

Firstsource Solutions Limited

Q4 and FY2015 Earnings Update

May 5, 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



FY2015 Highlights

FY2015 Performance Analysis

- **Operating revenue**

- FY15 Revenues at INR 3,034.7 crore compared to INR 3,105.9 crore in FY14
- Y-o-Y de-growth of 2.3% in INR terms and de-growth of 5.3% in constant currency terms

- **Operating EBIT**

- FY15 operating EBIT at INR 308.6 crore compared to INR 286.4 crore in FY14
- Y-o-Y growth of 7.7%, margin expansion by 95 bps from 9.22% to 10.17%

- **PAT**

- FY15 PAT at INR 234.3 crore compared to INR 193 crore in FY14
- Y-o-Y growth of 21.4%, margin expansion by 150 bps, from 6.2% to 7.7%



Q4 FY2015 Highlights (1/3)

Q4 FY2015 Performance Analysis

- **Operating revenue**

- Q4 FY15 Revenues at INR 754 crore compared to INR 796.2 crore in Q4 FY14 and INR 751 crore in Q3 FY15
- Q-o-Q growth of 0.4% in INR terms and flat in constant currency terms
- Y-o-Y de-growth of 5.3% in INR terms and de-growth 6.2% in constant currency terms

- **Operating EBIT**

- Q4 FY15 operating EBIT at INR 81.3 crore compared to INR 80.8 crore in Q4 FY14 and INR 74.6 crore in Q3 FY15
- Q-o-Q growth of 8.9% while margins expansion by 90 bps from 9.9% to 10.8%
- Y-o-Y growth of 0.6%, margin expansion by 63 bps from 10.15% to 10.78%

- **PAT**

- Q4 FY15 PAT at INR 62.3 crore compared to INR 58.8 crore in Q4 FY14 and INR 57.5 crore in Q3 FY15
- Q-o-Q growth of 8.3%, margin expansion of 60 bps from 7.7% to 8.3%
- Y-o-Y growth of 5.9%, margin expansion by 90 bps, from 7.4% to 8.3%



Q4 FY2015 Highlights (2/3)



Cash and Debt Position

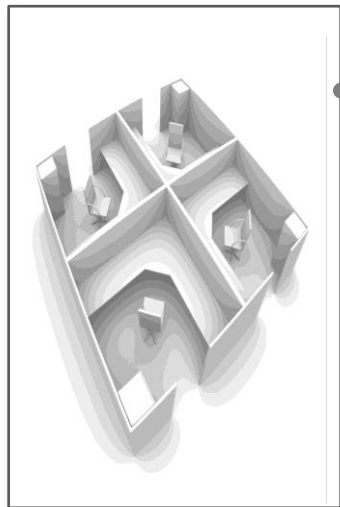
- **Cash and cash equivalents** of INR 1,478 million as of March 31, 2015 as compared to INR 1,400 million in previous quarter
 - Repayment of eighth principal installment of \$ 11.25 million on March 31, 2015
 - Capex spend in Q4 FY15 of INR 116 million
- **Net Long Term Debt** of \$ 87 million as of March 31, 2015



Foreign Exchange Hedges

- **Outstanding FX hedges at \$39 million for USD and £61 million for GBP**
 - **Next 12 months:** 90% coverage for USD at INR 66.7 levels, 90% coverage for GBP at INR 109.3 levels, and 4% coverage for GBP at PHP 73.1
 - **Next 12 – 24 months:** 46% coverage for USD rates at INR 69.4 levels and 66% coverage for GBP at INR 111.7 levels

Q4 FY2015 Highlights (3/3)



Employee Strength, Seat Capacity And Utilization

- **25,285 employees as on March 31, 2015; Seat capacity of 24,001 seats worldwide**
 - 47 delivery centers as on March 31, 2015, same as on December 31, 2014
 - 16,029 employees in India and 9,256 employees based outside India, net reduction of 1,336 employees in Q4FY15
 - Seat fill factor at 68.5% as on March 31, 2015, compared to 71.7% as on December 31, 2014



Attrition

- **Offshore (India and Philippines) – 52.7%** compared to 47.1% in Q3 FY15
- **Onshore (US and Europe) – 40.0%** compared to 37.4% in Q3 FY15
- **Domestic (India and Sri Lanka) – 91.0%** compared to 80.6% in Q3 FY15

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01 | Performance Highlights

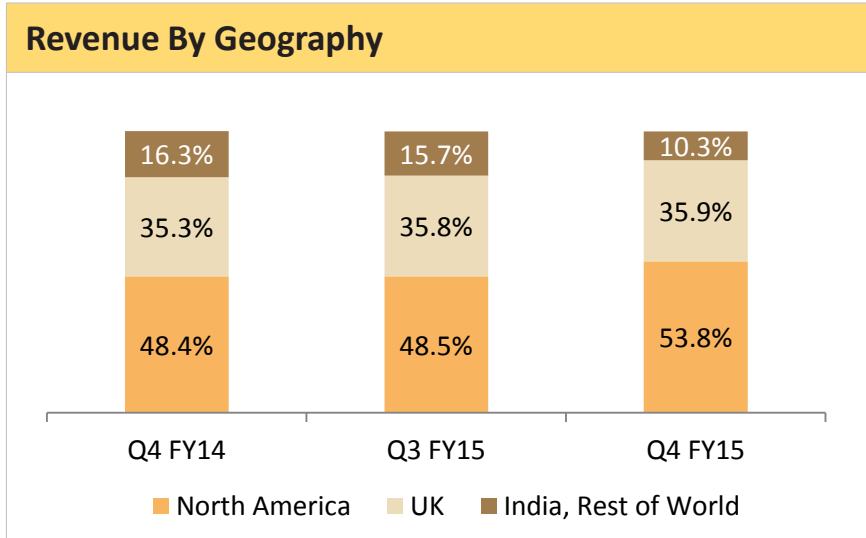
02 | **Financial Performance**

03 | Business Outlook

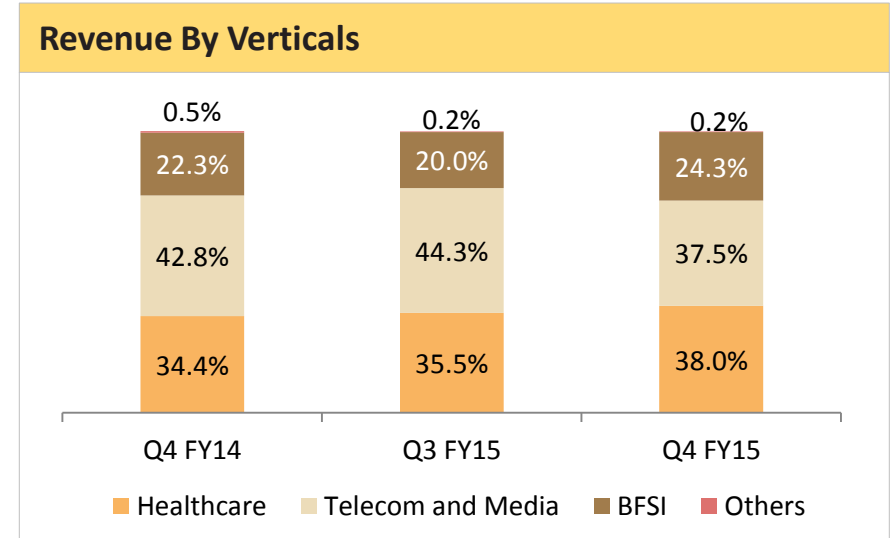


Q4 FY2015 Financial Summary

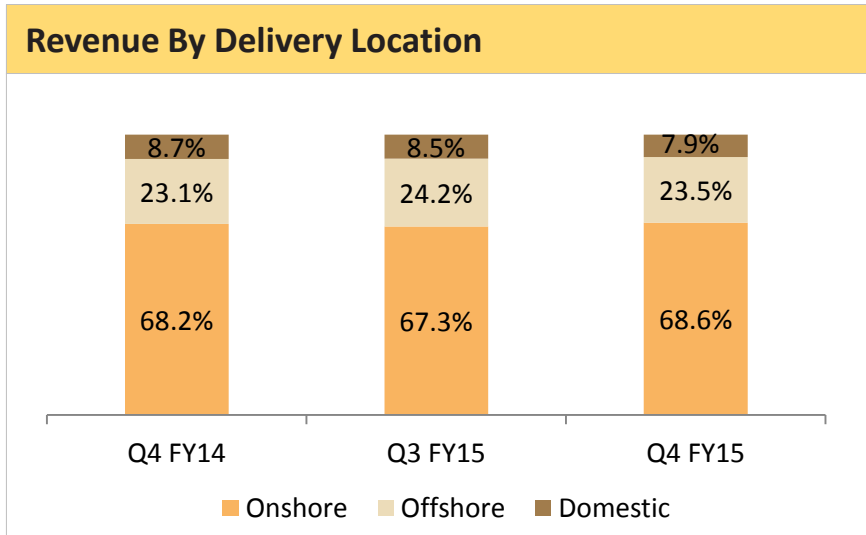
Revenue By Geography



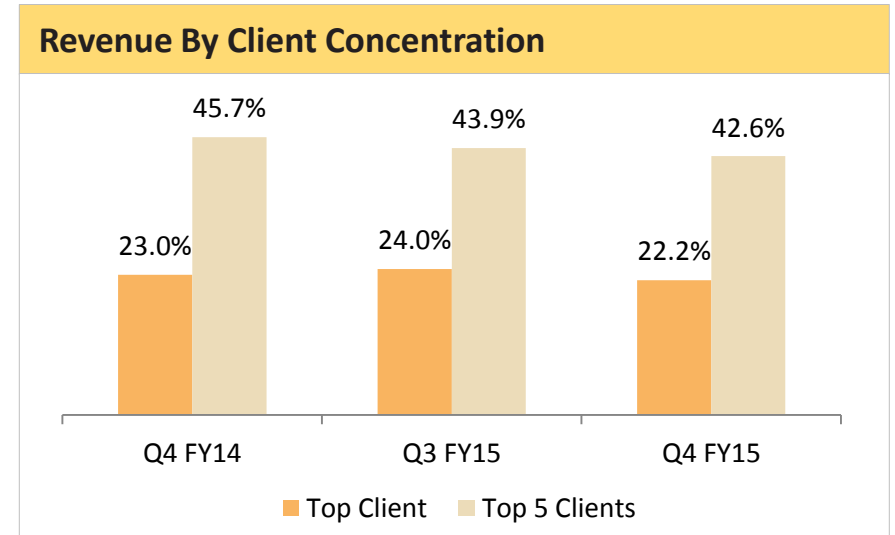
Revenue By Verticals



Revenue By Delivery Location

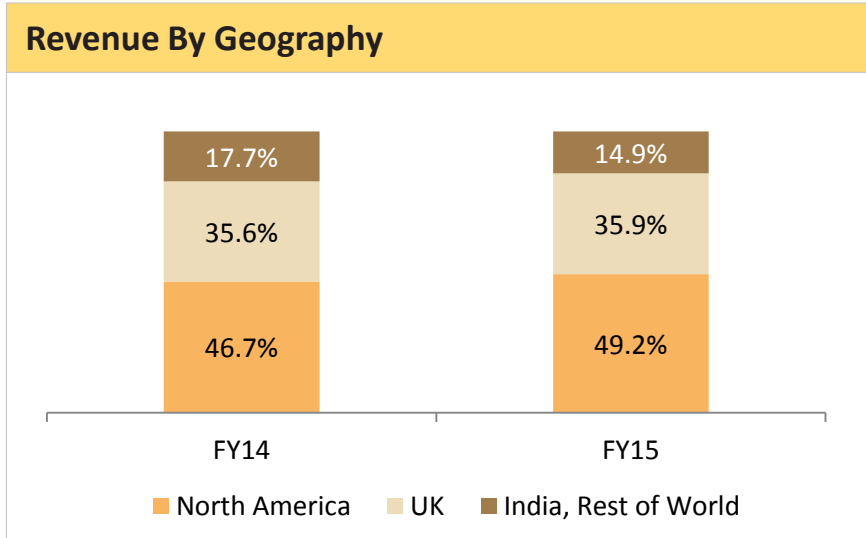


Revenue By Client Concentration

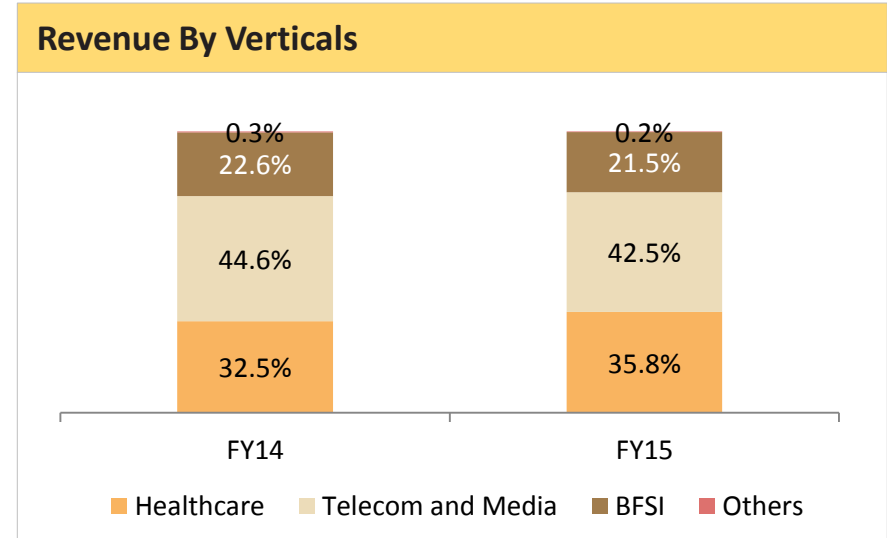


FY2015 Financial Summary

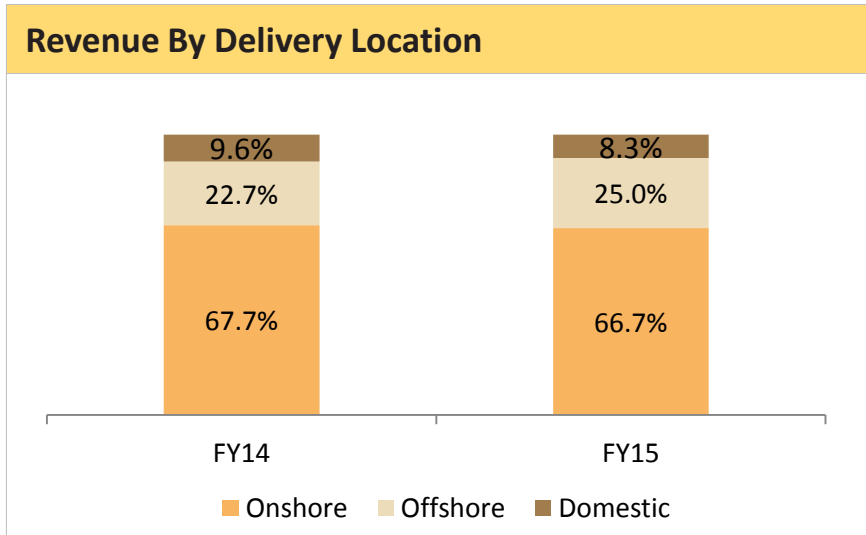
Revenue By Geography



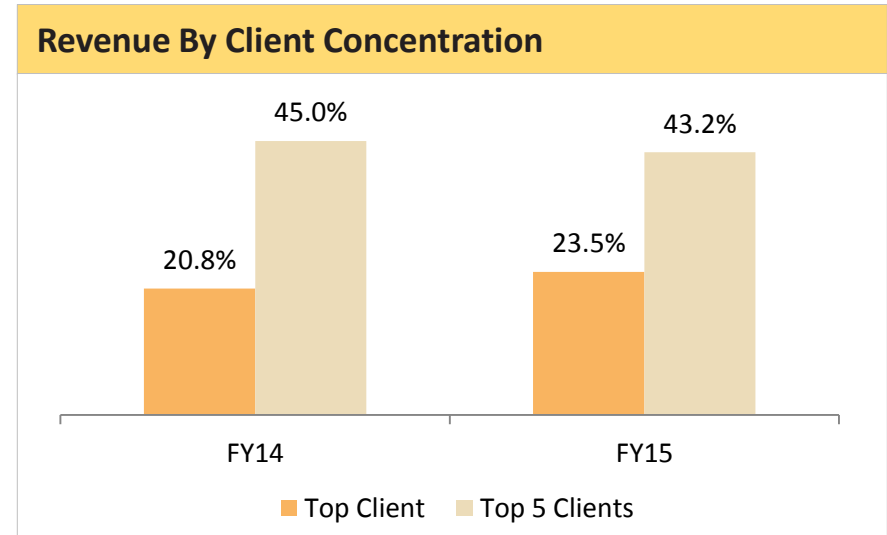
Revenue By Verticals



Revenue By Delivery Location



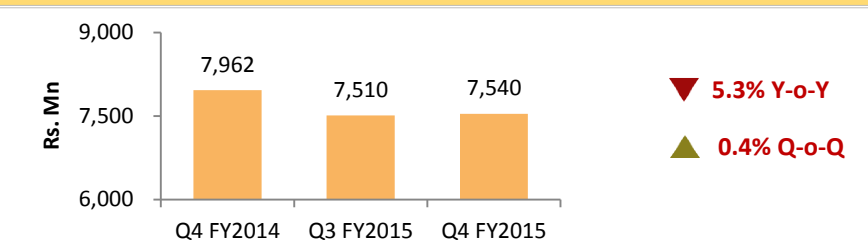
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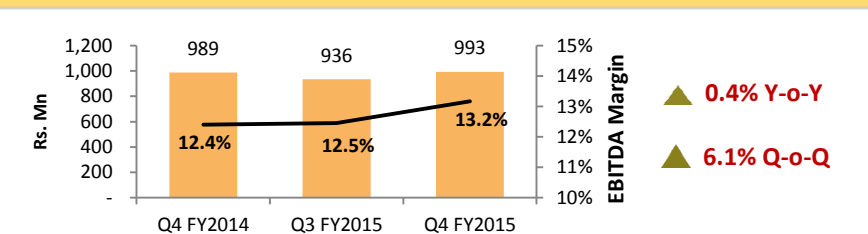
Financial Performance – Q4 FY2015

(IN INR Million)	Q4 FY 2014	Q3 FY 2015	Q4 FY 2015
Income from services	8,063	7,373	7,344
Other operating Income	(101)	138	197
Revenue from operations	7,962	7,510	7,540
Personnel and Operating Expense	6,973	6,575	6,548
Operating EBITDA	989	936	993
<i>Operating EBITDA %</i>	<i>12.4%</i>	<i>12.5%</i>	<i>13.2%</i>
Depreciation / amortization	181	189	180
Operating EBIT	808	746	813
<i>Operating EBIT %</i>	<i>10.1%</i>	<i>9.9%</i>	<i>10.8%</i>
Other Income / (expense)	(17)	(5)	(8)
Interest Income / (expense), net	(191)	(143)	(162)
PBT	600	598	643
<i>PBT (% of total income)</i>	<i>7.5%</i>	<i>8.0%</i>	<i>8.5%</i>
Taxes and Minority Interest	12	23	20
PAT	588	575	623
<i>PAT (% of total income)</i>	<i>7.4%</i>	<i>7.7%</i>	<i>8.3%</i>

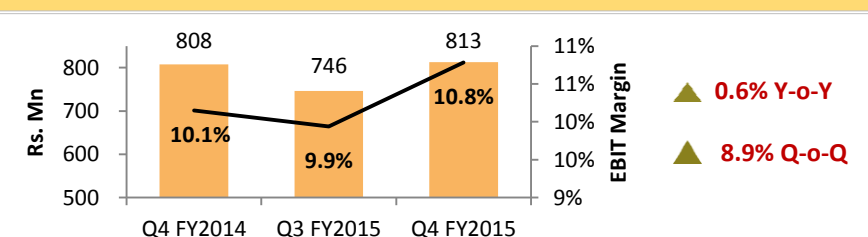
Revenue From Operations



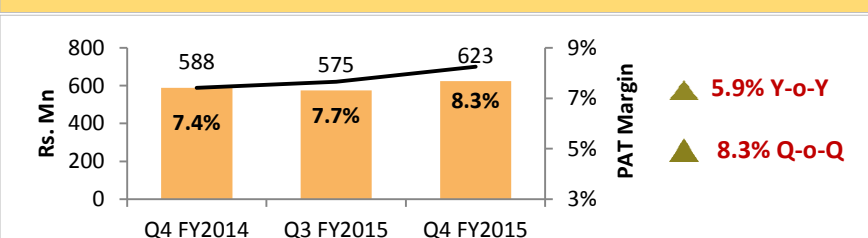
Operating EBITDA



Operating EBIT



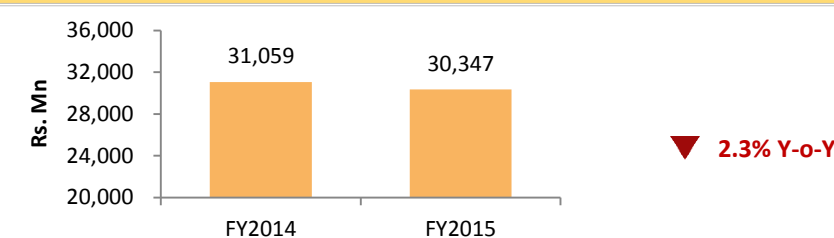
PAT



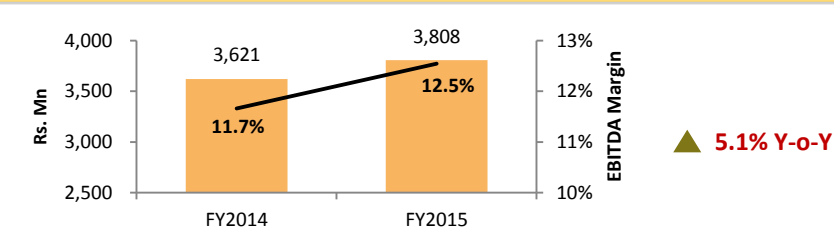
Financial Performance – FY2015

(IN INR Million)	FY2014	FY2015
Income from services	31,270	30,034
Other operating Income	(211)	313
Revenue from operations	31,059	30,347
Personnel and Operating Expense	27,438	26,539
Operating EBITDA	3,621	3,808
<i>Operating EBITDA %</i>	<i>11.7%</i>	<i>12.5%</i>
Depreciation / amortization	757	722
Operating EBIT	2,864	3,086
<i>Operating EBIT %</i>	<i>9.2%</i>	<i>10.2%</i>
Other Income / (expense)	(8)	11
Interest Income / (expense), net	(824)	(656)
PBT	2,033	2,440
<i>PBT (% of total income)</i>	<i>6.5%</i>	<i>8.0%</i>
Taxes and Minority Interest	103	97
PAT	1,930	2,343
<i>PAT (% of total income)</i>	<i>6.2%</i>	<i>7.7%</i>

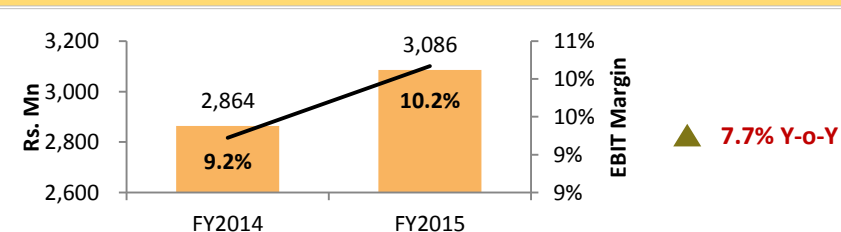
Revenue From Operations



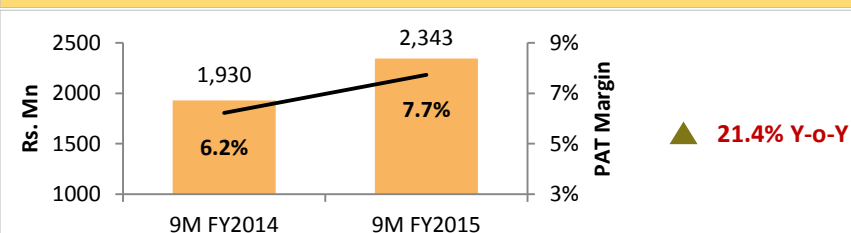
Operating EBITDA



Operating EBIT



PAT



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Business Outlook

- FY15 was a challenging year
 - Delays in ramp-ups due to several factors
 - Loss of one of the top 5 clients in Q3
 - Poor weather conditions in North America in H2 which impacted working days
- FY16 outlook is positive due to:
 - Strong demand environment, evidenced by the robust pipeline buildup across verticals
 - Realizations of wins till date, which will translate into revenue in the ensuing quarters
 - Continue to maintain a 7-8% growth outlook
- Continue to build differentiation in offerings through productized services with emphasis to augment capability in areas of RCM, Automation, Analytics, Digital
- Margin expansion to continue, 100-120 bps for the full year in FY16
- Debt repayment continues as per plan

THANK YOU

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