

# Firstsource Solutions Limited

## Q4 and FY2017 Earnings Update

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May 05, 2017

# 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 FY2017 Highlights

## Q4 FY2017 Performance Analysis

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- **Operating revenue**

- Q4 FY17 Revenues at INR 892.3 crore compared to INR 885.4 crore in Q3 FY17 and INR 869.4 crore in Q4 FY16
- Y-o-Y growth of 2.6% in INR terms and growth of 8.2% in constant currency terms
- Q-o-Q growth of 0.8% in INR terms and growth of 1.4% in constant currency terms

- **Operating EBIT**

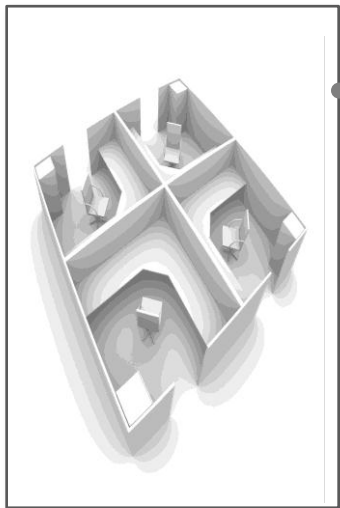
- Q4 FY17 operating EBIT at INR 88.0 crore compared to INR 91.6 crore in Q3 FY17 and INR 97.8 crore in Q4 FY16
- Y-o-Y de-growth of 10.0%, margin contraction by 138 bps from 11.24% to 9.86%
- Q-o-Q de-growth of 4.0%, margin contraction by 49 bps from 10.35% to 9.86%

- **PAT**

- Q4 FY17 PAT at INR 65.4 crore compared to INR 70.0 crore in Q3 FY17 and INR 77.5 crore in Q4 FY16
- Y-o-Y de-growth of 15.7%, margin contraction by 159 bps, from 8.92% to 7.33%
- Q-o-Q de-growth of 6.6%, margin contraction of 58 bps from 7.91% to 7.33%



## Other Highlights (1/2)



### Employee Strength, Seat Capacity And Utilization

- **25,871 employees as on March 31, 2017; Seat capacity of 22,880 seats worldwide**
  - 15,446 employees in India and 10,425 employees based outside India, net reduction of 121 employees in Q4 FY17
  - 48 delivery centers as on March 31, 2017, same as on December 31, 2016
  - Seat fill factor at 78.9% as on March 31, 2017, compared to 74.5% as on December 31, 2016



### Attrition

- **Offshore (India and Philippines)** – 42.2% compared to 37.5% in Q3 FY17
- **Onshore (US and Europe)** – 40.7% compared to 38.2% in Q3 FY17
- **Domestic (India and Sri Lanka)** – 81.1% compared to 76.4% in Q3 FY17

## Other Highlights (2/2)



### Cash and Debt Position

- **Cash and cash equivalents** of INR 191 crore as of March 31, 2017 as compared to INR 129.3 crore in previous quarter
  - Repayment of seventh principal installment of \$ 11.25 million on December 31, 2016
  - Capex spend in Q4 FY17 of INR 20.2 crore
  
- **Net Long Term Debt** of \$ 80.7 million as of March 31, 2017



### Foreign Exchange Hedges

- **Outstanding FX hedges at \$43 million for USD and £47 million for GBP**
  - **Next 12 months:** 49% coverage for USD at INR 71.9 levels, 93% coverage for GBP at INR 110.1 levels, 2% coverage for USD at PHP 48.3
  - **Next 12 – 24 months:** 23% coverage for USD rates at INR 74.3 levels and 46% coverage for GBP at INR 102.3 levels
  - **Next 24 – 36 months:** 13% coverage for GBP at INR 102.9 levels

# FY2017 Highlights

## FY2017 Performance Analysis

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- **Operating revenue**

- FY17 Revenues at INR 3,555.6 crore compared to INR 3,217.3 crore in FY16
- Y-o-Y growth of 10.5% in INR terms and growth of 12.9% in constant currency terms

- **Operating EBIT**

- FY17 operating EBIT at INR 379.0 crore compared to INR 329.2 crore in FY16
- Y-o-Y growth of 15.1%, margin expansion by 43 bps from 10.23% to 10.66%

- **PAT**

- FY17 PAT at 280.0 crore compared to INR 260.5 crore in FY16
- Y-o-Y growth of 7.5%, margin contraction by 22 bps, from 8.10% to 7.88%



# Agenda

01 | Performance Highlights

02 | **Financial Performance**

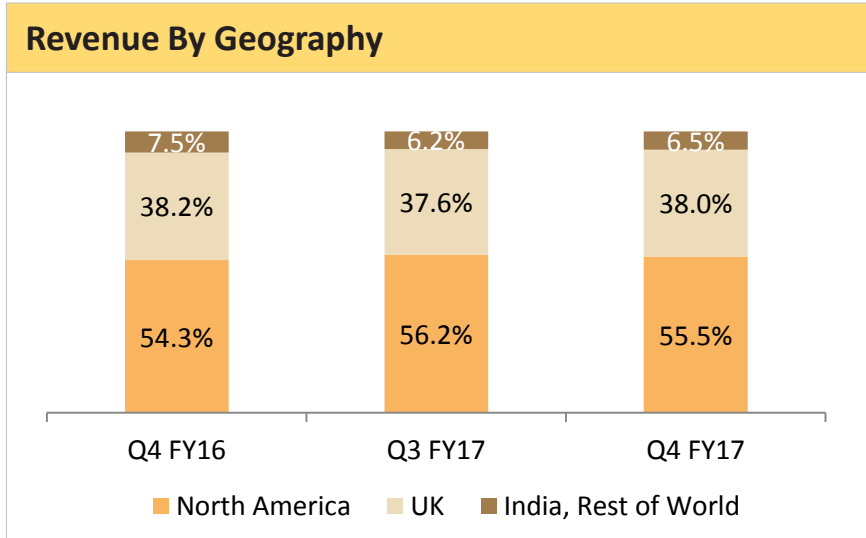
03 | Business Outlook



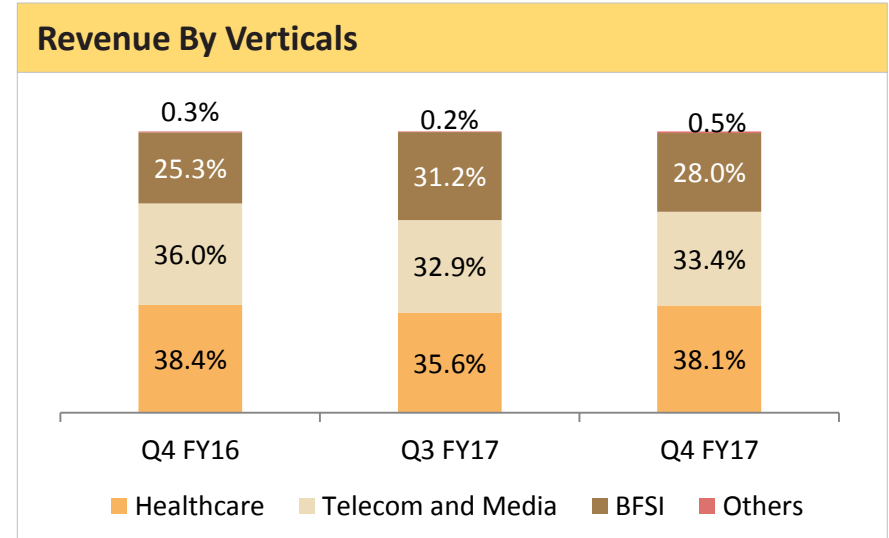


# Q4 FY2017 Revenue Snapshot

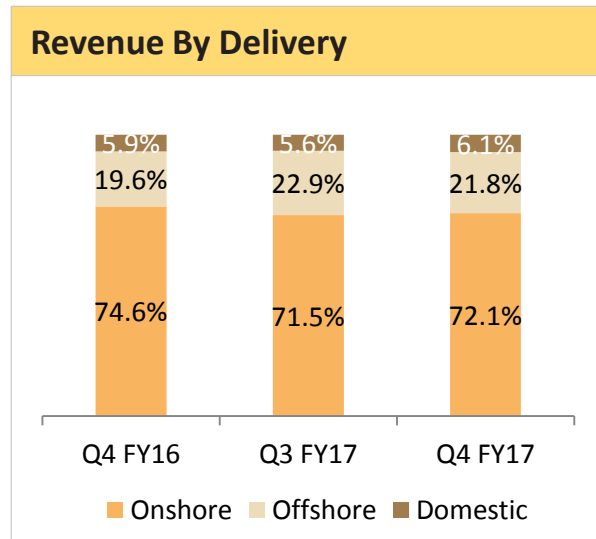
## Revenue By Geography



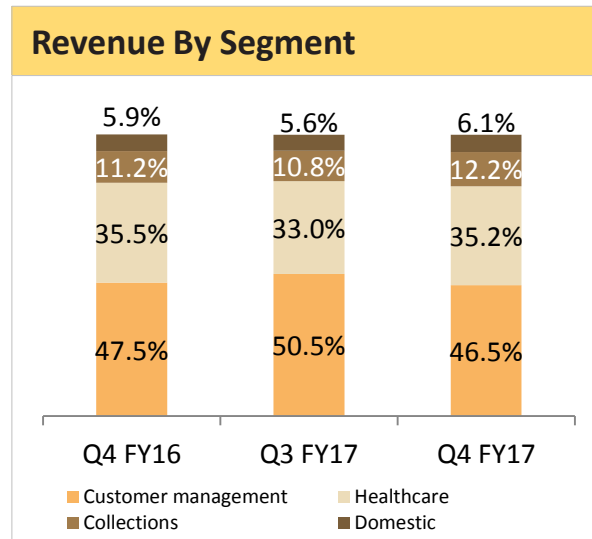
## Revenue By Verticals



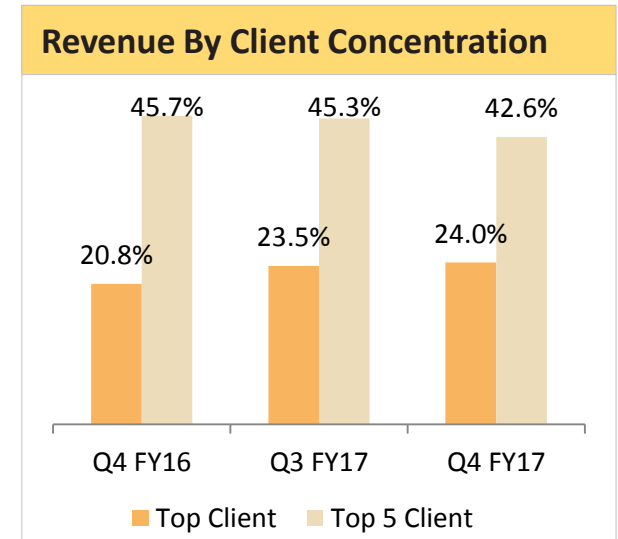
## Revenue By Delivery



## Revenue By Segment

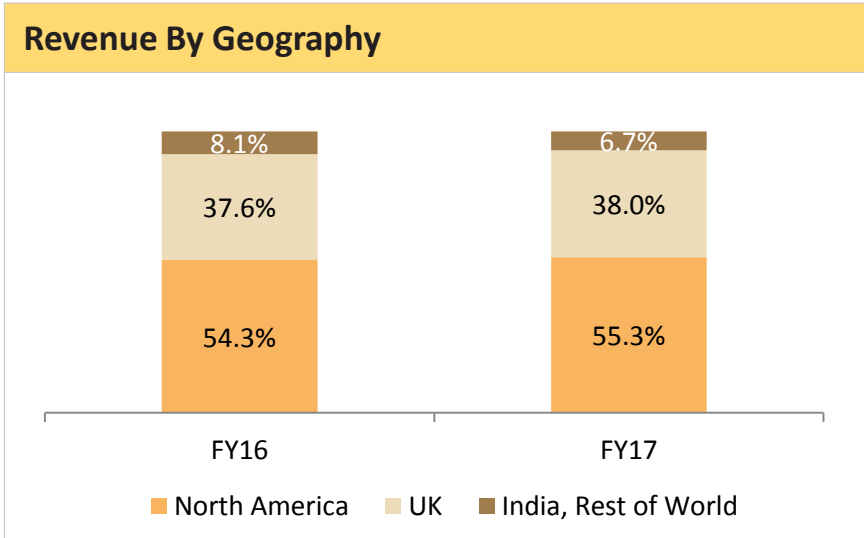


## Revenue By Client Concentration

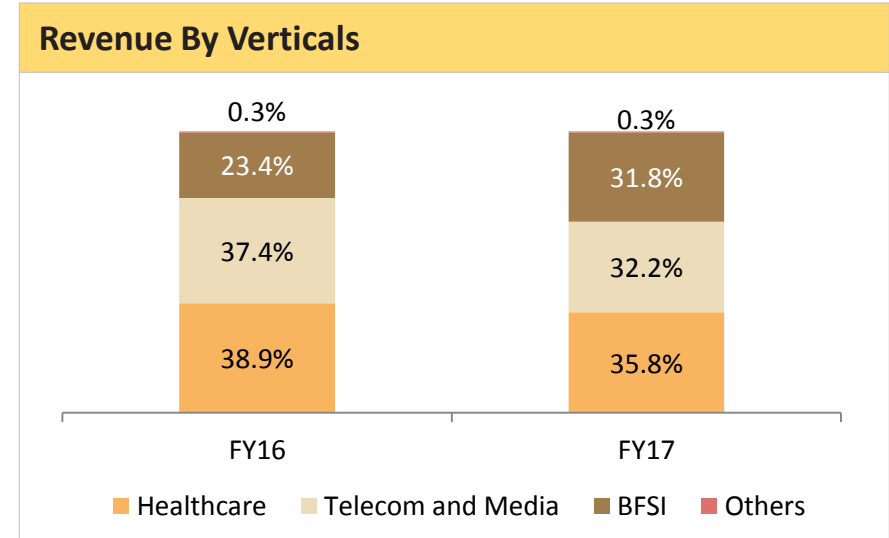


# FY2017 Revenue Snapshot

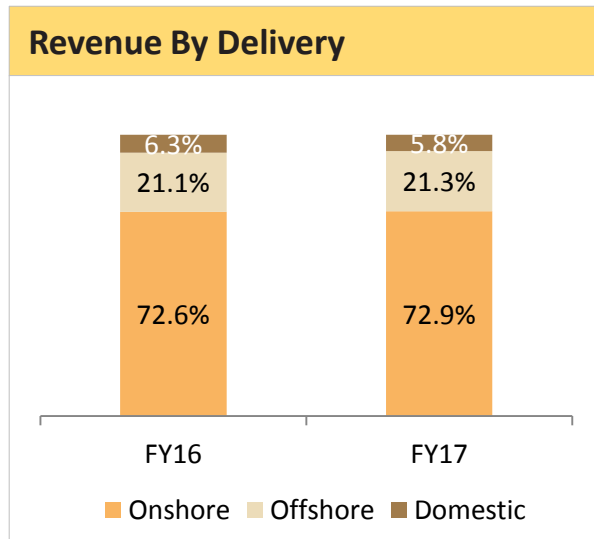
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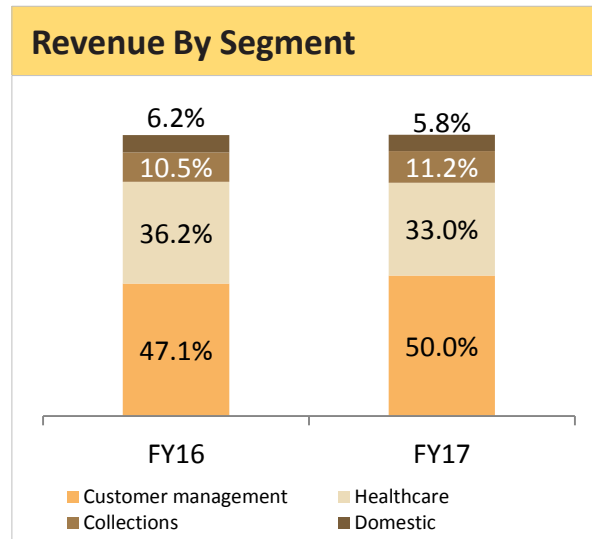
## Revenue By Verticals



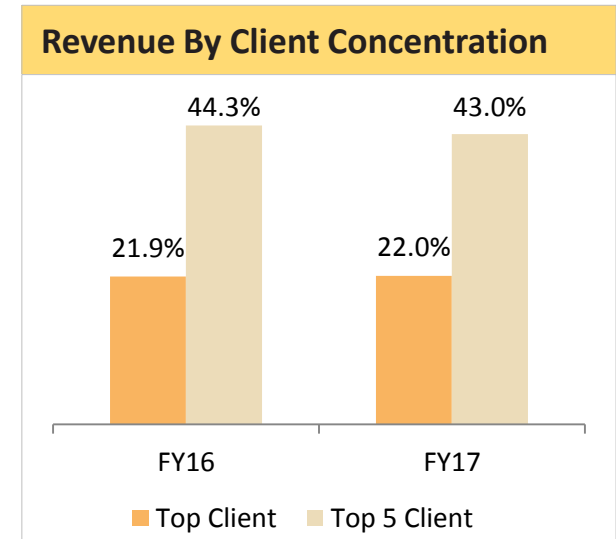
## Revenue By Delivery



## Revenue By Segment



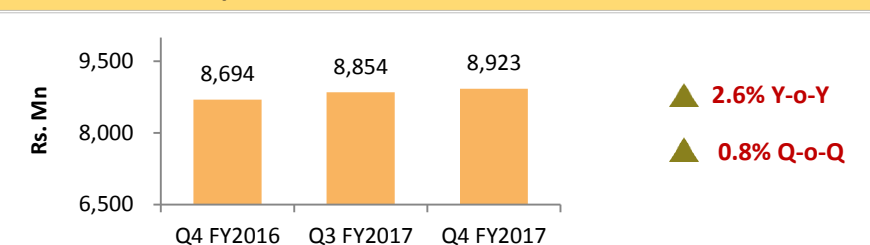
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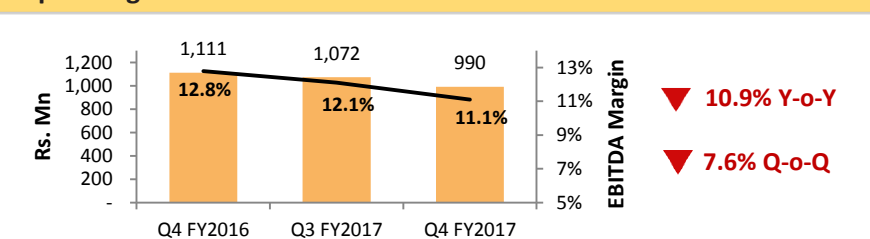
# Financial Performance – Q4 FY2017

(IN INR Million)	Q4 FY 2016	Q3 FY 2017	Q4 FY 2017
Income from services	8,525	8,601	8,644
Other operating Income	169	253	279
<b>Revenue from operations</b>	<b>8,694</b>	<b>8,854</b>	<b>8,923</b>
Personnel and Operating Expense	7,583	7,782	7,933
<b>Operating EBITDA</b>	<b>1,111</b>	<b>1,072</b>	<b>990</b>
<i>Operating EBITDA %</i>	<i>12.8%</i>	<i>12.1%</i>	<i>11.1%</i>
Depreciation / amortization	134	156	110
<b>Operating EBIT</b>	<b>978</b>	<b>916</b>	<b>880</b>
<i>Operating EBIT %</i>	<i>11.2%</i>	<i>10.3%</i>	<i>9.9%</i>
Other Income / (expense)	16	8	(3)
Interest Income / (expense), net	(123)	(93)	(116)
<b>PBT</b>	<b>870</b>	<b>831</b>	<b>761</b>
<i>PBT (% of total income)</i>	<i>10.0%</i>	<i>9.4%</i>	<i>8.5%</i>
Taxes and Minority Interest	95	131	107
<b>PAT</b>	<b>775</b>	<b>700</b>	<b>654</b>
<i>PAT (% of total income)</i>	<i>8.9%</i>	<i>7.9%</i>	<i>7.3%</i>

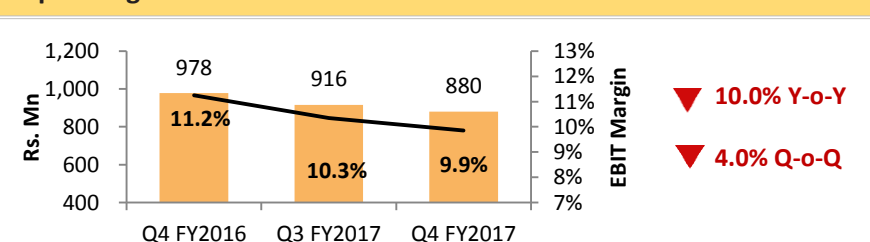
## Revenue From Operations



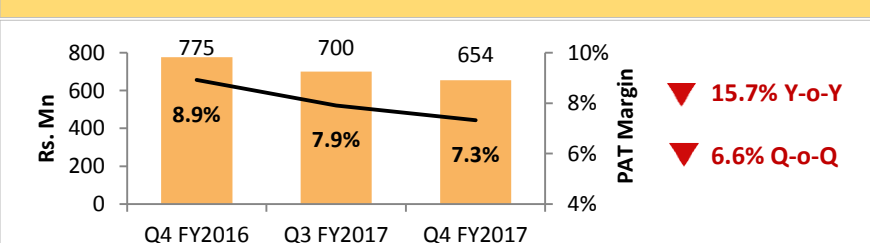
## Operating EBITDA



## Operating EBIT



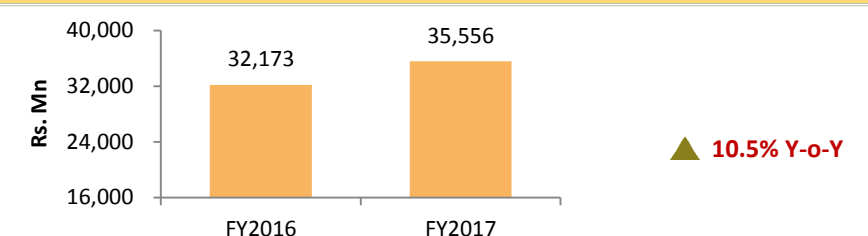
## PAT



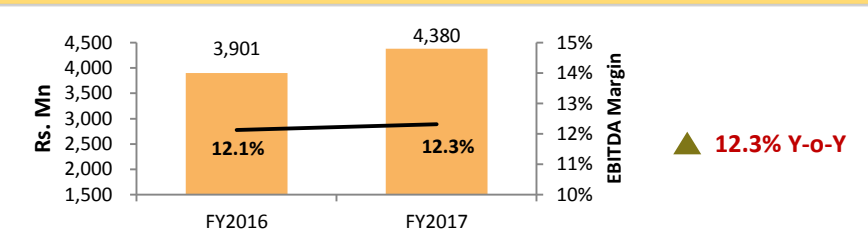
# Financial Performance – FY2017

(IN INR Million)	FY2016	FY2017
Income from services	31,617	34,569
Other operating Income	556	987
<b>Revenue from operations</b>	<b>32,173</b>	<b>35,556</b>
Personnel and Operating Expense	28,272	31,176
<b>Operating EBITDA</b>	<b>3,901</b>	<b>4,380</b>
<i>Operating EBITDA %</i>	<i>12.1%</i>	<i>12.3%</i>
Depreciation / amortization	609	590
<b>Operating EBIT</b>	<b>3,292</b>	<b>3,790</b>
<i>Operating EBIT %</i>	<i>10.2%</i>	<i>10.7%</i>
Other Income / (expense)	77	(16)
Interest Income / (expense), net	(507)	437
<b>PBT</b>	<b>2,862</b>	<b>3,367</b>
<i>PBT (% of total income)</i>	<i>8.9%</i>	<i>9.5%</i>
Taxes and Minority Interest	257	569
<b>PAT</b>	<b>2,605</b>	<b>2,800</b>
<i>PAT (% of total income)</i>	<i>8.1%</i>	<i>7.9%</i>

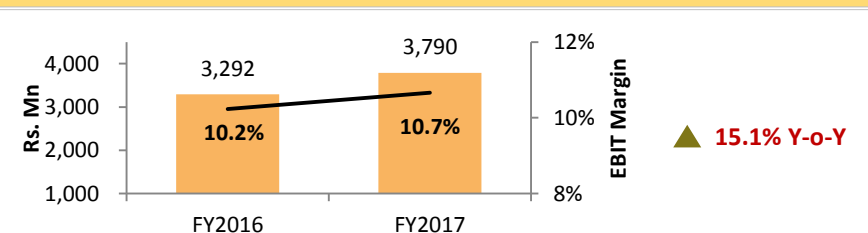
## Revenue From Operations



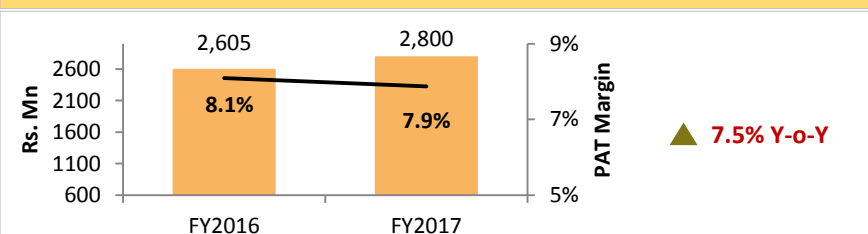
## Operating EBITDA



## Operating EBIT



## PAT



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# Business Outlook

- Macro environment continue to present headwinds in the months ahead
  - Volatility continues across major currencies, GBP continues to be under pressure
  - US 10 year yield continue to remain high, refinance US mortgage market adversely impacted
  - Decision making cycles seen to be stretching
  - Domestic business faces headwinds due to consolidation in the Indian telecom market and pressures on incumbent players due to aggressive marketing plans by Reliance Jio
  - Q1 performance will be muted due to currency and underperformance of the mortgage BU
- Sky transition completed as per plan
- FY18 constant currency revenue growth to be in line with industry growth rates. Rupee growth to be lower due to currency movements.
- Continue to repay debt, make prudent investments in new disruptive areas to provide value to clients

# THANK YOU

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