

Firstsource Solutions Limited

Q2 FY2017 Earnings Update

October 27, 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



Q2 FY2017 Highlights (1/3)

Q2 FY2017 Performance Analysis

- **Operating revenue**

- Q2 FY17 Revenues at INR 884.4 crore compared to INR 893.5 crore in Q1 FY17 and INR 787.8 crore in Q2 FY16
- Y-o-Y growth of 12.3% in INR terms and growth 14.0% in constant currency terms
- Q-o-Q de-growth of 1.0% in INR terms and growth of 1.2% in constant currency terms

- **Operating EBIT**

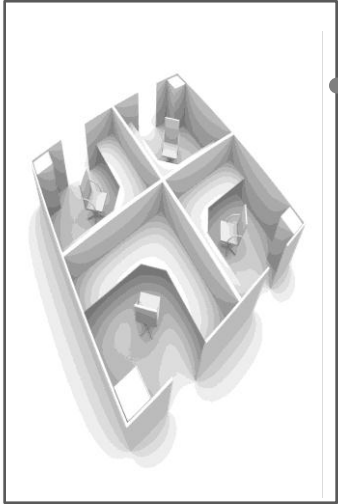
- Q2 FY17 operating EBIT at INR 96.5 crore compared to INR 102.9 crore in Q1 FY17 and INR 75.2 crore in Q2 FY16
- Y-o-Y growth of 28.3%, margin expansion by 137 bps from 9.55% to 10.92%
- Q-o-Q de-growth of 6.2% while margin contraction by 60 bps from 11.52% to 10.92%

- **PAT**

- Q2 FY17 PAT at INR 71.3 crore compared to INR 73.4 crore in Q1 FY17 and INR 58.7 crore in Q2 FY16
- Y-o-Y growth of 21.5%, margin expansion by 61 bps, from 7.45% to 8.06%
- Q-o-Q de-growth of 2.9%, margin contraction of 15 bps from 8.21% to 8.06%



Q2 FY2017 Highlights (2/3)



Employee Strength, Seat Capacity And Utilization

- **24,910 employees as on September 30, 2016; Seat capacity of 22,797 seats worldwide**
 - 15,100 employees in India and 9,810 employees based outside India, net addition of 762 employees in Q2 FY17
 - 48 delivery centers as on September 30, 2016, compared to 47 as on June 30, 2016
 - Seat fill factor at 72.1% as on September 30, 2016, compared to 71.8% as on June 30, 2016



Attrition

- **Offshore (India and Philippines)** – 43.7% compared to 50.1% in Q1 FY17
- **Onshore (US and Europe)** – 49.9% compared to 49.3% in Q1 FY17
- **Domestic (India and Sri Lanka)** – 71.7% compared to 76.8% in Q1 FY17

Q2 FY2017 Highlights (3/3)



Cash and Debt Position

- **Cash and cash equivalents** of INR 122.0 crore as of September 30, 2016 as compared to INR 114.7 crore in previous quarter
 - Repayment of sixth principal installment of \$ 11.25 million on September 30, 2016
 - Capex spend in Q2 FY17 of INR 20.8 crore

- **Net Long Term Debt** of \$ 84 million as of September 30, 2016



Foreign Exchange Hedges

- **Outstanding FX hedges at \$50 million for USD and £62 million for GBP**
 - **Next 12 months:** 59% coverage for USD at INR 70.6 levels, 82% coverage for GBP at INR 109.7 levels, 25% coverage for GBP at PHP 68.6 levels
 - **Next 12 – 24 months:** 39% coverage for USD rates at INR 73.8 levels and 65% coverage for GBP at INR 107.9 levels
 - **Next 24 – 36 months:** 30% coverage for GBP at INR 102.6 levels

H1 FY2017 Highlights

H1 FY2017 Performance Analysis

- **Operating revenue**

- H1 FY17 Revenues at INR 1,777.9 crore compared to INR 1,529.2 crore in H1 FY16
- Y-o-Y growth of 16.3% in INR terms and growth 15.2% in constant currency terms

- **Operating EBIT**

- H1 FY17 operating EBIT at INR 199.5 crore compared to INR 142.2 crore in H1 FY16
- Y-o-Y growth of 40.3%, margin expansion by 192 bps from 9.30% to 11.22%

- **PAT**

- H1 FY17 PAT at 144.6 crore compared to INR 111.5 crore in H1 FY16
- Y-o-Y growth of 29.7%, margin expansion by 84 bps, from 7.29% to 8.13%



Agenda

01 | Performance Highlights

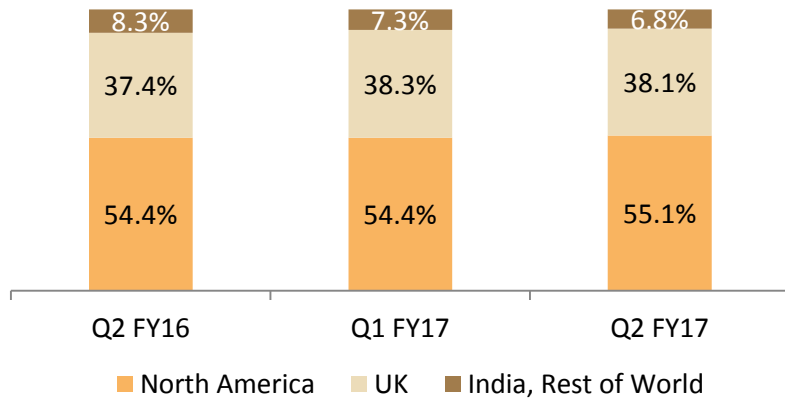
02 | **Financial Performance**

03 | Business Outlook

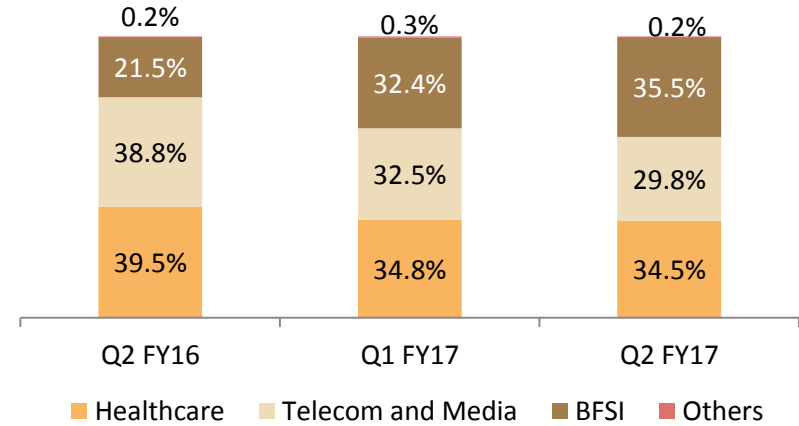


Q2 FY2017 Financial Summary

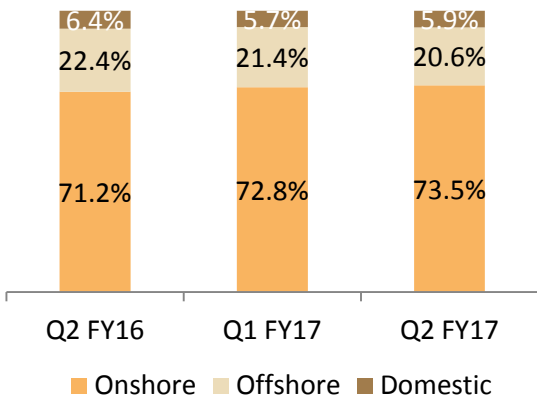
Revenue By Geography



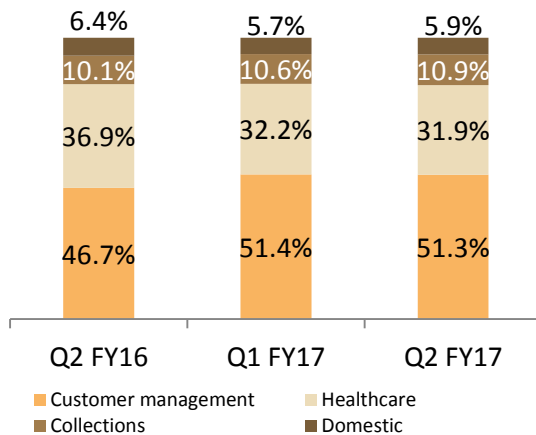
Revenue By Verticals



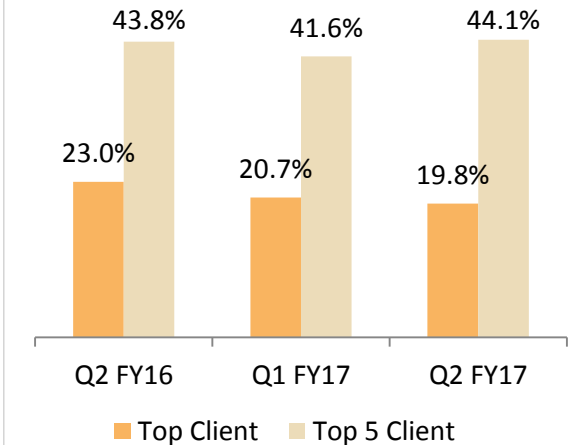
Revenue By Delivery



Revenue By Segment



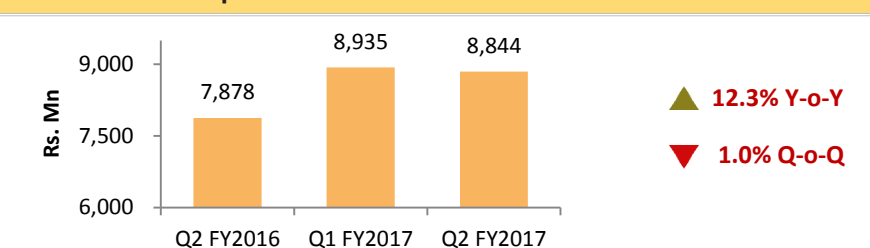
Revenue By Client Concentration



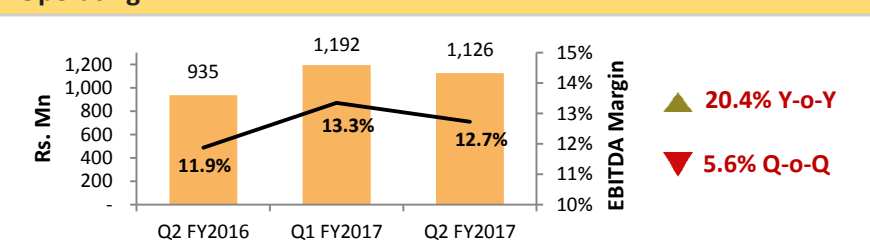
Financial Performance – Q2 FY2017

(IN INR Million)	Q2 FY 2016	Q1 FY 2017	Q2 FY 2017
Income from services	7,746	8,753	8,572
Other operating Income	132	183	271
Revenue from operations	7,878	8,935	8,844
Personnel and Operating Expense	6,943	7,743	7,718
Operating EBITDA	935	1,192	1,126
<i>Operating EBITDA %</i>	<i>11.9%</i>	<i>13.3%</i>	<i>12.7%</i>
Depreciation / amortization	183	163	160
Operating EBIT	752	1,029	965
<i>Operating EBIT %</i>	<i>9.5%</i>	<i>11.5%</i>	<i>10.9%</i>
Other Income / (expense)	4	13	(2)
Interest Income / (expense), net	(125)	(126)	(103)
PBT	631	916	861
<i>PBT (% of total income)</i>	<i>8.0%</i>	<i>10.3%</i>	<i>9.7%</i>
Taxes and Minority Interest	44	183	148
PAT	587	734	713
<i>PAT (% of total income)</i>	<i>7.4%</i>	<i>8.2%</i>	<i>8.1%</i>

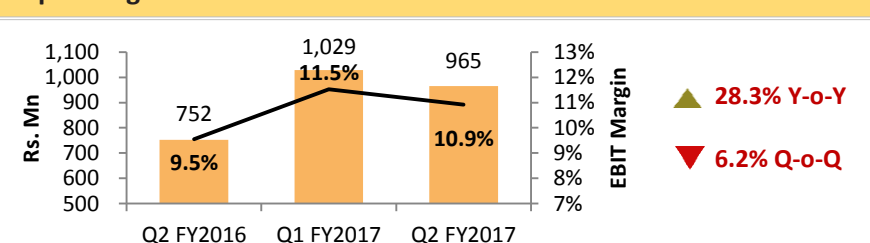
Revenue From Operations



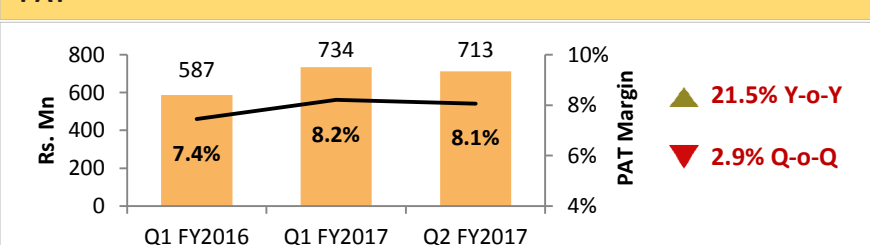
Operating EBITDA



Operating EBIT



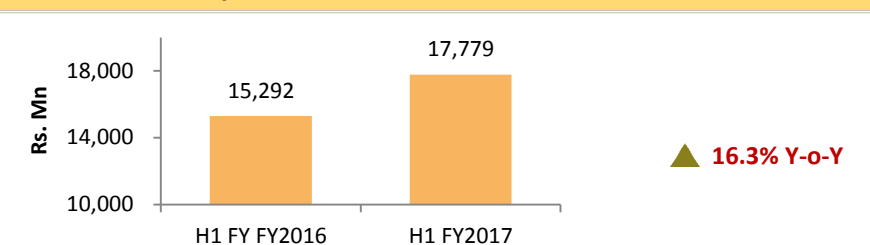
PAT



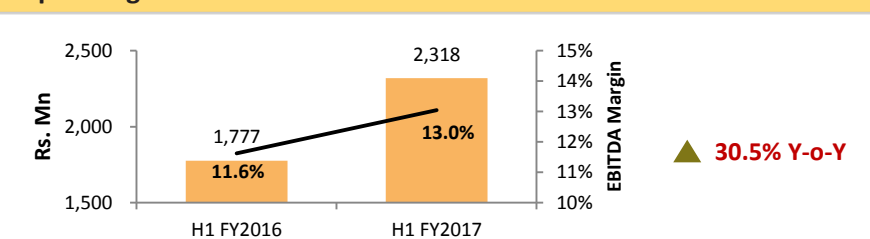
Financial Performance – H1 FY2017

(IN INR Million)	H1 FY2016	H1 FY2017
Income from services	15,075	17,325
Other operating Income	217	454
Revenue from operations	15,292	17,779
Personnel and Operating Expense	13,516	15,461
Operating EBITDA	1,777	2,318
<i>Operating EBITDA %</i>	<i>11.6%</i>	<i>13.0%</i>
Depreciation / amortization	355	323
Operating EBIT	1,422	1,995
<i>Operating EBIT %</i>	<i>9.3%</i>	<i>11.2%</i>
Other Income / (expense)	46	11
Interest Income / (expense), net	(265)	(229)
PBT	1,203	1,777
<i>PBT (% of total income)</i>	<i>7.9%</i>	<i>10.0%</i>
Taxes and Minority Interest	88	331
PAT	1,115	1,446
<i>PAT (% of total income)</i>	<i>7.3%</i>	<i>8.1%</i>

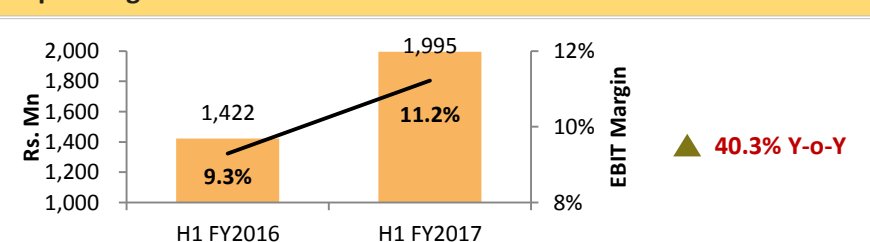
Revenue From Operations



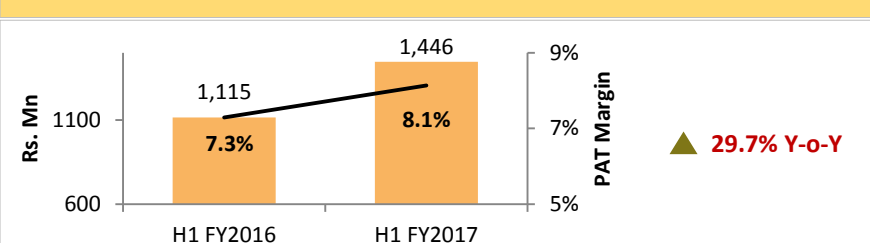
Operating EBITDA



Operating EBIT



PAT



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Business Outlook

- Brexit impact adverse on currency. Positive to BPM outsourcing especially in the Banking sector
- Following the selection as a preferred partner to Sky, transition of services from the other partner has commenced. 1st transition of 257 people was effective from Sept 1, 2016 and the 2nd transition of circa. 900 to 1000 people would be effected on Mar 1, 2017
- ISGN BPO business performance continues to be robust and better than plan
- Continue to maintain our growth and margin guidance for the year
- Debt repayment continues 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)