

# Firstsource Solutions Limited

## Q3 FY2015 Earnings Update

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February 9, 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



# Q3 FY2015 Highlights

## Q3 FY2015 Performance Analysis

- **Operating revenue**

- Q3 FY15 Revenues at INR 7,510 million compared to INR 7,998 million in Q3 FY14 and INR 7,740 million in Q2 FY15
- Q-o-Q de-growth of 3.0% in INR terms and de-growth 1.8% in constant currency terms
- Y-o-Y de-growth of 6.1% in INR terms and de-growth 5.9% in constant currency terms

- **Operating EBIT**

- Q3 FY15 operating EBIT at INR 746 million compared to INR 742 million in Q3 FY14 and INR 771 million in Q2 FY15
- Q-o-Q de-growth of 3.3% while margins flat QoQ
- Y-o-Y growth of 0.6%, margin expansion by 60 bps from 9.3% to 9.9%

- **PAT**

- Q3 FY15 PAT at INR 575 million compared to INR 483 million in Q3 FY14 and INR 612 million in Q2 FY15
- Q-o-Q de-growth of 6.1%, margin contraction by 20 bps from 7.9% to 7.7%
- Y-o-Y growth of 19.0%, margin expansion by 170 bps, from 6.0% to 7.7%



# 9M FY2015 Highlights

## 9M FY2015 Performance Analysis

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- **Operating revenue**

- 9M FY15 Revenues at INR 22,806 million compared to INR 23,097 million in 9M FY14
- Y-o-Y de-growth of 1.3% in INR terms and de-growth of 5% in constant currency terms

- **Operating EBIT**

- 9M FY15 operating EBIT at INR 2,273 million compared to INR 2,056 million in 9M FY14
- Y-o-Y growth of 10.5%, margin expansion by 110 bps from 8.9% to 10.0%

- **PAT**

- 9M FY15 PAT at INR 1,720 million compared to INR 1,341 million in 9M FY14
- Y-o-Y growth of 28.3%, margin expansion by 170 bps, from 5.8% to 7.5%



## Q3 FY2015 Highlights (1/2)



### Cash and Debt Position

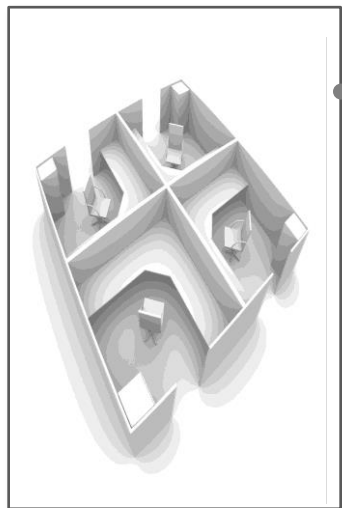
- **Cash and cash equivalents** of INR 1,400 million as of December 31, 2014 as compared to INR 1,843 million in previous quarter
  - Repayment of seventh principal installment of \$ 11.25 million on December 31, 2014
  - Capex spend in Q3 FY15 of INR 64 million
- **Net Long Term Debt** of \$ 98 million as of December 31, 2014



### Foreign Exchange Hedges

- **Outstanding FX hedges at \$41 million for USD and £62 million for GBP**
  - **Next 12 months:** 90% coverage for USD at INR 66.4 levels, 90% coverage for GBP at INR 107.4 levels, and 17% coverage for GBP at PHP 73.1
  - **Next 12 – 24 months:** 52% coverage for USD rates at INR 69.1 levels and 69% coverage for GBP at INR 113.3 levels

## Q3 FY2015 Highlights (2/2)



### Employee Strength, Seat Capacity And Utilization

- **26,621 employees as on December 31, 2014; Seat capacity of 23,698 seats worldwide**
  - 47 delivery centers as on December 31, 2014, same as on September 30, 2014
  - 17,574 employees in India and 9,047 employees based outside India, net reduction of 302 employees in Q3FY15
  - Seat fill factor at 71.7% as on December 31, 2014, compared to 73.1% as on September 30, 2014



### Attrition

- **Offshore (India and Philippines)** – 47.1% compared to 49.6% in Q2 FY15
- **Onshore (US and Europe)** – 37.4% compared to 43.6% in Q2 FY15
- **Domestic (India and Sri Lanka)** – 80.6% compared to 85.7% in Q2 FY15

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01 | Performance Highlights

02 | **Financial Performance**

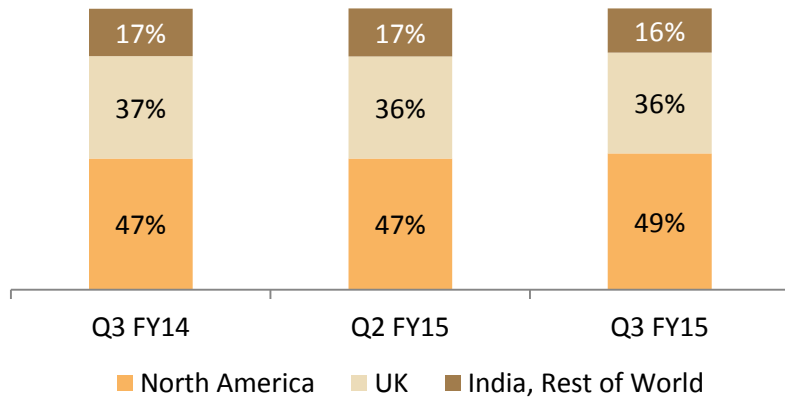
03 | Business Outlook



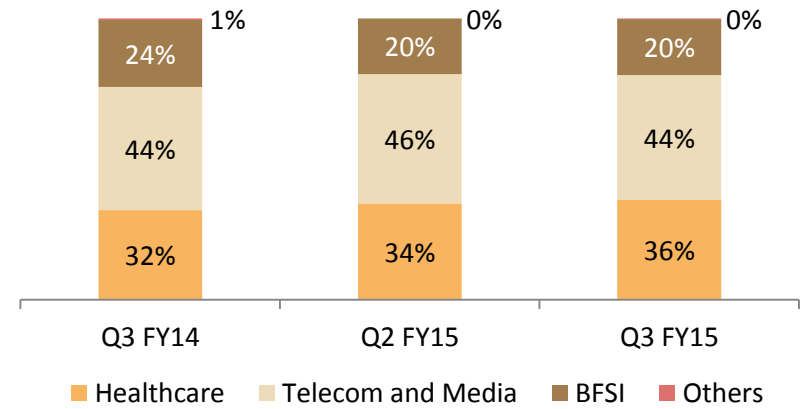


# Q3 FY2015 Financial Summary

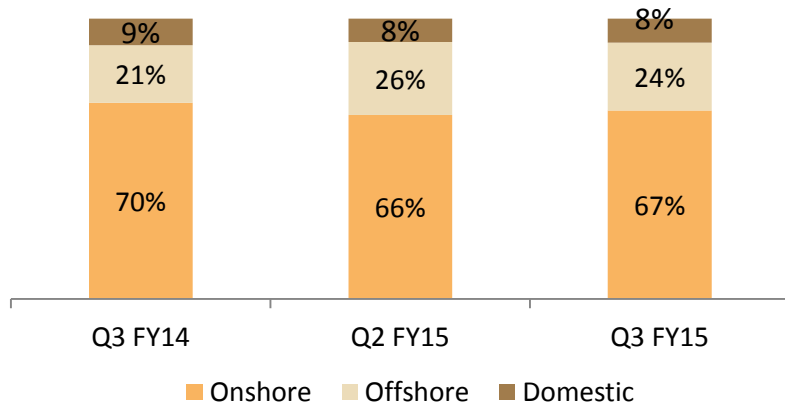
## Revenue By Geography



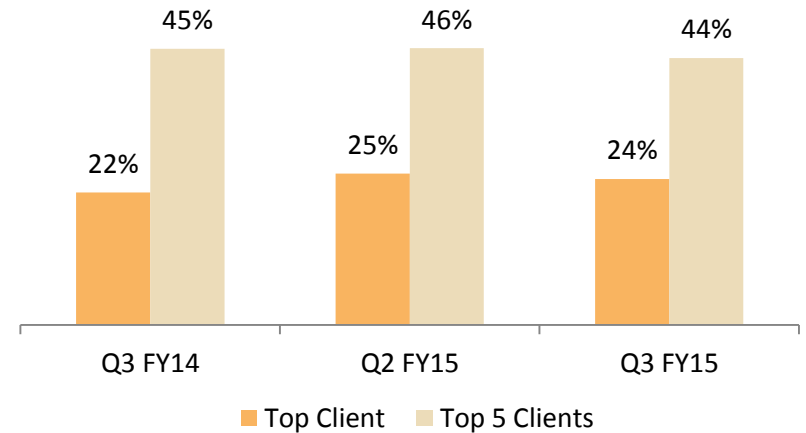
## Revenue By Verticals



## Revenue By Delivery Location



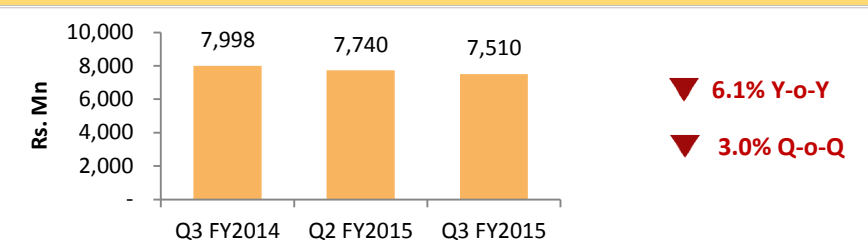
## Revenue By Client Concentration



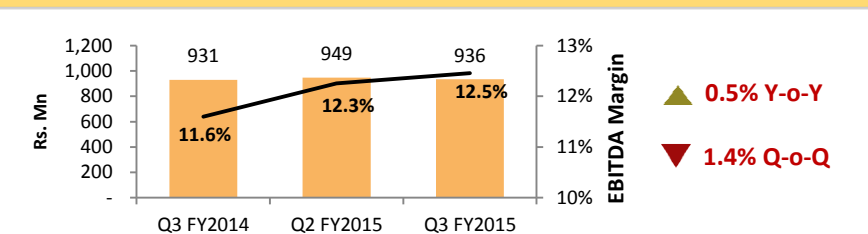
# Financial Performance – Q3 FY2015

(IN INR Million)	Q3 FY 2014	Q2 FY 2015	Q3 FY 2015
Income from services	7,994	7,698	7,373
Other operating Income	4	42	138
<b>Revenue from operations</b>	<b>7,998</b>	<b>7,740</b>	<b>7,510</b>
Personnel and Operating Expense	7,066	6,791	6,575
<b>Operating EBITDA</b>	<b>931</b>	<b>949</b>	<b>936</b>
<i>Operating EBITDA %</i>	<i>11.6%</i>	<i>12.3%</i>	<i>12.5%</i>
Depreciation / amortization	190	177	189
<b>Operating EBIT</b>	<b>742</b>	<b>771</b>	<b>746</b>
<i>Operating EBIT %</i>	<i>9.3%</i>	<i>10.0%</i>	<i>9.9%</i>
Other Income / (expense)	(4)	40	(5)
Interest Income / (expense), net	(205)	(174)	(143)
<b>PBT</b>	<b>532</b>	<b>638</b>	<b>598</b>
<i>PBT (% of total income)</i>	<i>6.7%</i>	<i>8.2%</i>	<i>8.0%</i>
Taxes and Minority Interest	50	26	23
<b>PAT</b>	<b>483</b>	<b>612</b>	<b>575</b>
<i>PAT (% of total income)</i>	<i>6.0%</i>	<i>7.9%</i>	<i>7.7%</i>

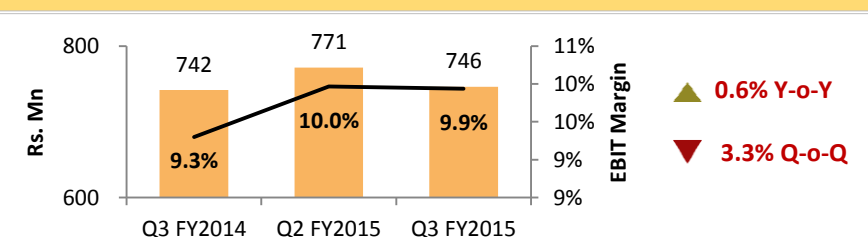
## Revenue From Operations



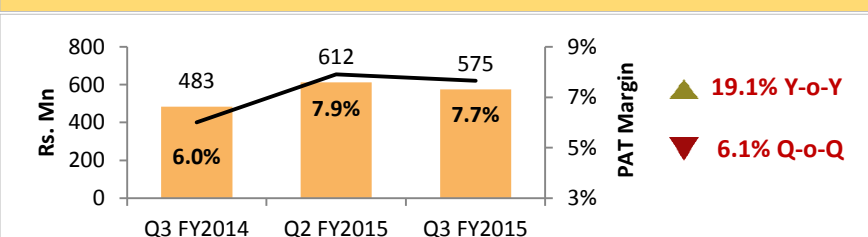
## Operating EBITDA



## Operating EBIT



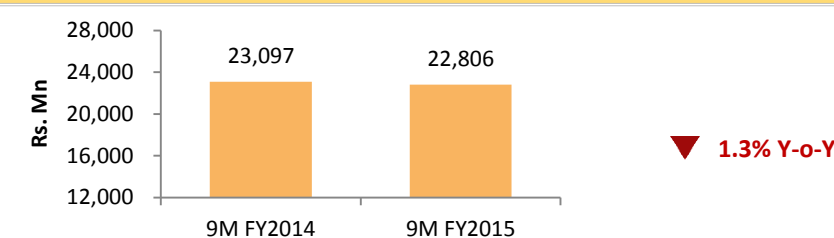
## PAT



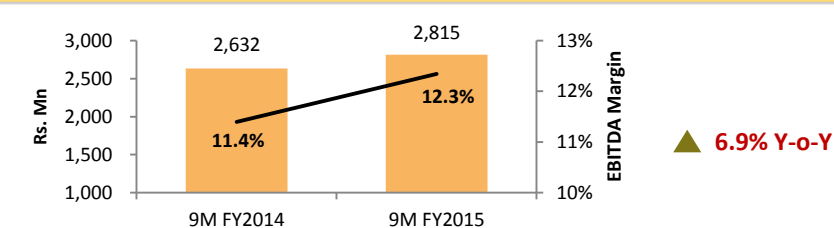
# Financial Performance – 9M FY2015

(IN INR Million)	9M FY2014	9M FY2015
Income from services	23,207	22,690
Other operating Income	(110)	116
<b>Revenue from operations</b>	<b>23,097</b>	<b>22,806</b>
Personnel and Operating Expense	20,465	19,991
<b>Operating EBITDA</b>	<b>2,632</b>	<b>2,815</b>
<i>Operating EBITDA %</i>	<i>11.4%</i>	<i>12.3%</i>
Depreciation / amortization	576	542
<b>Operating EBIT</b>	<b>2,056</b>	<b>2,273</b>
<i>Operating EBIT %</i>	<i>8.9%</i>	<i>10.0%</i>
Other Income / (expense)	9	18
Interest Income / (expense), net	(632)	(494)
<b>PBT</b>	<b>1,433</b>	<b>1,797</b>
<i>PBT (% of total income)</i>	<i>6.2%</i>	<i>7.9%</i>
Taxes and Minority Interest	92	77
<b>PAT</b>	<b>1,341</b>	<b>1,720</b>
<i>PAT (% of total income)</i>	<i>5.8%</i>	<i>7.5%</i>

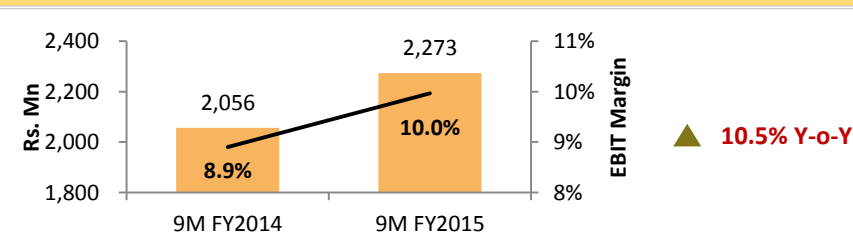
## Revenue From Operations



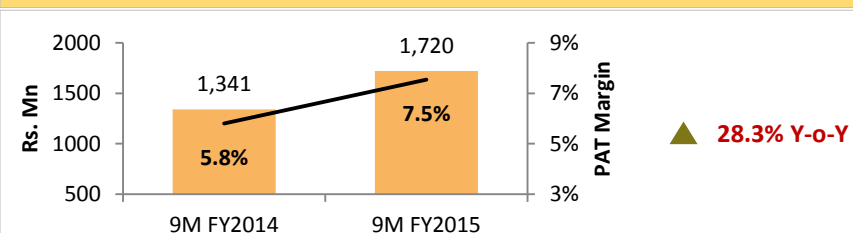
## Operating EBITDA



## Operating EBIT



## PAT



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# Business Outlook

- Demand environment continues to be robust, with strong pipeline build-up across Healthcare and Customer Management
- Q4 will be sequentially strong quarter due to seasonality in collections business and revenue realisation of wins from earlier quarters
- FY15 revenue growth muted on account of :
  - Delays in go-live due to several factors
  - Full quarter impact of the earlier reported loss of the Irish telecom client
  - Delays in decision making leading to longer than anticipated sales cycle
- Growth momentum from Q4 to continue into FY16, visibility of 7 – 8% growth currently, with upward bias
- Margins will continue to expand, and will achieve 100 – 120 bps for the full fiscal
- Debt repayment 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](http://www.firstsource.com))