operating Income	(114)	(97)	(21)
Revenue from operations	15,099	15,960	15,296
Personnel and Operating Expense	13,398	14,039	13,417
Operating EBITDA	1,701	1,920	1,879
<i>Operating EBITDA %</i>	<i>11.3%</i>	<i>12.0%</i>	<i>12.3%</i>
Depreciation / amortization	386	371	353
Operating EBIT	1,315	1,550	1,526
<i>Operating EBIT %</i>	<i>8.7%</i>	<i>9.7%</i>	<i>10.0%</i>
Other Income / (expense)	21	(29)	23
Interest Income / (expense), net	(435)	(389)	(351)
PBT	900	1,132	1,199
<i>PBT (% of total income)</i>	<i>6.0%</i>	<i>7.1%</i>	<i>7.8%</i>
Taxes and Minority Interest	42	61	54
PAT	858	1,072	1,145
<i>PAT (% of total income)</i>	<i>5.7%</i>	<i>6.7%</i>	<i>7.5%</i>

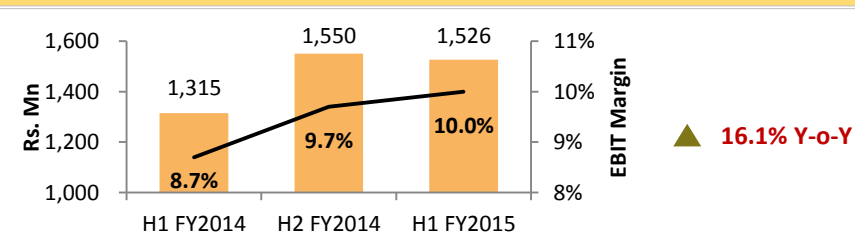
Revenue From Operations



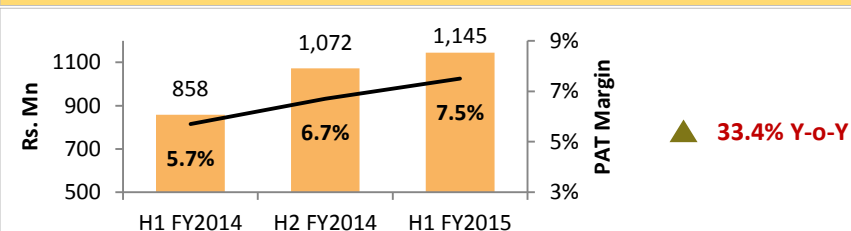
Operating EBITDA



Operating EBIT



PAT



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Business Outlook

- Demand environment continues to be robust across Customer Management (UK BFSI and US T&M) and Healthcare
- Pipeline build up continues to be strong. Total ACV of deal for this quarter is \$45M, YTD deal wins is \$51M net of client consolidation
- Delays in decision making and ramp-ups impacts some of the revenue realization this fiscal, growth expected to be very moderate, also adversely impacted by a client consolidation exercise
- Q3 is a seasonally weak quarter on account of holidays, Q4 growth to be strong setting the momentum for FY16
- Margin expansion continues, will achieve 100-150 bps growth for the full fiscal
- Productization initiatives yielding good outcomes. Strategic Investment in Nanobi (an analytics platform company) strengthens our existing analytics offering. Firstsource Analytics services to be launched soon in the market
- Repayment of debt continues 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)