

Firstsource Solutions Limited

Q1 FY2018 Earnings Update

August 08, 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



Q1 FY2018 Highlights

Q1 FY2018 Performance Analysis

- **Operating revenue**

- Q1 FY18 Revenues at INR 877.7 crore compared to INR 892.3 crore in Q4 FY17 and INR 893.5 crore in Q1 FY17
- Y-o-Y de-growth of 1.8% in INR terms and growth of 6.0% in constant currency terms
- Q-o-Q de-growth of 1.6% in INR terms and growth of 0.8% in constant currency terms

- **Operating EBIT**

- Q1 FY18 operating EBIT at INR 85.3 crore compared to INR 88.0 crore in Q4 FY17 and INR 102.9 crore in Q1 FY17
- Y-o-Y de-growth of 17.1%, margin contraction by 180 bps from 11.52% to 9.72%
- Q-o-Q de-growth of 3.0%, margin contraction by 14 bps from 9.86% to 9.72%

- **PAT**

- Q1 FY18 PAT at INR 65.4 crore, same as compared to Q4 FY17 and INR 73.4 crore in Q1 FY17
- Y-o-Y de-growth of 10.9%, margin contraction by 76 bps, from 8.21% to 7.45%
- Q-o-Q flat, margin expansion of 12 bps from 7.33% to 7.45%



Other Highlights

Employee and Attrition Details

Headcount:

25,013 employees as on June 30, 2017

- **15,146 employees in India and**
- **9,867 employees based outside India**
- **Net reduction of 858 employees in Q1 FY18**

Attrition Details:

- **Offshore (India and Philippines) – 40.5% compared to 42.2% in Q4 FY17**
- **Onshore (US and Europe) – 48.2% compared to 40.7% in Q4 FY17**
- **Domestic (India) – 94.4% compared to 81.1% in Q4 FY17**

Net Debt Position

- **Net Long Term Debt of \$ 76.2 million as of June 30, 2017**
- **Repayment of ninth principal installment of \$ 11.25 million on June 30, 2017**

Foreign Exchange Hedges

Outstanding FX hedges at \$39 million for USD and £56 million for GBP

- **Next 12 months:** 43% coverage for USD at INR 72.3 levels, 91% coverage for GBP at INR 110.0 levels, 38% coverage for USD at PHP 50.7 levels and 46% coverage for GBP and PHP 65.4 levels
- **Next 12 – 24 months:** 15% coverage for USD rates at INR 74.4 levels and 45% coverage for GBP at INR 97.4 levels
- **Post 24 Months:** 16% coverage for GBP at INR 104.9 levels

Agenda

01 | Performance Highlights

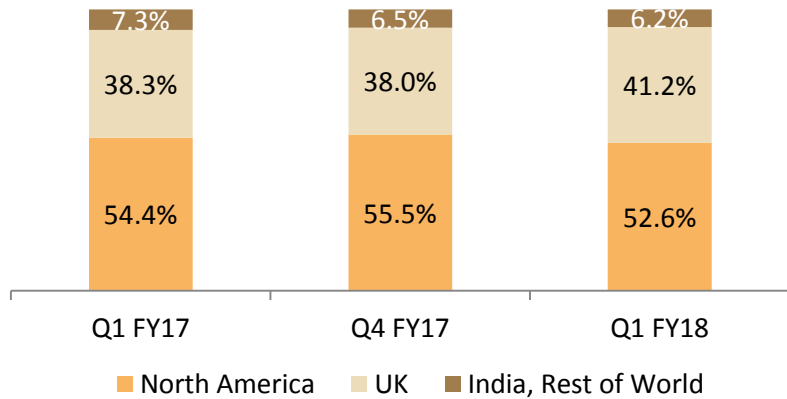
02 | **Financial Performance**

03 | Business Outlook

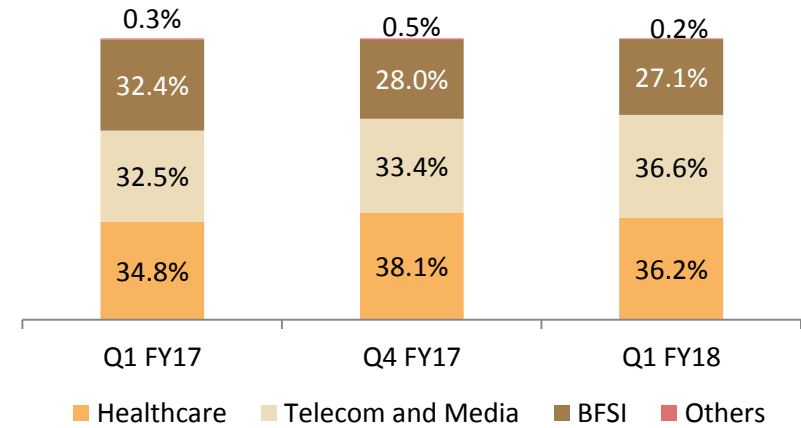


Q1 FY2018 Revenue Snapshot

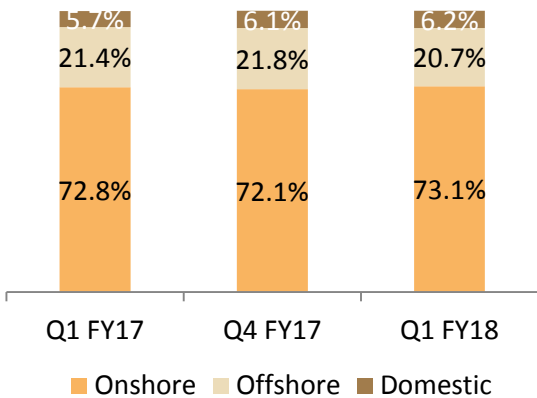
Revenue By Geography



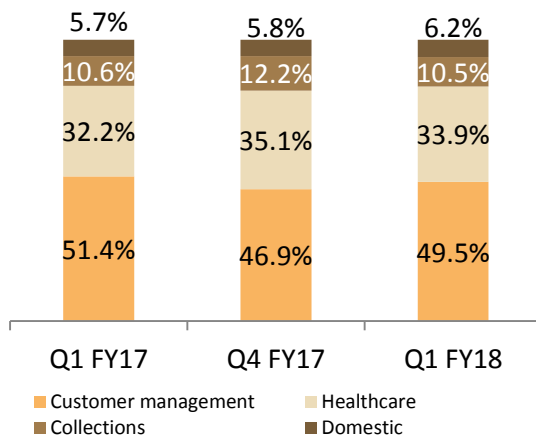
Revenue By Verticals



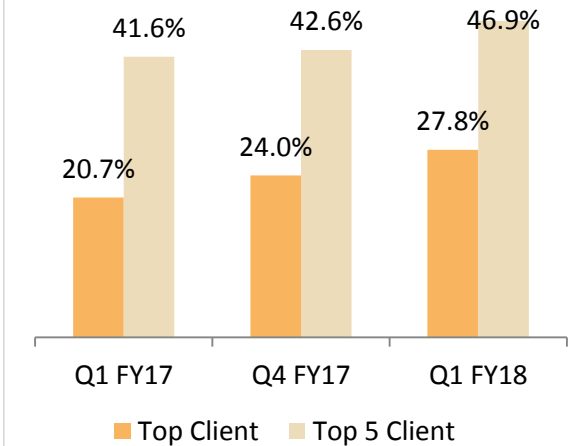
Revenue By Delivery



Revenue By Segment



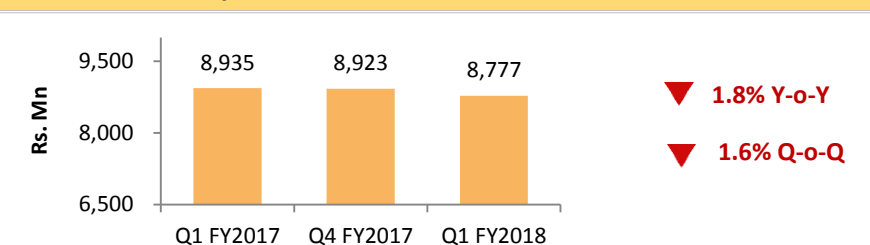
Revenue By Client Concentration



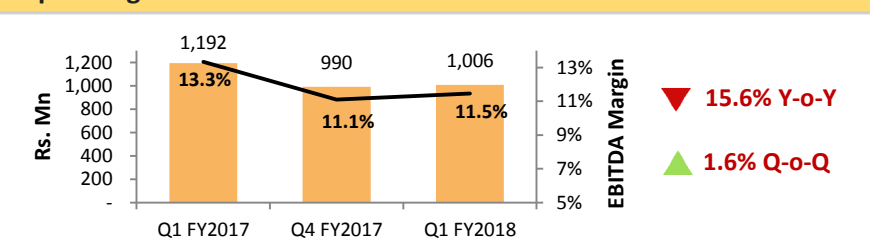
Financial Performance – Q1 FY2018

| (IN INR Million) | Q1 FY 2017 | Q4 FY 2017 | Q1 FY 2018 |
|----------------------------------|--------------|--------------|--------------|
| Income from services | 8,753 | 8,644 | 8,507 |
| Other operating Income | 183 | 279 | 271 |
| Revenue from operations | 8,935 | 8,923 | 8,777 |
| Personnel and Operating Expense | 7,743 | 7,933 | 7,771 |
| Operating EBITDA | 1,192 | 990 | 1,006 |
| <i>Operating EBITDA %</i> | <i>13.3%</i> | <i>11.1%</i> | <i>11.5%</i> |
| Depreciation / amortization | 163 | 110 | 153 |
| Operating EBIT | 1,029 | 880 | 853 |
| <i>Operating EBIT %</i> | <i>11.5%</i> | <i>9.9%</i> | <i>9.7%</i> |
| Other Income / (expense) | 3 | (19) | 23 |
| Interest Income / (expense), net | (116) | (99) | (83) |
| PBT | 916 | 761 | 794 |
| <i>PBT (% of total income)</i> | <i>10.3%</i> | <i>8.5%</i> | <i>9.0%</i> |
| Taxes and Minority Interest | 183 | 107 | 140 |
| PAT | 734 | 654 | 654 |
| <i>PAT (% of total income)</i> | <i>8.2%</i> | <i>7.3%</i> | <i>7.5%</i> |

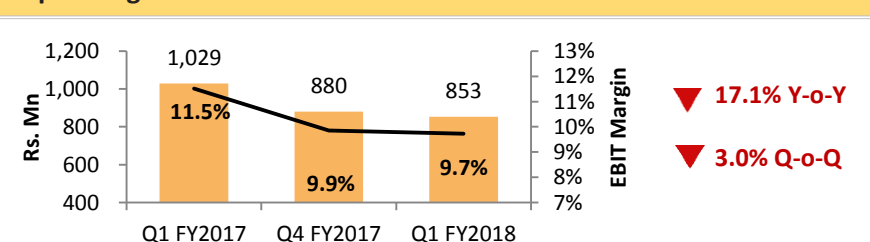
Revenue From Operations



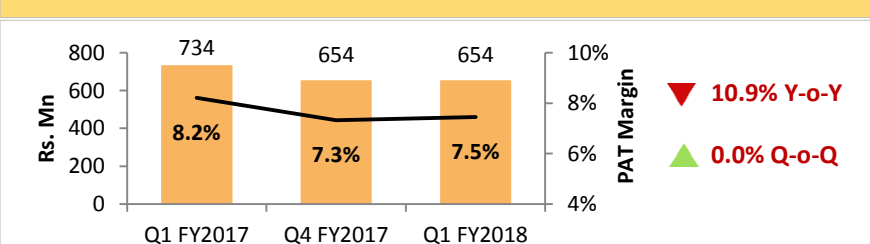
Operating EBITDA



Operating EBIT



PAT



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Business Outlook

- Sale of portion of the Domestic Business progressing as per plan. Expected to be closed within this month
- Non-repeal of Obamacare is positive
- Demand environment for transformation led growth is looking good especially in Healthcare and Mortgage businesses in the US and BFSI in the UK. Size of deals pursued have increased but so have the decision making cycles
- ISGN losses arrested; while Q1 was in the negative, profitable recovery will be evident from Q2FY18
- FY18 constant currency revenue growth to be in line with industry growth rates (pro-forma without domestic business)
- Debt repayment continues as per plan.

THANK YOU

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