

# Firstsource Solutions Limited

## Q4 and FY2016 Earnings Update

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May 12, 2016

# 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



# Q4 FY2016 Highlights (1/3)

## Q4 FY2016 Performance Analysis

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- **Operating revenue**

- Q4 FY16 Revenues at INR 873 crore compared to INR 754 crore in Q4 FY15 and INR 817.8 crore in Q3 FY16
- Q-o-Q growth of 6.8% in INR terms and growth of 6.9% in constant currency terms
- Y-o-Y growth of 15.8% in INR terms and growth 10.2% in constant currency terms

- **Operating EBIT**

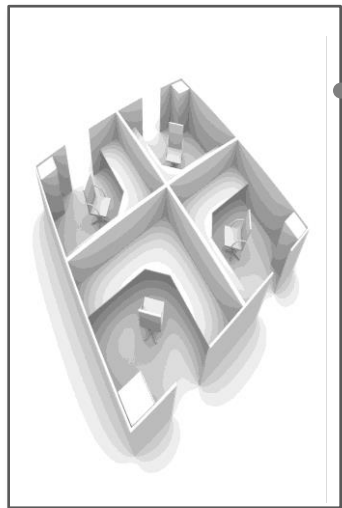
- Q4 FY16 operating EBIT at INR 101.5 crore compared to INR 81.3 crore in Q4 FY15 and INR 84.5 crore in Q3 FY16
- Q-o-Q growth of 20.1% while margins expansion by 130 bps from 10.3% to 11.6%
- Y-o-Y growth of 24.8%, margin expansion by 80 bps from 10.8% to 11.6%

- **PAT**

- Q4 FY16 PAT at INR 79.7 crore compared to INR 62.3 crore in Q4 FY15 and INR 67 crore in Q3 FY16
- Q-o-Q growth of 18.8%, margin expansion of 90 bps from 8.2% to 9.1%
- Y-o-Y growth of 27.9%, margin expansion by 86 bps, from 8.26% to 9.13%



# Q4 FY2016 Highlights (2/3)



## Employee Strength, Seat Capacity And Utilization

- **23,886 employees as on March 31, 2016; Seat capacity of 23,096 seats worldwide**
  - 45 delivery centers as on March 31, 2016, compared to 46 as on December 31, 2015
  - 14,051 employees in India and 9,835 employees based outside India, net reduction of 32 employees in Q4FY16
  - Seat fill factor at 68.0% as on March 31, 2016, compared to 66.3% as on December 31, 2015



## Attrition

- **Offshore (India and Philippines)** – 56.7% compared to 44.7% in Q3 FY16
- **Onshore (US and Europe)** – 43.5% compared to 43.2% in Q3 FY16
- **Domestic (India and Sri Lanka)** – 85.1% compared to 65.2% in Q3 FY16

## Q4 FY2016 Highlights (3/3)



### Cash and Debt Position

- **Cash and cash equivalents** of INR 1,457 million as of March 31, 2016 as compared to INR 1,538 million in previous quarter
  - Repayment of fourth principal installment of \$ 11.25 million on March 31, 2016
  - Capex spend in Q4 FY16 of INR 178 million
- **Net Long Term Debt** of \$ 87 million as of March 31, 2016



### Foreign Exchange Hedges

- **Outstanding FX hedges at \$34 million for USD and £47 million for GBP**
  - **Next 12 months:** 86% coverage for USD at INR 69.5 levels, 78% coverage for GBP at INR 112.0 levels, 13% coverage for GBP at PHP 74.1 levels and 12% coverage for USD at PHP 48.2 levels
  - **Next 12 – 24 months:** 39% coverage for USD rates at INR 73.2 levels and 54% coverage for GBP at INR 112.5 levels

# FY2016 Highlights

## FY2016 Performance Analysis

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- **Operating revenue**

- FY16 Revenues at INR 3,230.3 crore compared to INR 3,034.7 crore in FY15
- Y-o-Y growth of 6.4% in INR terms and growth of 2.0% in constant currency terms

- **Operating EBIT**

- FY16 operating EBIT at INR 338.6 crore compared to INR 308.6 crore in FY15
- Y-o-Y growth of 9.7%, margin expansion by 31 bps from 10.17% to 10.48%

- **PAT**

- FY16 PAT at INR 265.0 crore compared to INR 234.3 crore in FY15
- Y-o-Y growth of 13.1%, margin expansion by 48 bps, from 7.72% to 8.20%



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01 | Performance Highlights

02 | **Financial Performance**

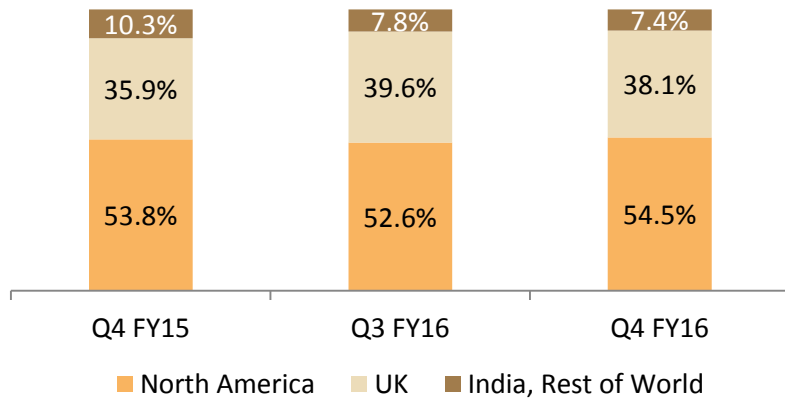
03 | Business Outlook



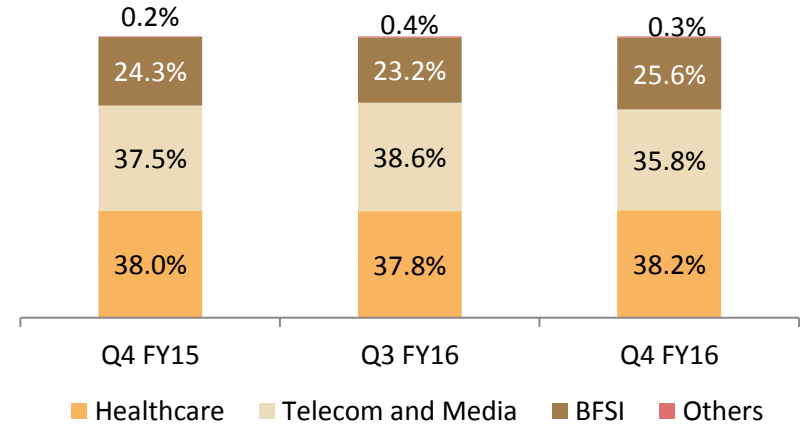


# Q4 FY2016 Financial Summary

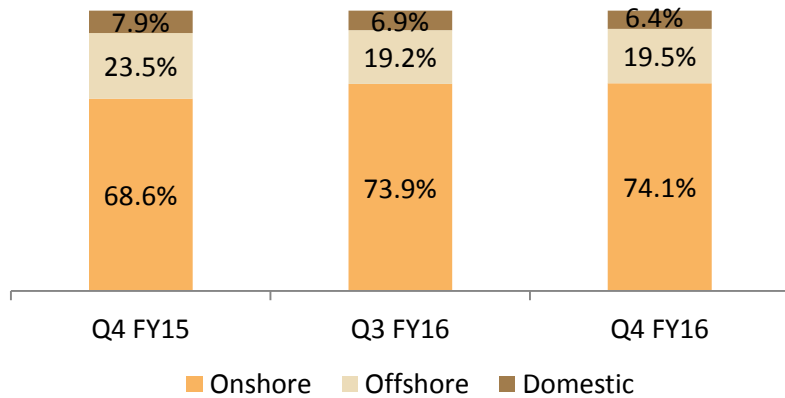
## Revenue By Geography



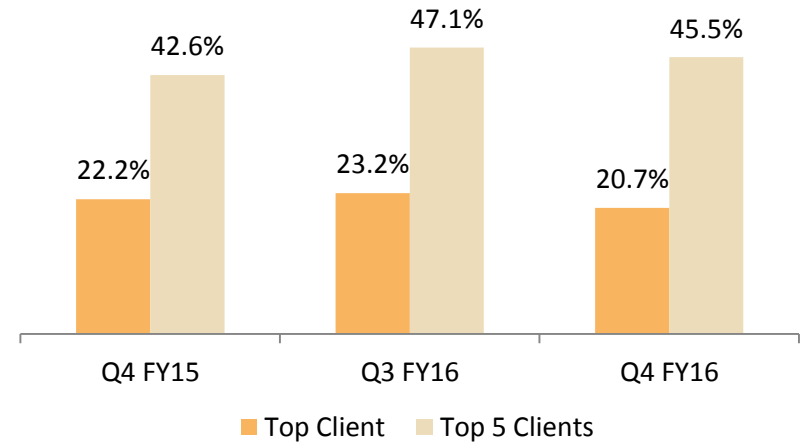
## Revenue By Verticals



## Revenue By Delivery Location

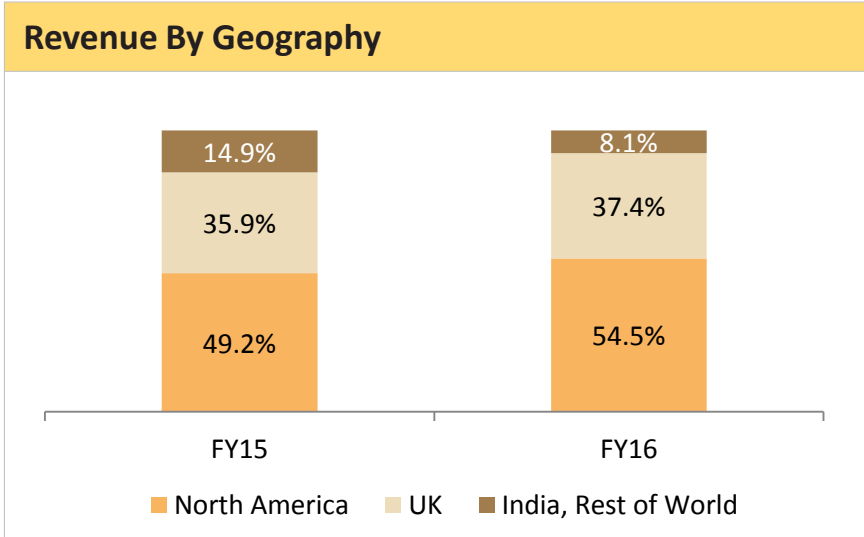


## Revenue By Client Concentration

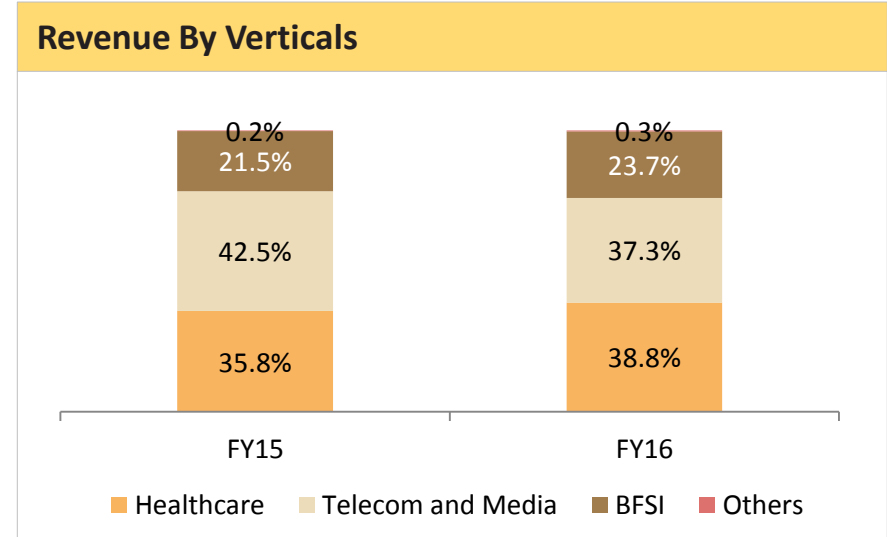


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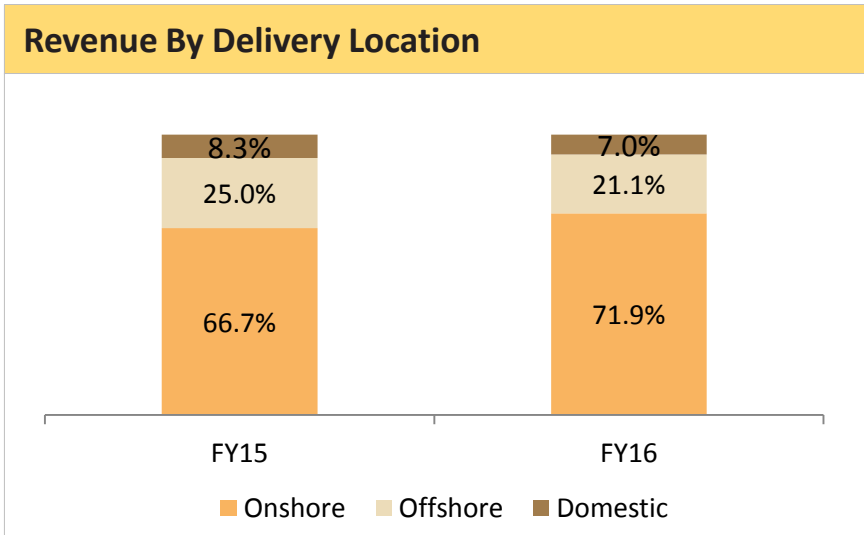
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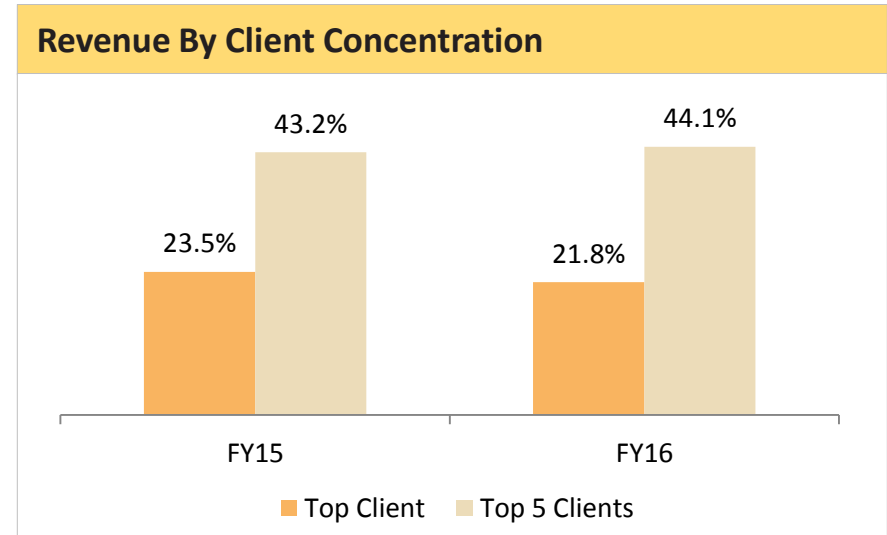
## Revenue By Verticals



## Revenue By Delivery Location



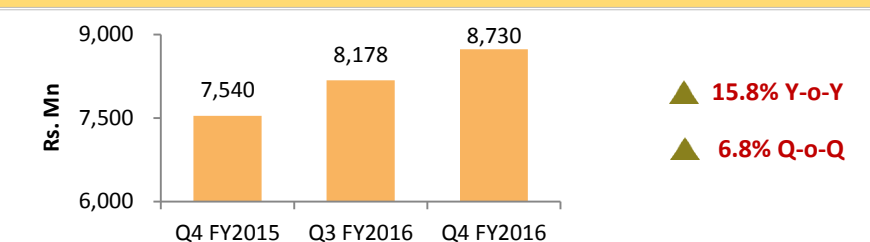
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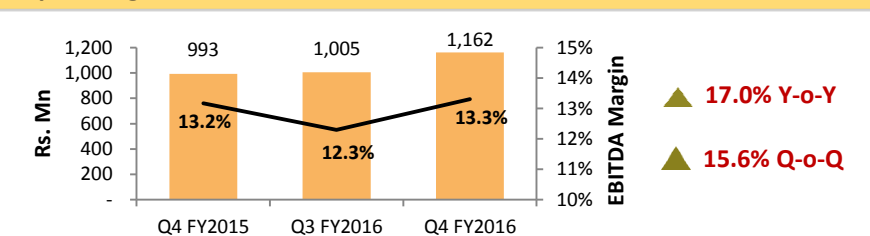
# Financial Performance – Q4 FY2016

(IN INR Million)	Q4 FY 2015	Q3 FY 2016	Q4 FY 2016
Income from services	7,344	8,009	8,561
Other operating Income	197	169	169
<b>Revenue from operations</b>	<b>7,540</b>	<b>8,178</b>	<b>8,730</b>
Personnel and Operating Expense	6,548	7,173	7,568
<b>Operating EBITDA</b>	<b>993</b>	<b>1,005</b>	<b>1,162</b>
<i>Operating EBITDA %</i>	<i>13.2%</i>	<i>12.3%</i>	<i>13.3%</i>
Depreciation / amortization	180	160	147
<b>Operating EBIT</b>	<b>813</b>	<b>845</b>	<b>1,015</b>
<i>Operating EBIT %</i>	<i>10.8%</i>	<i>10.3%</i>	<i>11.6%</i>
Other Income / (expense)	(8)	15	13
Interest Income / (expense), net	(162)	(118)	(123)
<b>PBT</b>	<b>643</b>	<b>742</b>	<b>905</b>
<i>PBT (% of total income)</i>	<i>8.5%</i>	<i>9.1%</i>	<i>10.4%</i>
Taxes and Minority Interest	20	72	109
<b>PAT</b>	<b>623</b>	<b>670</b>	<b>797</b>
<i>PAT (% of total income)</i>	<i>8.3%</i>	<i>8.2%</i>	<i>9.1%</i>

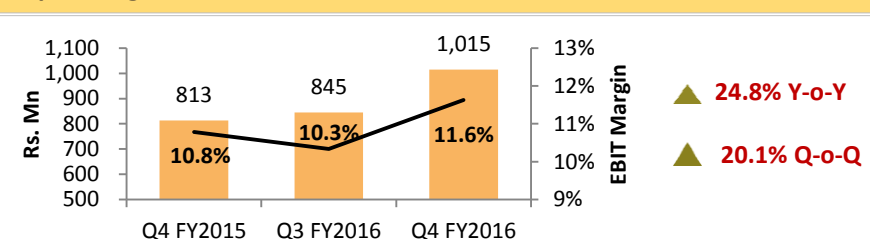
## Revenue From Operations



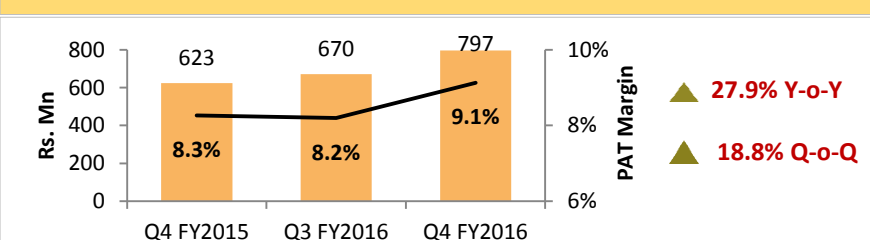
## Operating EBITDA



## Operating EBIT



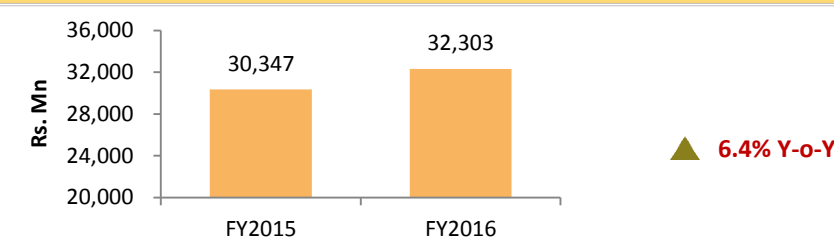
## PAT



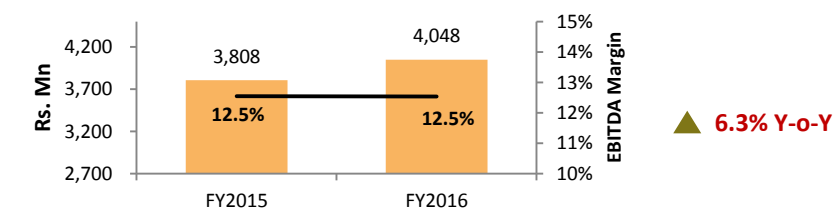
# Financial Performance – FY2016

(IN INR Million)	FY2015	FY2016
Income from services	30,034	31,747
Other operating Income	313	556
<b>Revenue from operations</b>	<b>30,347</b>	<b>32,303</b>
Personnel and Operating Expense	26,539	28,255
<b>Operating EBITDA</b>	<b>3,808</b>	<b>4,048</b>
<i>Operating EBITDA %</i>	<i>12.5%</i>	<i>12.5%</i>
Depreciation / amortization	722	662
<b>Operating EBIT</b>	<b>3,086</b>	<b>3,386</b>
<i>Operating EBIT %</i>	<i>10.2%</i>	<i>10.5%</i>
Other Income / (expense)	11	76
Interest Income / (expense), net	(656)	(506)
<b>PBT</b>	<b>2,440</b>	<b>2,956</b>
<i>PBT (% of total income)</i>	<i>8.0%</i>	<i>9.2%</i>
Taxes and Minority Interest	97	306
<b>PAT</b>	<b>2,343</b>	<b>2,650</b>
<i>PAT (% of total income)</i>	<i>7.7%</i>	<i>8.2%</i>

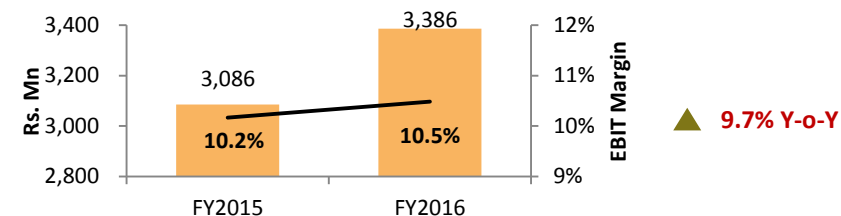
## Revenue From Operations



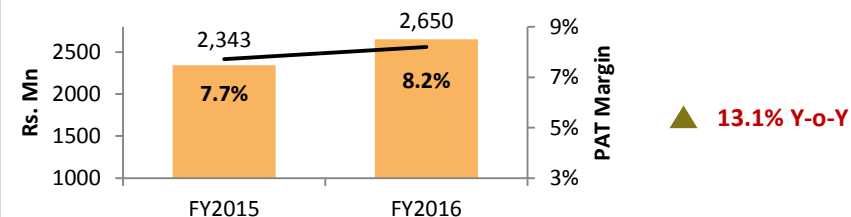
## Operating EBITDA



## Operating EBIT



## PAT



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# Business Outlook

- FY16 growth was lower than guidance due to
  - Approx. 200 bps due to decline in our domestic business
  - Further 200 bps due to challenges faced in our US telecom client business.
- Business segments - Healthcare, BFSI and Media to aid growth traction. Pipeline is robust
- Confident about achieving growth in FY17. Q1 to demonstrate y-o-y growth
- ISGN deal expected to close in the coming weeks.
- US Elections and Brexit outcome keenly watched.
- Domestic business continues to face headwinds
- Continue to build differentiation in offerings through productized services with emphasis to augment capability in areas of RCM, Automation, Analytics, Digital. Our recent wins emphasize our significant progress in these areas.
- 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))