Q4 FY2016 Earnings Call Transcript – May 12, 2016

CORPORATE PARTICIPANTS:

- Mr. Rajesh Subramaniam – Managing Director and Chief Executive Officer
- Mr. Dinesh Jain – CFO
- Mr. Ganesh Iyer – Head Strategy & Investor Relations

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Firstsource Solutions Limited Q4FY'16 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Ganesh Iyer – Head, Strategy and Investor Relations. Thank you and over to you Mr. Iyer.

Ganesh Iyer: Welcome, Everyone and Thank You for Joining us for the Q4 & Full Year-ended March 31st 2016 Earnings Call for Firstsource.

Please note that the Results, Fact Sheet and Presentation have been mailed to you and also can be viewed in our website, www.firstsource.com

To take us through the results and to answer your questions today, we have with us our M.D. and CEO – Mr. Rajesh Subramaniam and Mr. Dinesh Jain, the CFO.

We shall be starting this call with a Brief Presentation providing an Overview of the Company's Performance followed by Q&A Session.

I would like to remind you that everything that is said on this call that reflects any outlook for the future or which can be construed as a forward-looking statement must be viewed in conjunction with the uncertainties and risks that we face. These are included but not limited to what we have mentioned in the prospectus filed with SEBI and the subsequent Annual Report that you can find on our website.

With that said, I would now turn the call over to Mr. Rajesh Subramaniam – our M.D. and CEO.

Rajesh Subramaniam: Thanks, Ganesh. Hello Everybody. Thanks for your time today on our call. I will take you through the highlights and then we will open it up for Q&A.

Q4FY'16 our operating revenues came in at Rs.873 crores compared to Rs.754 crores in Q4 last year and Rs.817.8 crores in Q3FY'16. The quarter-on-quarter growth is 6.8% in rupee terms and 6.9% in constant currency terms, year-on-year growth was 16% in rupee terms and 10.2% in constant currency terms, Q4 operating EBIT at Rs.101.5 crores compared to Rs.81.3 crores in the same period last year and Rs.84.5 crores in the previous quarter, demonstrating a quarter-on-quarter growth of 20.1% with the margin expansion of 130 basis points from 10.3% to 11.6%, year-on-year growth of 25%, margin expansion by 80 basis points from 10.8% to 11.6%. At the Net profit after tax level, Q4 came in at Rs.79.7 crores compared to Rs.62.3 crores in the same period last year and Rs.67 crores in the prior sequential quarter, quarter-on-quarter growth of 18.8%, margin expansion of just under 1% to be precise, 90 basis points from 8.2% to 9.1%, year-on-year net profit grew by 27.9% with 86 basis points increase from 8.26% to 9.13%.

Some of the Other Operating Statistics: Employee strength of 23,886 on 31st March 2016 and seat capacity of 23,096 worldwide, 45 delivery centers compared to 46 in the same period last year, 14,051 employees in India and 9,835 employees based outside India, largely flat by small reduction of 32 employees in Q4. Seat fill factor improved by 170 basis points at 68% compared to 66.3% in the same period last year. Our offshore attrition increased to 56.7% compared to 44.7%, onshore largely flat at 43.5% and a spike in the domestic attrition to 85.1% compared to 65.2% in Q3 FY15.

Cash and Debt Position: Cash and cash equivalents of Rs.145.7 crores compared to Rs.153.8 crores. We repaid our fourth installment of $11.25 million and we had CAPEX spend of about Rs.17.8 crores.

You would be aware that we had signed definitive agreements to acquire ISGN while the closing process is underway; we had to extend support to help scale and stabilize that business between signing and closing. So, that also have $2 million reduction in cash.

Currently, our net long-term debt of $ 87 million as of March 31st 2016.

On our foreign exchange hedges, outstanding hedges at $34 million for the US dollar and £47 million for GBP. For next 12-months, 86% coverage for the USD at INR 69.5 levels and 78% coverage for the pound at INR 112 levels and 13% coverage between the pound and the Philippine Peso at 74.1 levels and 12% coverage for the Dollar-Philippine Peso at 48.2. For the succeeding 12 to 24-months, 39% coverage on the USD to the INR 73.2 and 54% coverage for the pound to a rupee at 112.5.

On a full year basis, our FY'16 revenues came in at Rs. 3,230.3 crores compared to Rs. 3,034.07 crores in FY'15. In rupee terms, the growth was 6.4% and 2% in constant currency terms. The constant currency number would have been higher by 2 more per cent but for some of the scale-downs we saw in our Domestic business where almost $4 - 4.5 million of business was ratcheted down. From an operating EBIT perspective, FY'16 EBIT at Rs. 338.6 crores compared to Rs. 308.6 crores, 10% growth year-on-year and margin expansion of 31 basis points from 10.17% to 10.48%. Net profit after tax at Rs.265 crores compared to Rs.234.3 crores, 13.1% growth year-on-year and margin expansion of just under 50 basis points to 8.2%.

From a mix of how we derive our business and our footprint of people, revenue by geography: North America continues to be our largest geography at 54.5% in Q4 compared to 52.6% in the preceding quarter, largely aided by the collection seasonality impact that we see in Q4.

From a vertical perspective, Healthcare continues to be our largest vertical at 38.2% followed by 35.8% from the T&M vertical but you would see a step up in BFSI at 25.6%, a function of the banking deal in the UK and collection seasonality in US.

Revenue by Delivery Location: Onshore 74.1%, Offshore 19.5% and the domestic business at 6.4% compared to 7.9% in Q4 of last year and 6.9% in Q3, the delta between 7.9% to 6.4% represents some of the ratchet down that I spoke about earlier.

Top client at 20.7% compared to 23.2%. The contribution has been flat while the percentages are lower, the contribution of the largest client has been flat and obviously we have had other businesses grow combination of seasonality and the cost of growth of ramps start heading into revenues in Q4.

FY'16 Perspective: North America significant, ratchet up from 49.2% to 54.5% and largely on the growth of our Healthcare vertical and of course Collection seasonality and our large Telco client which was scaled up last year and the UK also grew; 35.9% to 37.4% and you would see the significant ratchet down of India and rest of the world between 14.9% and 8.1%; the 14.9% also included the business we had in the Republic of Ireland which was consolidated out in FY'15.

From a delivery location perspective, 72% onshore compared to just under 67% and domestic is 7% compared to 8.3%.

Revenue from a vertical perspective: FY'16 saw the emergence of Healthcare as a larger vertical compared to last year; last year Telecoms and Media was 42.5% when was the alpha vertical, this year Healthcare just under 39% and Telecoms and Media 37.3% and BFSI climbing from 21.5% to 23.7%.

Revenue by Client Concentration: Largely aligned due to our business mix and demonstrating steady performance by our largest client.

The next slide #11 is a tabular representation of the Summary: No specific call-outs here, apart from the fact that deleveraging which results in lower interest cost has been largely eaten up by higher taxation, so taxes have increased in Q4 and in FY'16 which represents some of the tax regime the CFO had corrected to in the earlier calls.

So overall it has been a satisfactory quarter and clearly a quarter where we believe that the momentum on growth is back and sets us off well looking to FY'17 and beyond. I guess on FY'16 perspective no specific call-outs; 2% constant currency growth and a net profit margin expansion of 50 basis points. We still see leverage in our business which will be evident once we demonstrate growth in FY'17.

From a Business Outlook Perspective: As I mentioned earlier, FY'16 growth was lower in guidance due to 200 basis points reduction in our Domestic business and 200 basis points reduction in the challenges we faced in scaling up our US telecom client, that is behind us and I would be more than happy to answer any questions now we look at the next year playing out. Healthcare, BFSI and the Media segment specifically to aid growth traction, pipeline is robust, and the quality of deals that are awaiting decisions is very high where we are confident of a likely share of wins this year. Confident about achieving growth in FY'17, Q1 will clearly demonstrate the year-on-year growth profile that sets us up very well for the coming year. The ISGN deal is expected to close in the coming weeks. We are awaiting regulatory clearances from some of the states in North America where a change of control necessitates new licensing requirements. The key factors, macroeconomic and then some specific with the company which would be interesting and which we are watching keenly is around the US elections and the Brexit outcome. We have our own thesis on how the impact would be on our business on the various scenarios of the outcomes. The Domestic business continues to face headwinds. It is a risk factor last year $4 - 4.5 million was taken out, this year there could be certain headwinds that could see a small ratchet in the business, there could also be growth from some of our existing clients but this is the business I would like to call out separately and ensure that all of you have a fair understanding of the rhythm of this business and how it impacts our overall guidance going forward. We continue to build our differentiation and offerings, deleverage we have of analytics embedded in our core productized offerings is paying off, the kind of deal pipeline that we are building in our Customer Interaction Management Services business, in the Healthcare business, leveraging our arrowheads is clearly playing out, our recent wins in the UK and in the US clearly demonstrate that the investments we have made over the last couple of years clearly is starting to pay off. Nothing more beyond these. Our debt repayments continue as per plan and the balance sheet deleverage will continue through FY'17 and beyond. So that is it from an update perspective.

I am happy to take it back to the moderator to open it up for the Questions. Thank you.

Moderator: Thank you very much. We will now begin with the Question-and-Answer Session. The first question is from the line of Priya Rohira from Axis Capital. Please go ahead.

Priya Rohira: My first question relates to the macro environment, Rajesh which you outlined in terms of you are having your own set of propositions and how it will impact the business. Given that scenario, what sort of revenue growth or margins you are looking in for FY'17? We had a strong fourth quarter which is a good exit.

Rajesh Subramaniam: Let me start with the macro environment. I think there are two clear elements – one would be known over the next couple of months would be on Brexit where the UK stands on the referendum of whether being in the EU or not. Given our footprint in the UK and the offshore presence we have, the clear outcome is that if the UK leaves the EU, obviously, the pound sterling will depreciate which would obviously have an impact on our business and if it does not then obviously it goes in the alternate direction which is very good for our business. So it is pretty simple binary outcome at least the impact of an exit in the short-term obviously will have some consequences, but as you know we have 24-month rolling forward covers to a certain extent we have mitigants in place. US collections – too early to call, obviously if it goes in one direction current reform and it has continued, it goes in the other direction, there is a lot of noise around repeating some of the elements of the Healthcare Reform Act and stuff like that. So that is something which has a more longer-term implication which we will see how it plays itself out. As far as the company is concerned, I think as I said, we did have some setbacks last year -- our largest US telecom client, Domestic business and everything else – but the quality of deals that we have won, the quality of revenues that we will demonstrate, the seamless integration of ISGN and the early green suits of how we will be able to scale the other complementary business which that Firstsource brings into the ISGN framework we are already seeing momentum on those. Very-very confident and positive about where FY'17 will end. The deal pipeline on some very key strategic deals are looking good. Our negotiations with the largest client is proceeding absolutely in the right direction. The UK market across Media and Banking is looking extremely positive. The Healthcare segment is looking extremely positive based on what we see which is continuing from where it was last year, specifically on the Payer side. The Collections business will see a good year, we have signed up into a new business area in around Student Loans, huge segment takes a long time to get into that segment, but once you get in, the opportunity is huge, so we definitely see positive tailwinds from that part of the world. Overall, Priya, FY'17 will be a very positive year.

Priya Rohira: Any quantitative direction like we would want to go higher than the NASSCOM average or on the deal pipeline, Q3 you ended at around $370 million, so any quantitative colors on either of the two things would be helpful?

Rajesh Subramaniam: The pipeline is largely static but there have been some of the deals which have moved to a lot more higher level of maturity. So there are a couple of deals that will come up for decision over the next quarter which if we win in one of them it will have a material impact on our revenues and we are feeling good where we stand.

Priya Rohira: If I look at your comment on the quality of the deals being much better than what you have in the past, the margin commentary would obviously imply then that we should at least grow at 150 basis points in FY'17 Vs FY'16?

Rajesh Subramaniam: The margin expansion will be a function of where I end up on my growth, Priya, because if my growth rates get more aggressive based on what we are seeing, there will be elements of cost of growth and time to stabilize transition which will obviously have an impact on margins but then start playing out. The second element is I do have operating leverages because we have been largely flat over the last two years. While it looks flat we have actually grown by 3.5-4% in our International business and Domestic business is what has dragged our growth rates down. So between a combination of my operating leverages and absorbing cost of growth going forward, the bias is definitely upwards. Now, whether that is going to be 150 basis points? I think it is still too early for me to comment on it, but I can tell you that we are feeling about where we see our margins over the next year or so.

Priya Rohira: For FY'17 what could be the timeframe which one could look at in terms of ISGN being in our financials?

Rajesh Subramaniam: ISGN we expect to close sometime this month; majority of the license requirements have come through, there are two-three states which are in the pipeline which would get done. So, we definitely see by end of May the deal should close or could happen within the next week, next fortnight will take us to the end of the month in any case. So that is on ISGN. Earlier my commentary was that ISGN is $25 to $27 million revenue asset and I was cautious in my commentary on the profitability given the fact we just signed the 'Definitive Agreements' and it was going to be any EPS-accretive deal but I think at this point in time over the last three-four months as we have started operating the asset we fundamentally believe there will be upsides on profitability, the turnaround it was a (-) $3.5 million EBITDA business last year but it is going to have positive surprises this year, is something we clearly see…I do not want to put a number to it as of yet because post-closing is when we will get our hands really down deep dirty in terms of how we see gas is playing out but the good thing which is happening on the sales side is a lot of our capabilities are now getting sold into the customer base of ISGN, we have already started scaling some of their existing customers in our centers in Colorado Springs, the integration is working very well, the core management team that we sought to retain has stayed and clients are definitely showing a path of scaling but it takes time to scale in that business given the level of domain and training that needs to get imparted into the supply chain, it will have positive surprises in FY'17 compared to the cautious commentary I had articulated at the end of our Q3 results.

Priya Rohira: Suffice to say that Healthcare remains one of the largest contributors to our pipeline, right?

Rajesh Subramaniam: To be very honest, we are seeing big build up in the banking pipeline in the UK and Healthcare continues to be robust but from a size and scale perspective, it would be banking in the UK market.

Priya Rohira: It is Banking in the UK market and not banking across all the geographies, right?

Rajesh Subramaniam: Yes, the Banking in the UK market, ISGN is a small asset, so obviously that pipeline is looking good but from a percentage perspective it has grown significantly but from a number perspective it is a small base effect and as I said Collection is the other footprint we have in North America and there the Financial Services pipeline is stable, liquidation rates will improve whittle over unemployment rates, but the growth there is going to come from the Department of Education.

Moderator: Thank you. The next question is from the line of Ruchi Burde from Emkay Global. Please go ahead.

Ruchi Burde: Rajesh, I want to ask a bit macro level question. About last 1.5-2-years we have seen Western Enterprises exploring more digital technology to explore newer ways to engage with their customer and which in turn implies changes in the way the customer servicing is done. So could you share your thoughts over last 1.5 -2-years what kind of changes has happened in the nature of demand and how Firstsource has prepared to address this?

Rajesh Subramaniam: You are absolutely right. In big parts of a business, the key imperatives today are how I drive higher level of revenues and lower churn from my customers, thus delivering a lower cost per transaction. To deliver a lower cost per transaction what is key to handle the principle to KRAs are driving revenues and improving NPS is a clear segmentation strategy driven by analytics which then enables the companies to create strategies to figure out how they move their customers across the various channels of interactions that they undertake. So at the forefront of all our productized efforts over the last two years be it FCI (First Customer Insight) where the journey begins in predicting customer journeys, in creating a repository of customer journeys across product lines, across verticals, across geographies, which when attack with analytics that predicts which way those journeys will play themselves out, creates the engagement of our employees with our customer's customer in helping them drive higher level of sales or helping reducing churn. So moving the customers from the most expensive channel to a self-help channel and using leveraging the entire digital frameworks available across mediums in this omni channel framework, making sure the right scale is deployed to handle the right segment of customers to maximize the right revenue profile is something we have invested over the last couple of years and that today is helping me win deals. Today, I do not win deals on price or my service offerings are not plain vanilla. Today, how we represent ourselves is in the outcomes we can drive and how we can help, take a part of those outcomes that we drive for our customers and that definitely is helping us in building a quality pipeline which is what I meant, the quality of a pipeline is a lot healthier right now than what we have seen in the past and we fundamentally believe that over the next 3-5-years, have combination of robotics process automation, with effective workflow and using omni-channel frameworks embedded with analytics in ensuring that there is a reduction in cost per contact, is the holy grail of how we are going to manage our business across the segments we work in and that is where today I do not have a basis of saying, what will be the non-linearity in my margin growth over the next 3-years compared to the revenue growth because to drive the same level of revenues I will need fewer people but we are placed well and it is not theory anymore, we are winning deals, it becomes clearly demonstrable expertise that clients are now signing up to our franchise in going through this. So that is a quick answer but I am happy to spend some time with you when I am in Mumbai next, so you are in Bangalore and I can explain to you how we see the world playing out.

Ruchi Burde: My second question is you touched upon headwind in Domestic business. Could you share more thoughts maybe as to timeline when these contracts are coming to renegotiate so as to understand when we can expect that headwind is it coming very near future or you have some time?

Rajesh Subramaniam: I think the headwinds to be very honest is a quarter-on-quarter phenomena for us. There is unpredictability in our clients business, the Telecom business is going to see some disruption with Jio coming in, one client in Banking we have I guess in the course of over the next 4-5-months we will see it go away, could have another $1.5 million impact on our Domestic business. So to tell you the truth, the way to win in the Domestic business is to go leapfrog and go with the value added services but unfortunately clients are not willing to pay. So you do not want to get into that space given the return on time and return on investments are not aligned. As I said, at some point in time with all the analysts and fund managers, I intend to represent the quality of earnings that we get from our international business and how it looks and clearly diverse that with the Domestic portfolio that we have where we are trying to harvest it for value.

Ruchi Burde: Also, if you could share our top client contract renewal has been in process throughout FY'16. So any update there would be helpful?

Rajesh Subramaniam: Yes, I think we made significant progress, as I said, it is proceeding in the right direction and given it is a material contract, whatever outcome we drive from that, we will definitely speak to you, at this point of time from the last time I spoke, we have reached up to the next level and it is in the right direction.

Ruchi Burde: On accounting front, we see this quarter lower depreciation. So could you throw some light what has led to that and how this line item would move going ahead?

Dinesh Jain: Depreciation charge is lower is the reason being some of the centers which got capitalized 4-5-years before has been depreciated. I think as you can see there is a lot more investment we did in the last two quarters on the new additions to the asset, depreciation charge will come back to the similar number from the Q2 onwards next year.

Moderator: Thank you. The next question is from the line of Sanjeev Hota from Sharekhan. Please go ahead.

Sanjeev Hota: Going back to the same question of what is the guidance stand on the quantitative terms for FY'17, last quarter we mentioned about at least $550 million in revenue without ISGN and margins upward of 13%. So where do you stand now for FY'17?

Rajesh Subramaniam: I think one update is we did have a set back with one of the US Telco clients which is going to ramp down, but at this point in time given the deals that we have won in Q4 and what we expect to convert over the next quarter or so, we definitely believe that some of the best growth rates this company is going to see in FY'17.

Sanjeev Hota: I just want to know, what has changed in the last three-four months -- are we seeing more headwinds in the environment that is why you are not able to put any numbers on our margins or revenue front, are we expecting there could be some kind of headwinds that we may see going forward?

Rajesh Subramaniam: It is not that we are not able to put, as I said, the rate of growth, the margin profile is a function of growth, if I am at the lower end of the growth my margin profile looks better because of the catch up of the operating leverage of the last year based on investments we made it starts paying off and some of the deals that I am talking about fructify, the margin profile will be at the lower end given the cost of growth and the requirement of the investments that will be required in stabilizing and ramping these growth outcomes. That is why at this point in time and coupled with the fact that the ISGN deal has not closed yet, we take full control of the asset from an operating perspective hopefully from June onwards, I think I will be in a better position to provide you some inputs within ranges hopefully in the next quarter, but all I can say is it is looking extremely positive on growth fronts.

Sanjeev Hota: What is the TCV win for the quarter?

Rajesh Subramaniam: This quarter it is $23 million.

Sanjeev Hota: Out of this deal pipeline of $370 million, you said it remains static. So how much is the deal pipeline we are having from the value added or the digital or analytical in the pipeline of $370 million?

Rajesh Subramaniam: Every deal has got a combination of value added services. The only way I can defend my price and increase my margins to driving outcomes is ensuring that value added services are embedded as a part of the deal. So it is not that I am selling individual service line, saying, okay, I sell a commodity to you and sell a value added services to you and I will sell you something in between, it does not work like that.

Sanjeev Hota: But what is the reason for the deal pipeline remain static from last two quarters?

Rajesh Subramaniam: The reason for that is that there are deals which have been qualified out and there have been deals which have been qualified in.

Sanjeev Hota: What is the tax rate we can assume for FY'17?

Dinesh Jain: Last quarter I did indicated 13-14%, they will continue in the same guidance.

Moderator: Thank you. The next question is from the line of Archit Singhal from Nomura. Please go ahead.

Archit Singhal: A couple of questions from my end: Firstly, on the US Telco client, which you said is ramping down. So what was the impact seen in this quarter?

Rajesh Subramaniam: The impact will be seen in Q1, we saw some impact in March, but most of the impact we will see in April and May, and the reason is we were a new vendor brought into their existing network of 20 plus vendors and that was on the assumption of some of their marketing plans and growth and a lot of it did not materialize. So they were sub-scale with many vendors. Once you are sub-scale with many vendors, what happens is your rate goes up because your pricing is also function of volume. So they basically took out the new incumbents that came in and increase their footprint with their longer tenured partners. So that is what happened.

Archit Singhal: You said the impact will be in April-May. What kind of impact are we looking at?

Rajesh Subramaniam: The impact will be closer to about $17-18 million in FY'17 which will get absorbed, that is my other statement to you.

Archit Singhal: Last time when you guided this USD 550 million number for FY'17, obviously by that time we did not had this impact of US Telco. So does that mean everything remains same, the revenue would go down?

Rajesh Subramaniam: Everything remain the same, the revenue will go down by 17 million, but basis on what we have won in Q4, there will be a catch up, it might not be the entire catch up, but with some of the deals I have in the pipeline where it has come to a decision point over the next quarter, it can reverse into a different. So that is my commentary. Overall it is looking positive and we will absorb this loss and move forward and look good.

Archit Singhal: On the Domestic business, you mentioned some 200 basis points reduction. I do not get that point?

Rajesh Subramaniam: Basically, between FY'15 and FY'16, $4.5 million was ratcheted down in my Domestic business which if it had not happened would have improved my growth by 200 basis points.

Archit Singhal: I know you are not giving any numbers, but what is the sense after the fourth quarter, like you said 50 to 70 basis points improvement in margins, but again it is a factor of growth. So are we seeing there can be any upside surprises?

Rajesh Subramaniam: I would like to stay within the guidance range as I said. Given the number of good imponderables that we are dealing with, I do not want to move my commentary beyond what is out there already.

Archit Singhal: This deal we are expecting it to be EPS-accretive basically …?

Rajesh Subramaniam: Yes, absolutely.

Moderator: Thank you. The next question is from the line of Dimple Kotak from SVS Capital. Please go ahead.

Dimple Kotak: Sir, I missed on the initial commentary. Would like to know what is the guidelines for FY'17 and Q1 particularly?

Rajesh Subramaniam: As I said, to repeat myself, FY'17 is looking good, we are in a good place between the exit of Q4 absorbing till the US Telco loss and some of the deals we won in Q4 and the integration of ISGN and some of our deal pipelines, we have never been in a better place to demonstrate growth, Q1 will be clearly evident and Q1 on a year-on-year basis we definitely are looking good to at least a very high single digit growth rate between Q1 FY'16 and Q1 FY'17.

Moderator: Thank you. The next question is from the line of Rakesh Jhunjhunwala from Rare Enterprises. Please go ahead.

Rakesh Jhunjhunwala: What kind of growth rates you are seeing?

Rajesh Subramaniam: Growth rates will be industry leading of 10-11%.

Rakesh Jhunjhunwala: Margin is 50 basis points improvement over the fourth quarter?

Rajesh Subramaniam: Yes, 50 to 70 basis points. The fourth quarter is seasonally our strongest quarter because we have collections seasonality here, but normalize for that on a year-on-year basis to support the growth, the margin guidance which we have given will be on a year-on-year basis.

Moderator: Thank you. The next question is from the line of Priya Rohira from Axis Capital. Please go ahead.

Priya Rohira: The net margin improvement which we are looking for FY'17 is around 50 to 70 bps, right?

Rajesh Subramaniam: Yes.

Moderator: Thank you. The next question is from the line of Abhishek Shindadkar from ICICI Direct. Please go ahead.

Abhishek Shindadkar: Just wanted to clarify about the US Telco related revenues weakness. So is this the same account where initially we thought of $35 million ACV and expected a full ramp up in FY'16 but I guess the ramp ups are little lower by $10-12 million and then again we are saying that the second ramp ups in FY'17 could be lower by another $15 million, is this the same account are we talking or is this a different account that we are saying?

Rajesh Subramaniam: It is the same account, and if you take a look at the presentation you will see that it demonstrates what you have articulated; 2% of our growth came in lower in FY'16 because the US Telco did not ramp to the expectations of where it was supposed to have been, 2% from the Domestic business and 2% is the growth we showed, so that adds up to the 6%, that is the client which will ramp down because of the reason that I explained to an earlier question by Q1 of FY'17. Despite that ramp down we will absorb that loss and we are on with growth.

Abhishek Shindadkar: When we initially sign it, it was $35 or $36 million ACV, right, so still that number continues to hold, right?

Rajesh Subramaniam: $35 - $36 million is what has translated into $20 million number last year, so that $20 million number based on the timing of the ramp down will result in an $18 million loss for this year, so that $36 million does not exist now.

Abhishek Shindadkar: So $20 million in FY'16 would be lower by around $18 million in FY'17?

Dinesh Jain: Yes.

Moderator: Thank you. The next question is from the line of Sanjeev Hota from Sharekhan. Please go ahead.

Sanjeev Hota: You have given the guidance ahead of 10-12% growth in FY'17 including ISGN?

Rajesh Subramaniam: At this point, yes.

Moderator: Thank you. The next question is from the line of Archit Singhal from Nomura. Please go ahead.

Archit Singhal: Can you give the guidance excluding ISGN?

Rajesh Subramaniam: I just stick to the numbers we have given, as I said, I have three or four events which we are playing out, all positive, so I think at this point in time the guidance and the outlook we have given, try and work on that please.

Moderator: Thank you. As there are no further questions, I would now like to hand the floor over to Mr. Rajesh Subramaniam for closing comments.

Rajesh Subramaniam: Thanks all for your time today. Q4 has been a definitive quarter, it has been a catch up of everything that we have tried to demonstrate over last year but it has finally come through. Feeling very positive about FY'17, we are in a very good place with our largest customer. I look forward to speaking to all of you. Through the quarter if you have any specific question that could be directed to Ganesh, Dinesh or me and then definitely we will come out with the next quarter's results. Bye.

Moderator: Thank you. On behalf of Firstsource Solutions Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.