

# Firstsource Solutions Limited

## Q3 FY2016 Earnings Update

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January 28, 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



# Q3 FY2016 Highlights

## Q3 FY2016 Performance Analysis

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- **Operating revenue**

- Q3 FY16 Revenues at INR 817.8 crore compared to INR 751.0 crore in Q3 FY15 and INR 792.5 crore in Q2 FY16
- Q-o-Q growth of 3.2% in INR terms and growth 2.2% in constant currency terms
- Y-o-Y growth of 8.9% in INR terms and growth 3.0% in constant currency terms

- **Operating EBIT**

- Q3 FY16 operating EBIT at INR 84.5 crore compared to INR 74.6 crore in Q3 FY15 and INR 80.1 crore in Q2 FY16
- Q-o-Q growth of 5.5%, margin expansion by 20bps from 10.1% to 10.3%
- Y-o-Y growth of 13.3%, margin expansion by 40 bps from 9.9% to 10.3%

- **PAT**

- Q3 FY16 PAT at INR 67.0 crore compared to INR 57.5 crore in Q3 FY15 and INR 61.9 crore in Q2 FY16
- Q-o-Q growth of 8.4%, margin expansion by 40 bps from 7.8% to 8.2%
- Y-o-Y growth of 16.6%, margin expansion by 50 bps, from 7.7% to 8.2%



## Q3 FY2016 Highlights (1/2)



### Cash and Debt Position

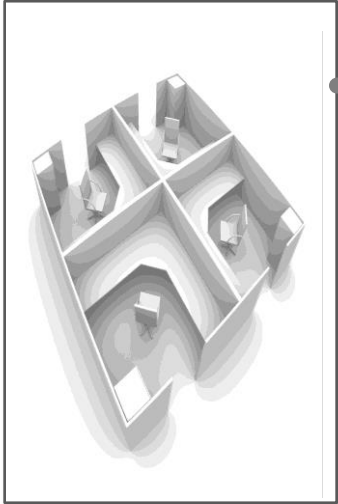
- **Cash and cash equivalents** of INR 154 crore as of December 31, 2015 as compared to INR 172.3 crore in previous quarter
  - Repayment of third principal installment of \$ 11.25 million on December 31, 2015
  - Capex spend in Q3 FY16 of INR 22.5 crore
- **Net Long Term Debt** of \$ 97 million as of December 31, 2015



### Foreign Exchange Hedges

- **Outstanding FX hedges at \$38 million for USD and £55 million for GBP**
  - **Next 12 months:** 82% coverage for USD at INR 68.9 levels, 81% coverage for GBP at INR 113.0 levels and 25% coverage for GBP at PHP 74.0 and 23% coverage for USD at PHP 47.6
  - **Next 12 – 24 months:** 44% coverage for USD rates at INR 72.4 levels and 55% coverage for GBP at INR 111.5 levels

# Q3 FY2016 Highlights (2/2)



## Employee Strength, Seat Capacity And Utilization

- **23,918 employees as on December 31, 2015; Seat capacity of 23,159 seats worldwide**
  - 46 delivery centers as on December 31, 2015, same as on September 30, 2015
  - 14,137 employees in India and 9,781 employees based outside India, net addition of 260 employees in Q3FY16
  - Seat fill factor at 66.3% as on December 31, 2015, compared to 66.6% as on September 30, 2015



## Attrition

- **Offshore (India and Philippines)** – 44.7% compared to 44.9% in Q2 FY16
- **Onshore (US and Europe)** – 43.2% compared to 48.9% in Q2 FY16
- **Domestic (India and Sri Lanka)** – 65.2% compared to 76.0% in Q2 FY16

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01 | Performance Highlights

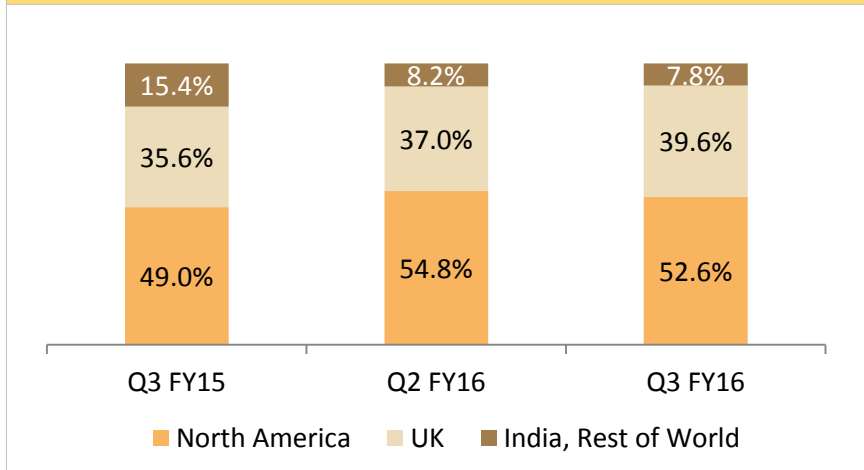
02 | **Financial Performance**

03 | Business Outlook

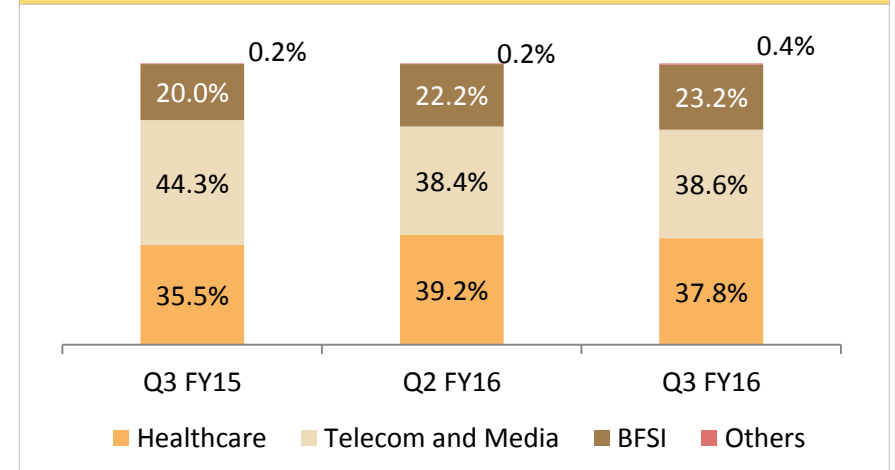


# Q3 FY2016 Financial Summary

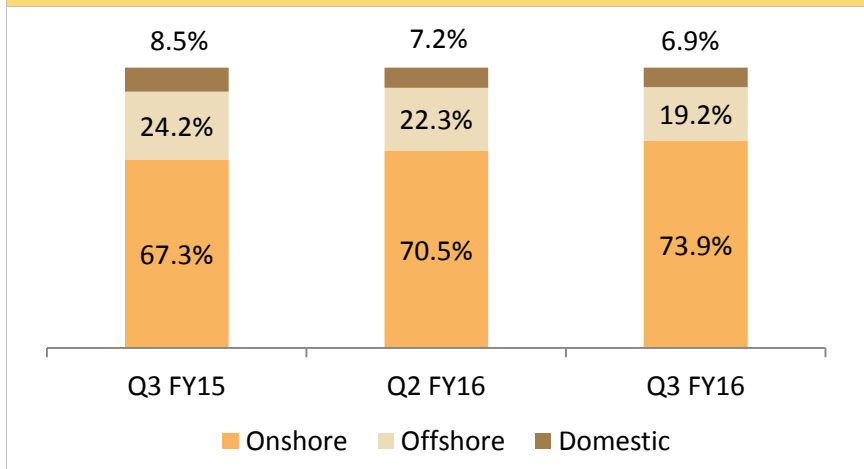
## Revenue By Client Geography



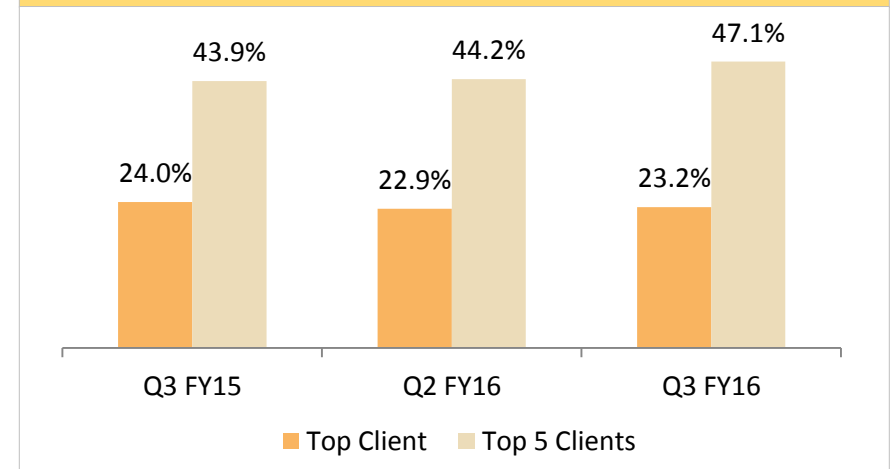
## Revenue By Verticals



## Revenue By Delivery Location



## Revenue By Client Concentration

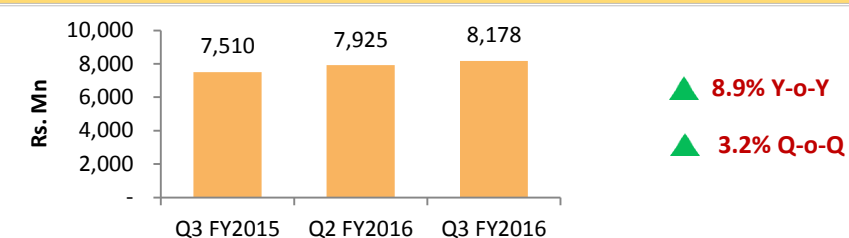




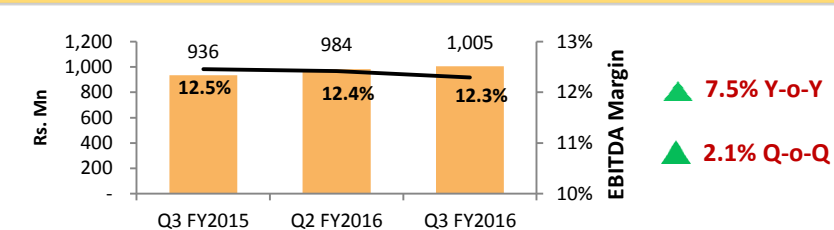
# Financial Performance – Q3 FY2016

(IN INR Million)	Q3 FY 2015	Q2 FY 2016	Q3 FY 2016
Income from services	7,373	7,793	8,009
Other operating Income	138	132	169
<b>Revenue from operations</b>	<b>7,510</b>	<b>7,925</b>	<b>8,178</b>
Personnel and Operating Expense	6,575	6,941	7,173
<b>Operating EBITDA</b>	<b>936</b>	<b>984</b>	<b>1,005</b>
<i>Operating EBITDA %</i>	<i>12.5%</i>	<i>12.4%</i>	<i>12.3%</i>
Depreciation / amortization	189	183	160
<b>Operating EBIT</b>	<b>746</b>	<b>801</b>	<b>845</b>
<i>Operating EBIT %</i>	<i>9.9%</i>	<i>10.1%</i>	<i>10.3%</i>
Other Income / (expense)	(5)	5	15
Interest Income / (expense), net	(143)	(125)	(118)
<b>PBT</b>	<b>598</b>	<b>680</b>	<b>742</b>
<i>PBT (% of total income)</i>	<i>8.0%</i>	<i>8.6%</i>	<i>9.1%</i>
Taxes and Minority Interest	23	62	72
<b>PAT</b>	<b>575</b>	<b>619</b>	<b>670</b>
<i>PAT (% of total income)</i>	<i>7.7%</i>	<i>7.8%</i>	<i>8.2%</i>

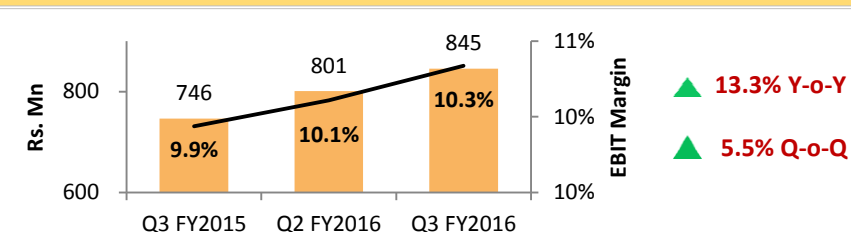
## Revenue From Operations



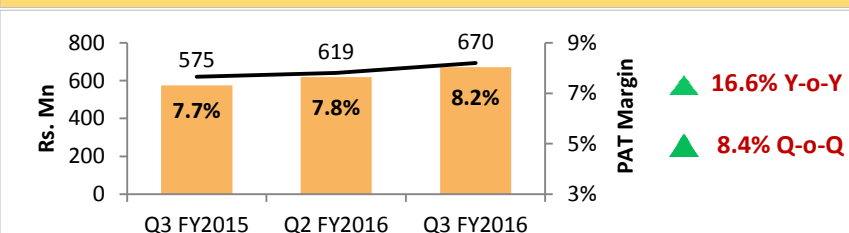
## Operating EBITDA



## Operating EBIT



## PAT



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# Business Highlights & Outlook

- Signed Definitive agreements to acquire the BPO business of ISGN Corporation, a leading full service provider of mortgage technology and services, to acquire its BPO division for a consideration of \$13M.
  - This strategic acquisition will help Firstsource penetrate the growing US mortgage BPO market. It also provides the company with a set of marquee customers, further strengthens its BFSI portfolio and offers significant potential opportunities for cross-selling of services.
  - Over 700 employees of ISGN's BPO business based in US and India will become part of Firstsource upon closure of this transaction.
- Transition of the UK bank lift out deal has been completed seamlessly with 375 people moving over to Firstsource.
- Operations for the US Telco client stable, operating performance improving
- One time impact of Chennai rains on Payer operations and Domestic business in Q3. Business was impacted despite BCP initiatives
- Uptrends in US economic activity aiding the Collections business favorably.
- Demand environment continues to be robust across business segments of Healthcare and Customer Management, the primary growth engines for the organization which are witnessing a robust upward trajectory.
- Growth momentum to continue going forward in the coming quarters, along with margin expansion
- Further investments into Nanobi, strengthening the partnership and accelerating several go to market solutions.
- Continue to repay debt 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))