



# Firstsource Solutions Limited

## Q2 FY2014 Earnings Update

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October 24, 2013

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# Agenda

01 | Performance Highlights

02 | Financial Performance

03 | Business Outlook



# Performance Highlights

01

# Q2 FY2014 Highlights (1/5)

## Q2 FY2014 Performance Analysis

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- **Operating revenue**

- Q2 FY14 Revenues at INR 7,908 million compared to INR 7,176 million in Q2 FY13 and INR 7,191 million in Q1 FY14
- Y-o-Y growth of 10.2% in INR terms and flat in constant currency terms
- Q-o-Q growth of 10.0% in INR terms and flat in constant currency terms

- **Operating EBIT**

- Q2 FY14 operating EBIT at INR 691 million compared to INR 452 million in Q2 FY13 and INR 624 million in Q1 FY14
- Y-o-Y growth of 52.9%, margin expansion by 240 bps from 6.3% to 8.7%
- Q-o-Q growth of 10.7%

- **PAT**

- Q2 FY14 PAT at INR 448 million compared to INR 359 million in Q2 FY13 and INR 410 million in Q1 FY14
- Y-o-Y growth of 24.5%, margin expansion by 70 bps, from 5.0% to 5.7%
- Q-o-Q growth of 9.0%



# H1 FY2014 Highlights (2/5)

## H1 FY2014 Performance Analysis

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- **Operating revenue**

- H1 FY14 Revenues at INR 15,099 million compared to INR 13,928 million in H1 FY13
- Y-o-Y growth of 8.4% in INR terms and 2% in constant currency terms

- **Operating EBIT**

- H1 FY14 operating EBIT at INR 1,315 million compared to INR 786 million in H1 FY13
- Y-o-Y growth of 67.2%

- **PAT**

- H1 FY14 PAT at INR 858 million compared to INR 649 million in H1 FY13
- Y-o-Y growth of 32.2%



# Q2 FY2014 Highlights (3/5)



## Cash Position

- **Cash and cash equivalents** of Rs 1,500 million as of September 30, 2013 as compared to Rs 1,530 million in previous quarter
  - Repayment of second principal installment of \$11.25 million on Sept. 30th, 2013



## Employee Strength

- **30,390 employees as on September 30, 2013**
  - 20,055 employees based in India and 10,335 employees based outside of India
  - Net reduction of 1,233 employees in Q2 FY14



## Attrition

- **Offshore (India and Philippines)** – 57.3% compared to 52.7% in Q1 FY14
- **Onshore (US and Europe)** – 47.4% compared to 39.9% in Q1 FY14
- **Domestic (India and Sri Lanka)** – 85.6% compared to 101.3% in Q1 FY14



## Seat Capacity And Utilization

- **Seat capacity of 23,664 seats worldwide**
  - 47 delivery centers as on September 30, 2013, same as on June 30, 2013
  - Seat fill factor at 80.8% as on September 30, 2013, compared to 81.8% as on June 30, 2013



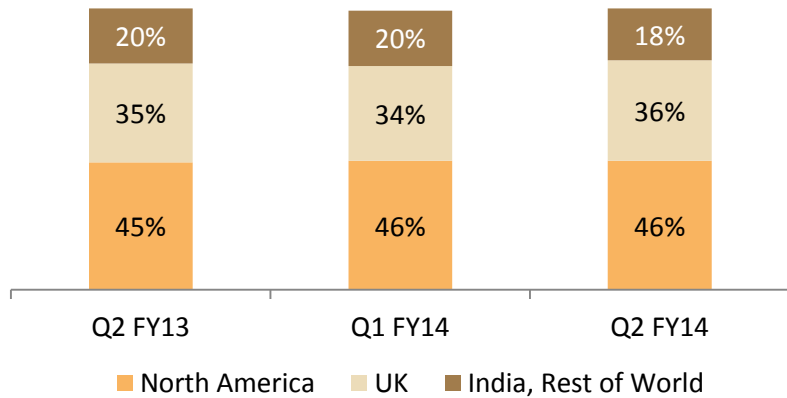
## Foreign Exchange Hedges

- **Outstanding FX hedges at \$27 million, £46 million and AUD 5 million for USD, GBP and AUD respectively**
  - **Next 12 months:** 83% coverage for USD at Rs. 60 levels, 88% coverage for GBP at Rs. 94 levels and 84% coverage for AUD at Rs. 59 levels
  - **Next 12 – 24 months:** 19% coverage for USD rates at Rs. 68 levels and 45% coverage for GBP at Rs. 103 levels

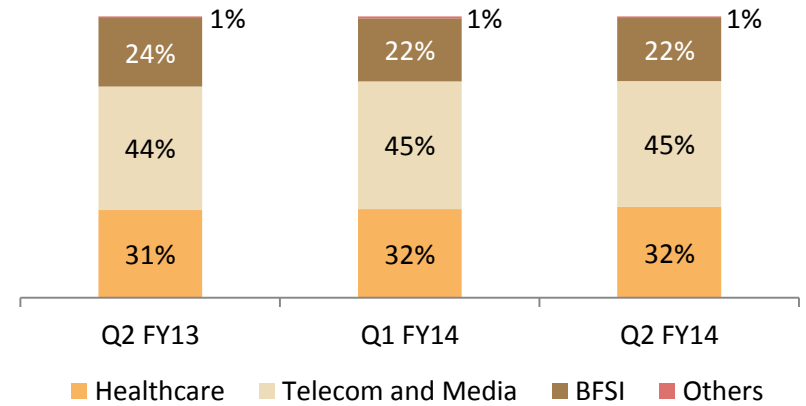


# Q2 FY2014 Highlights (5/5)

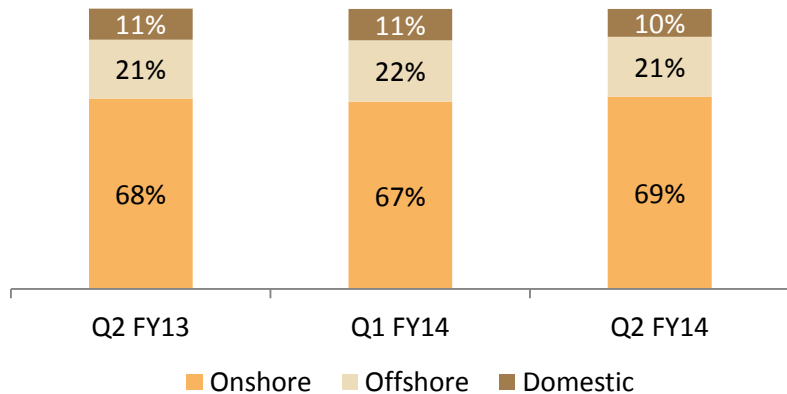
## By Geography



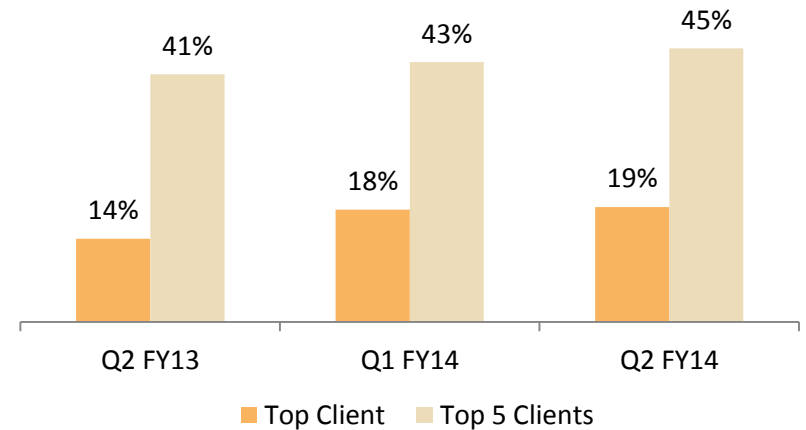
## By Verticals



## By Delivery Location



## Client Concentration



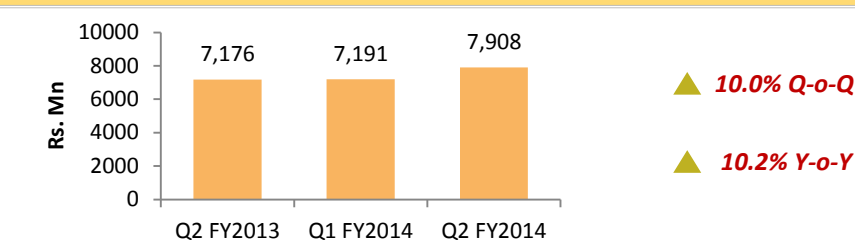
**Financial Performance**

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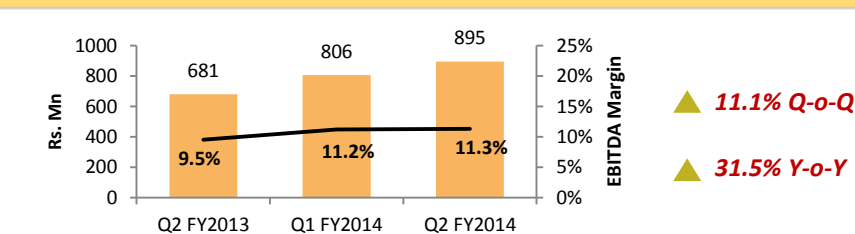
# Financial Performance – Q2 FY2014

(IN INR Million)	Q2 FY 2013	Q1 FY 2014	Q2 FY 2014
Income from services	7,255	7,234	7,979
Other operating Income	(79)	(43)	(71)
<b>Revenue from operations</b>	<b>7,176</b>	<b>7,191</b>	<b>7,908</b>
Personnel and Operating Expense	6,496	6,386	7,013
<b>Operating EBITDA</b>	<b>681</b>	<b>806</b>	<b>895</b>
<i>Operating EBITDA %</i>	<i>9.5%</i>	<i>11.2%</i>	<i>11.3%</i>
Depreciation / amortization	229	182	205
<b>Operating EBIT</b>	<b>452</b>	<b>624</b>	<b>691</b>
<i>Operating EBIT %</i>	<i>6.3%</i>	<i>8.7%</i>	<i>8.7%</i>
Other Income / (expense)	(9)	12	9
Interest Income / (expense), net	16	(207)	(229)
Amortized (cost ) on fair value of FCCB	(40)	-	-
Exchange gain / (loss) on Foreign currency loan	(7)	-	-
<b>PBT</b>	<b>412</b>	<b>430</b>	<b>471</b>
<i>PBT (% of total income)</i>	<i>5.8%</i>	<i>6.0%</i>	<i>5.9%</i>
Taxes and Minority Interest	53	19	23
<b>PAT</b>	<b>359</b>	<b>410</b>	<b>448</b>
<i>PAT (% of total income)</i>	<i>5.0%</i>	<i>5.7%</i>	<i>5.7%</i>

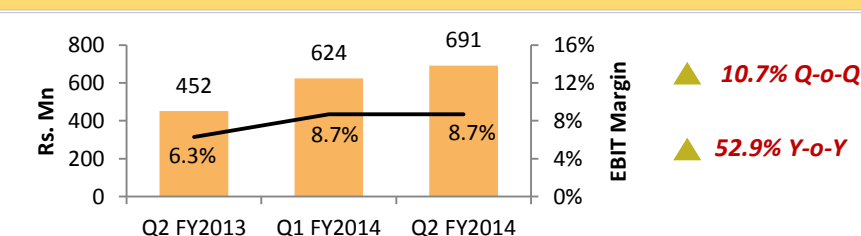
## Revenue From Operations



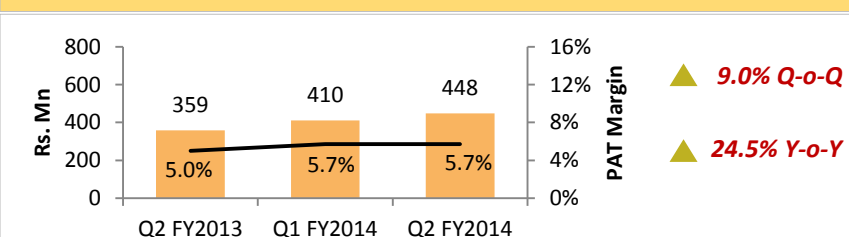
## Operating EBITDA



## Operating EBIT



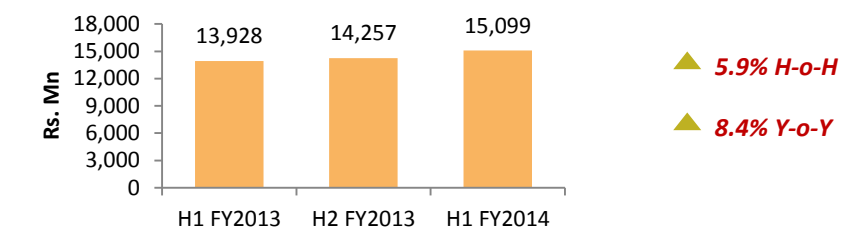
## PAT



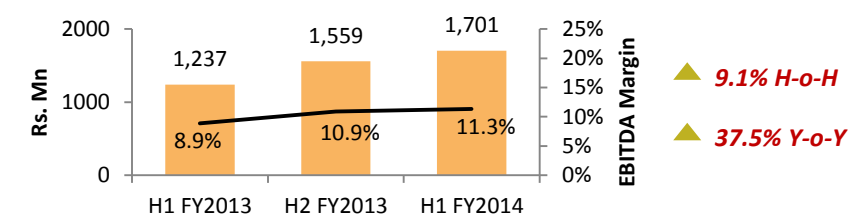
# Financial Performance – H1 FY2014

(IN INR Million)	H1 FY 2013	H2 FY 2013	H1 FY 2014
Income from services	14,108	14,332	15,213
Other operating Income	(180)	181	(114)
<b>Revenue from operations</b>	<b>13,928</b>	<b>14,257</b>	<b>15,099</b>
Personnel and Operating Expense	12,691	12,699	13,398
<b>Operating EBITDA</b>	<b>1237</b>	<b>1,559</b>	<b>1,701</b>
<i>Operating EBITDA %</i>	<i>8.9%</i>	<i>10.9%</i>	<i>11.3%</i>
Depreciation / amortization	451	433	386
<b>Operating EBIT</b>	<b>786</b>	<b>1,126</b>	<b>1,315</b>
<i>Operating EBIT %</i>	<i>5.6%</i>	<i>7.9%</i>	<i>8.7%</i>
Other Income / (expense)	4	(21)	21
Interest Income / (expense), net	44	(242)	(435)
Amortized (cost ) on fair value of FCCB	(79)	(26)	-
Exchange gain / (loss) on Foreign currency loan	(4)	6	-
<b>PBT</b>	<b>750</b>	<b>842</b>	<b>900</b>
<i>PBT (% of total income)</i>	<i>5.4%</i>	<i>5.9%</i>	<i>6.0%</i>
Taxes and Minority Interest	101	25	42
<b>PAT</b>	<b>649</b>	<b>817</b>	<b>858</b>
<i>PAT (% of total income)</i>	<i>4.7%</i>	<i>5.7%</i>	<i>5.7%</i>

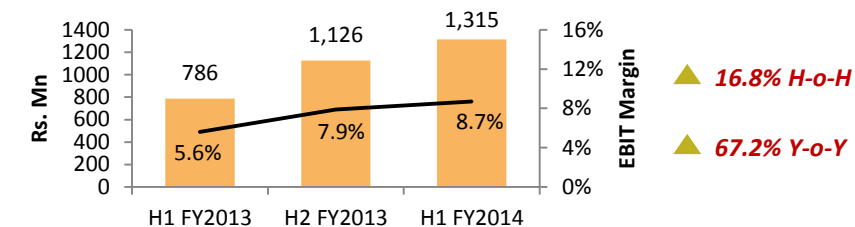
## Revenue From Operations



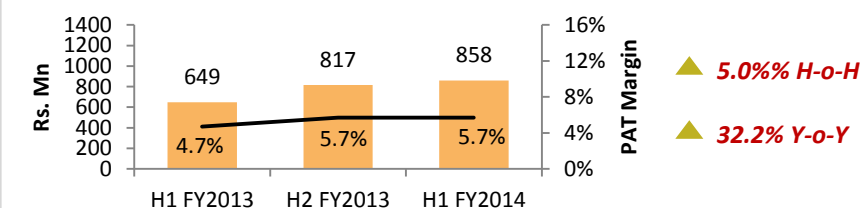
## Operating EBITDA



## Operating EBIT



## PAT



**Business Outlook**

03

## ■ FY14

### - **Moderate Revenue growth**

- Customer Management growth aided by robust pipeline build-up and volume increase from existing customers
- Healthcare Payor segment continues to grow
- Consolidation process continues; Termination of low margin accounts in Customer Management, ABU and Provider Business segments
- BFSI Collections business continues to face headwinds due to macro-economic conditions

### - **Margin expansion to continue**

- Driven by operational efficiencies across Business Units
- Terminations of low margin accounts

## ■ **Moving into Q3 FY14**

- Q3 is a seasonally weak quarter on account of holiday season
- Cost of growth of offshore ramp-ups with revenue realization in Q4 and beyond
- Margins to remain flat despite seasonality and cost of growth

# THANK YOU

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