

Firstsource Solutions Limited

Q1 FY2016 Earnings Update

August 3, 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



Q1 FY2016 Highlights (1/3)

Q1 FY2016 Performance Analysis

- **Operating revenue**

- Q1 FY16 Revenues at INR 746.9 crore compared to INR 755.6 crore in Q1 FY15 and INR 754.0 crore in Q4 FY15
- Q-o-Q de-growth of 0.9% in INR terms and de-growth of 2.04% in constant currency terms
- Y-o-Y de-growth of 1.1% in INR terms and de-growth 4.57% in constant currency terms

- **Operating EBIT**

- Q1 FY16 operating EBIT at INR 72.5 crore compared to INR 75.5 crore in Q1 FY15 and INR 81.3 crore in Q4 FY15
- Q-o-Q de-growth of 10.9% while margins reduction by 110 bps from 10.8% to 9.7%
- Y-o-Y de-growth of 4.1%, margin reduction by 30 bps from 10.0% to 9.7%

- **PAT**

- Q1 FY16 PAT at INR 56.4 crore compared to INR 53.2 crore in Q1 FY15 and INR 62.3 crore in Q4 FY15
- Q-o-Q de-growth of 9.5%, margin reduction of 70 bps from 8.3% to 7.6%
- Y-o-Y growth of 5.9%, margin expansion by 60 bps, from 7.0% to 7.6%



Q1 FY2016 Highlights (2/3)



Cash and Debt Position

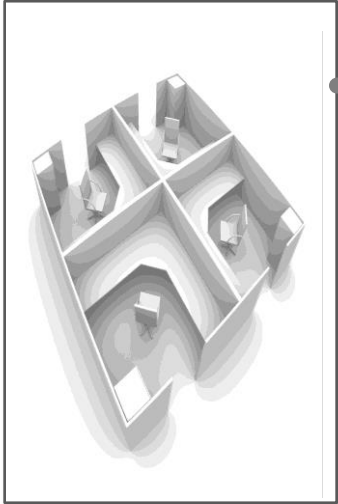
- **Cash and cash equivalents** of INR 194.6 crore as of June 30, 2015 as compared to INR 147.8 crore in previous quarter
 - Repayment of principal installment of \$ 11.25 million on June 30, 2015
 - Capex spend in Q1 FY16 of INR 17.8 crore
- **Outstanding debt re-financed. Long-term net debt at \$112.2 Mn**
 - USD 30 Mn Short-term borrowing converted to Long-term
 - Augmented cash for deal pursuit payouts



Foreign Exchange Hedges

- **Outstanding FX hedges at \$37 million for USD and £57 million for GBP**
 - **Next 12 months:** 90% coverage for USD at INR 67.5 levels, 89% coverage for GBP at INR 111.5 levels, and 21% coverage for GBP at PHP 69.9
 - **Next 12 – 24 months:** 50% coverage for USD rates at INR 70.3 levels and 69% coverage for GBP at INR 111.4 levels

Q1 FY2016 Highlights (3/3)



Employee Strength, Seat Capacity And Utilization

- **23,939 employees as on June 30, 2015; Seat capacity of 22,984 seats worldwide**
 - 46 delivery centers as on June 30, 2015, closure of two centers and addition of one center as compared to March 31, 2015
 - 14,607 employees in India and 9,332 employees based outside India, net reduction of 1,346 employees in Q1FY16 of which 1,328 employees were from domestic business
 - Seat fill factor at 68.4% as on June 30, 2015, compared to 68.5% as on March 31, 2015



Attrition

- **Offshore (India and Philippines)** – 50.3% compared to 52.7% in Q4 FY15
- **Onshore (US and Europe)** – 46.4% compared to 40.0% in Q4 FY15
- **Domestic (India and Sri Lanka)** – 95.7% compared to 91.0% in Q4 FY15

Agenda

01 | Performance Highlights

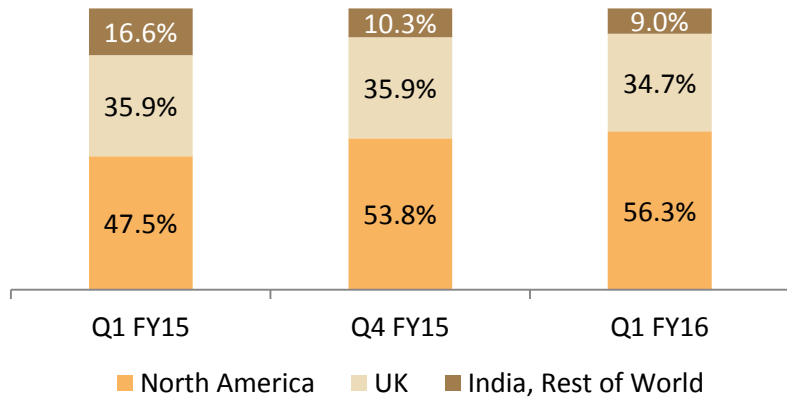
02 | **Financial Performance**

03 | Business Outlook

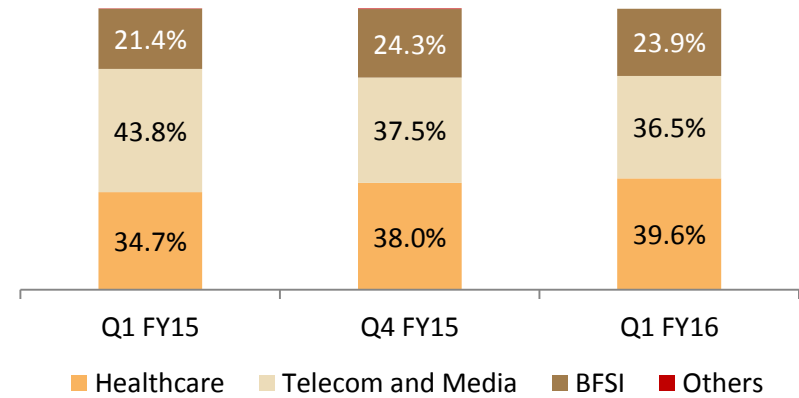


Q1 FY2016 Financial Summary

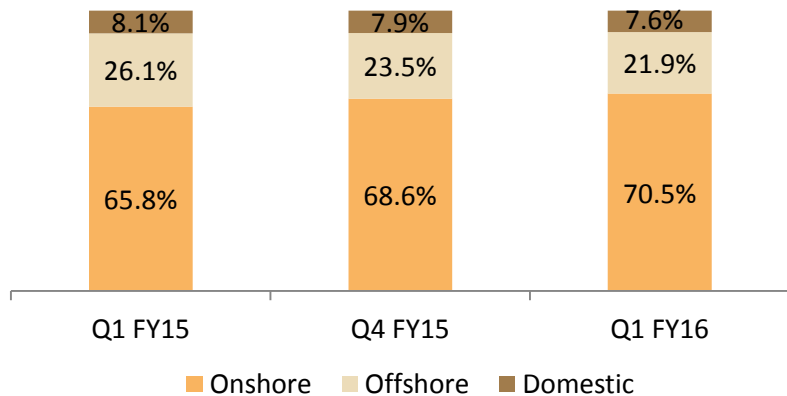
Revenue By Geography



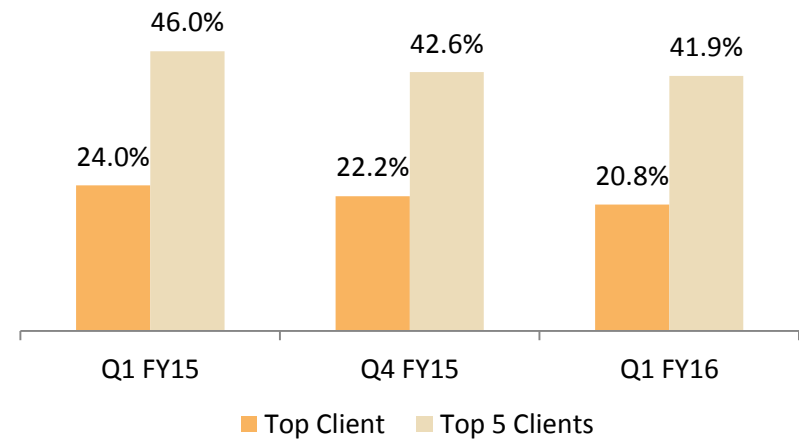
Revenue By Verticals



Revenue By Delivery Location



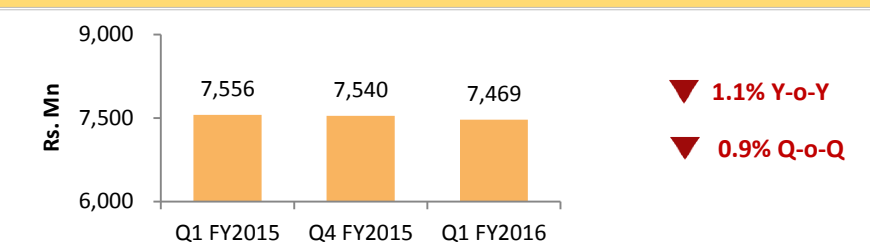
Revenue By Client Concentration



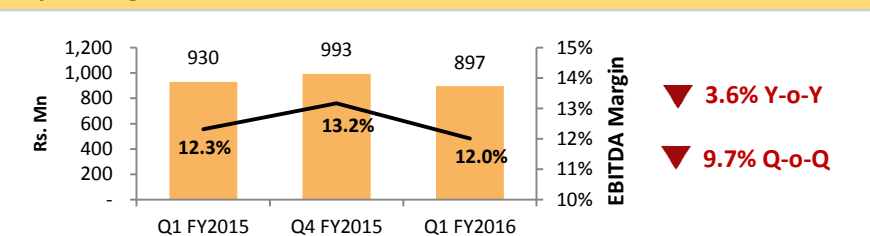
Financial Performance – Q1 FY2016

(IN INR Million)	Q1 FY 2015	Q4 FY 2015	Q1 FY 2016
Income from services	7,619	7,344	7,384
Other operating Income	(63)	197	85
Revenue from operations	7,556	7,540	7,469
Personnel and Operating Expense	6,626	6,548	6,573
Operating EBITDA	930	993	897
<i>Operating EBITDA %</i>	<i>12.3%</i>	<i>13.2%</i>	<i>12.0%</i>
Depreciation / amortization	175	180	172
Operating EBIT	755	813	725
<i>Operating EBIT %</i>	<i>10.0%</i>	<i>10.8%</i>	<i>9.7%</i>
Other Income / (expense)	(17)	(8)	43
Interest Income / (expense), net	(177)	(162)	(139)
PBT	561	643	628
<i>PBT (% of total income)</i>	<i>7.4%</i>	<i>8.5%</i>	<i>8.4%</i>
Taxes and Minority Interest	29	20	64
PAT	532	623	564
<i>PAT (% of total income)</i>	<i>7.0%</i>	<i>8.3%</i>	<i>7.6%</i>

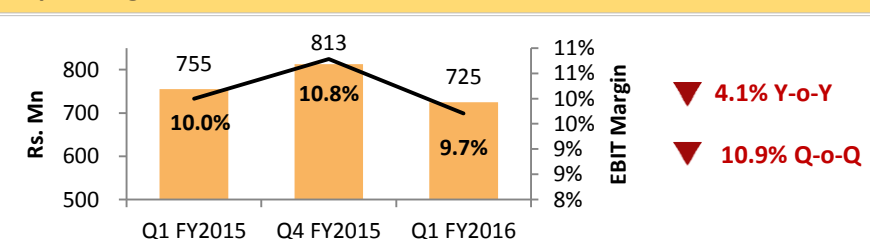
Revenue From Operations



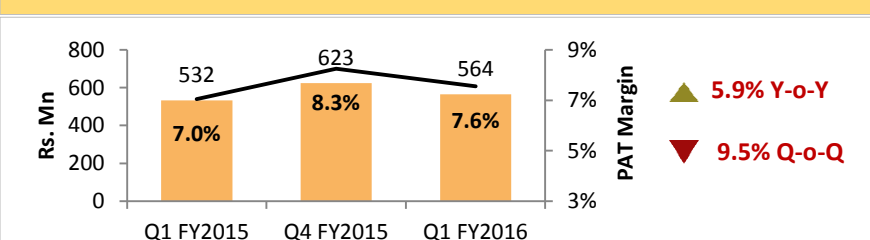
Operating EBITDA



Operating EBIT



PAT



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03 | **Business Outlook**



Business Outlook

- Demand environment is robust; pipeline continues to be strong across Customer Management and Healthcare
- Although a flattish Q1, growth will be evident from Q2 onwards, continue to maintain the 7-8% growth target for the year
- Healthcare, BFSI UK and T&M US will be leading growth contributors for the year, domestic business seeing downward trend, Collections to remain flattish with improved margin profile
- Long term debt restructured on similar repayment plan, will continue to repay \$11.25 million per quarter going forward
- Despite margin reduction in Q1, margin expansion to continue; 100 – 120 bps for the full year in FY16

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)