

# Firstsource Solutions Limited

## Q2 FY2018 Earnings Update

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November 01, 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



# Q2 FY2018 Highlights

## Q2 FY2018 Performance Analysis

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- **Operating revenue**

- Q2 FY18 Revenues at INR 873.0 crore compared to INR 877.7 crore in Q1 FY18 and INR 884.4 crore in Q2 FY17
  - Q-o-Q de-growth of 0.5% in INR terms and de-growth of 0.9% in constant currency terms
  - Y-o-Y de-growth of 1.3% in INR terms and growth of 3.7% in constant currency terms

- **Operating EBITDA**

- Q2 FY18 operating EBITDA at INR 109.7 crore compared to INR 100.6 crore in Q1 FY18 and INR 112.6 crore in Q2 FY17
  - Q-o-Q growth of 9.0%, margin expansion by 110 bps from 11.46% to 12.56%
  - Y-o-Y de-growth of 2.6%, margin contraction by 17 bps from 12.73% to 12.56%

- **Operating EBIT**

- Q2 FY18 operating EBIT at INR 93.4 crore compared to INR 85.3 crore in Q1 FY18 and INR 96.5 crore in Q2 FY17
  - Q-o-Q growth of 9.5%, margin expansion by 98 bps from 9.72% to 10.70%
  - Y-o-Y de-growth of 3.2%, margin contraction by 22 bps from 10.92% to 10.70%

- **PAT**

- Q2 FY18 PAT at INR 68.8 crore, compared to INR 65.4 crore in Q1 FY18 and INR 71.3 crore in Q2 FY17
  - Q-o-Q growth of 5.1%, margin expansion of 43 bps from 7.45% to 7.88%
  - Y-o-Y de-growth of 3.5%, margin contraction by 18 bps, from 8.06% to 7.88%



# Q2FY18 Financial performance without Domestic Business

(INR Mn)	Q2 FY18	Q1 FY18	QoQ	Q2 FY17	YoY
Revenue	8,508	8,252	3.1%	8,340	2.0%
EBITDA	1,122	954	17.7%	1,096	2.4%
EBITDA%	13.2%	11.6%	1.6%	13.1%	0.1%
EBIT	972	814	19.4%	947	2.6%
EBIT %	11.4%	9.9%	1.6%	11.4%	-0.1%
PAT	725	615	18.0%	694	4.4%
PAT %	8.5%	7.4%	1.1%	8.3%	0.2%

# H1 FY2018 Highlights

## H1 FY2018 Performance Analysis

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- **Operating revenue**

- H1 FY18 Revenues at INR 1,750.7 crore compared to INR 1,777.9 crore in H1 FY17
  - Y-o-Y de-growth of 1.5% in INR terms and growth 4.7% in constant currency terms

- **Operating EBITDA**

- H1 FY18 operating EBITDA at INR 210.3 crore compared to INR 231.8 crore in H1 FY17
  - Y-o-Y de-growth of 9.3%, margin reduction by 103 bps from 13.03% to 12.01%

- **Operating EBIT**

- H1 FY18 operating EBIT at INR 178.8 crore compared to INR 199.5 crore in H1 FY17
  - Y-o-Y de-growth of 10.4%, margin reduction by 101 bps from 11.22% to 10.21%

- **PAT**

- H1 FY18 PAT at 134.1 crore compared to INR 144.6 crore in H1 FY17
  - Y-o-Y de-growth of 7.2%, margin reduction by 47 bps, from 8.13% to 7.66%



# Other Highlights

## Employee and Attrition Details

### Headcount:

**19,194 employees as on September 30, 2017**

- **8,866 employees in India**
- **10,328 employees based outside India**
- **Net reduction of 5,819 employees in Q2 FY18**

### Attrition Details:

- **Offshore (India and Philippines) – 38.8% compared to 40.5% in Q1 FY18**
- **Onshore (US and Europe) – 53.0% compared to 48.2% in Q1 FY18**

## Net Debt Position

- **Net Long Term Debt of \$ 64.3 million as of September 30, 2017**
- **Repayment of tenth principal installment of \$ 11.25 million on September 30, 2017**

## Foreign Exchange Hedges

**Outstanding FX hedges at \$36 million for USD and £77 million for GBP**

- **Next 12 months:** 37% coverage for USD at INR 73.2 levels, 79% coverage for GBP at INR 106.7 levels, 62% coverage for USD at PHP 51.2 levels and 67% coverage for GBP at PHP 66.5 levels
- **Next 12 – 24 months:** 13% coverage for USD rates at INR 71.9 levels and 47% coverage for GBP at INR 98.3 levels
- **Post 24 Months:** 58% coverage for GBP at INR 102.4 levels

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01 | Performance Highlights

02 | **Financial Performance**

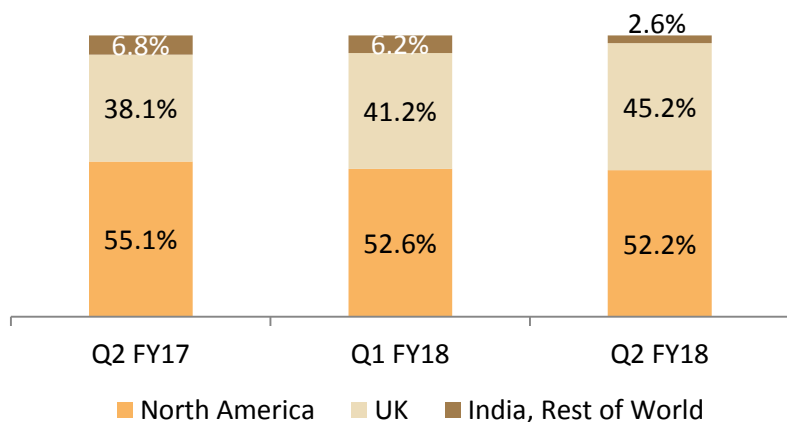
03 | Business Outlook



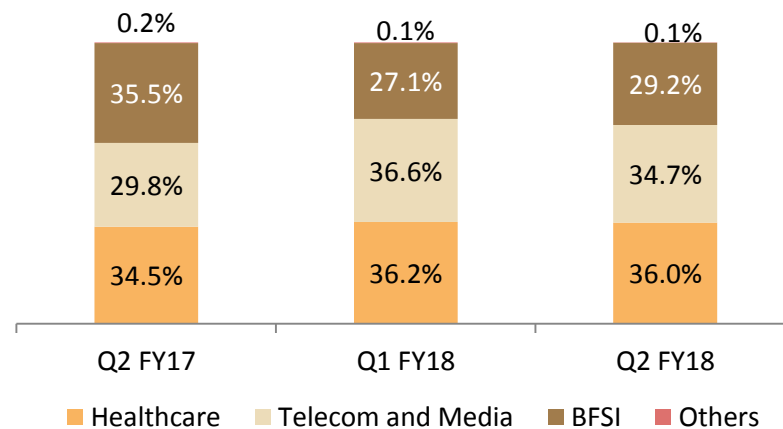


# Q2 FY2018 Revenue Snapshot

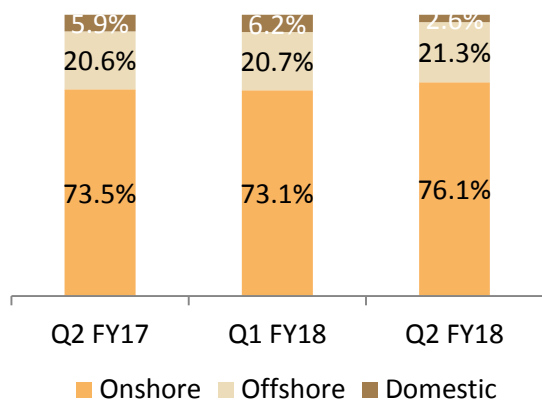
## Revenue By Geography



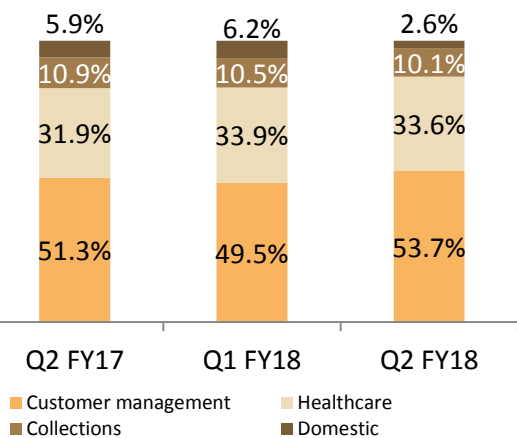
## Revenue By Verticals



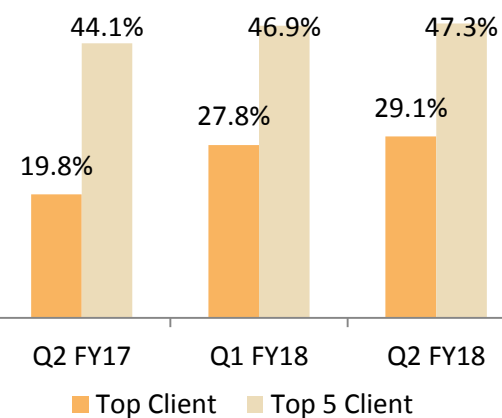
## Revenue By Delivery



## Revenue By Segment



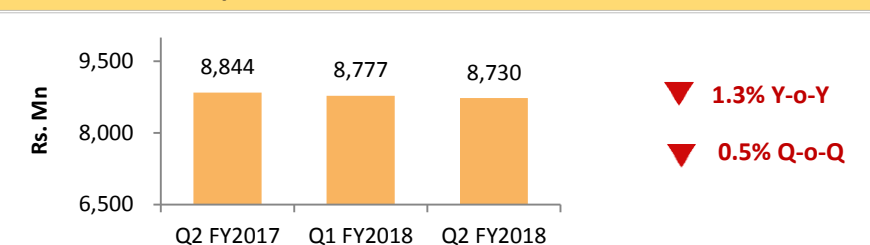
## Revenue By Client Concentration



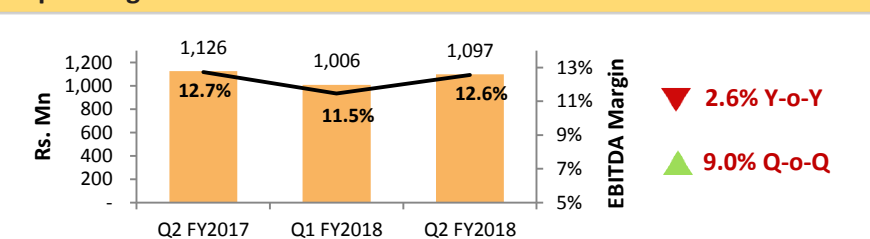
# Financial Performance – Q2 FY2018

(IN INR Million)	Q2 FY 2017	Q1 FY 2018	Q2 FY 2018
Income from services	8,572	8,507	8,464
Other operating Income	271	271	266
<b>Revenue from operations</b>	<b>8,844</b>	<b>8,777</b>	<b>8,730</b>
Personnel and Operating Expense	7,718	7,771	7,633
<b>Operating EBITDA</b>	<b>1,126</b>	<b>1,006</b>	<b>1,097</b>
<i>Operating EBITDA %</i>	<i>12.7%</i>	<i>11.5%</i>	<i>12.6%</i>
Depreciation / amortization	160	153	162
<b>Operating EBIT</b>	<b>965</b>	<b>853</b>	<b>934</b>
<i>Operating EBIT %</i>	<i>10.9%</i>	<i>9.7%</i>	<i>10.7%</i>
Other Income / (expense)	(7)	23	(16)
Interest Income / (expense), net	(98)	(83)	(82)
<b>PBT</b>	<b>861</b>	<b>794</b>	<b>837</b>
<i>PBT (% of total income)</i>	<i>9.7%</i>	<i>9.0%</i>	<i>9.6%</i>
Taxes and Minority Interest	148	140	149
<b>PAT</b>	<b>713</b>	<b>654</b>	<b>688</b>
<i>PAT (% of total income)</i>	<i>8.1%</i>	<i>7.5%</i>	<i>7.9%</i>

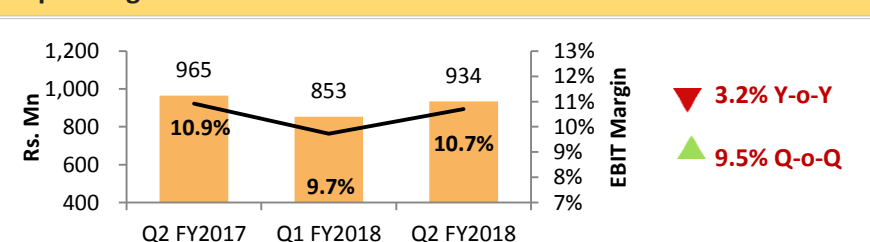
## Revenue From Operations



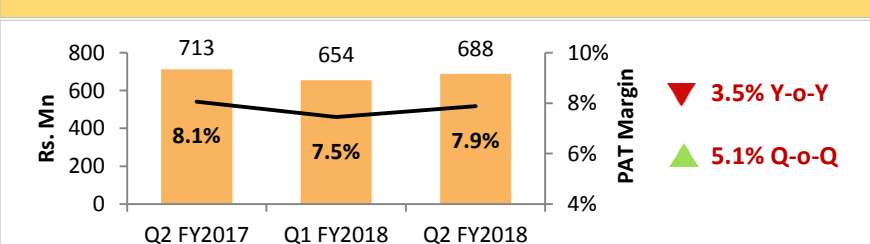
## Operating EBITDA



## Operating EBIT



## PAT



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# Business Outlook

- **Transition of Domestic business completed. Some shut down costs were incurred in Q2**
  - Margin accretion driven by divestment expected to be seen Q3FY18 onwards
- **Repealing of Obamacare has been unsuccessful; however changes in the Obamacare structure expected which will have a mixed impact on the business**
- **Pipeline of deals awaiting decisions across Healthcare, Customer Management and Mortgage business very encouraging. All solutions basis transformation outcomes**
- **ISGN profitability improvement on track. Business has turned profitable in Q2 as expected**
- **Revenue growth in constant currency for FY18 to be in line with industry growth rates (pro-forma without domestic business)**

# 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))