Financial Performance – FY17 Q3

Data | Domain | Delivery

February 08, 2017

Financial Summary

Metrics		FY17 Q3	Q-o-Q	FY17 YTD	Y-o-Y
Revenue	Total revenue (INR mm)	3,359	-1%	10,246	2%
	OPG revenue (INR mm)	3,247	-3%	9,985	3%
	OPG revenue (USD mm)	47.2	-4%	146.3	-1%
Profit	EBITDA (INR mm)	1,156	-12%	3,833	2%
	OPM (INR mm)	910	-20%	3,191	5%
	Net profit (INR mm)	860	-11%	2,790	16%
Margin	EBITDA (%)	34%	-5%	37%	0%
	OPM (%)	28%	-6%	32%	1%
	Net profit (%)	26%	-3%	27%	3%

- Q-o-Q USD revenue decreased by 3.5% and CC revenue (USD basis) decreased by 2.6%
  - Revenue headwinds now expected to continue till Q1FY18
- Y-o-Y Net Profit up by 16% to INR 279 cr whereas OPM improved by 1%
- Q-o-Q Margin figures show large variation due to first year of Ind-AS adoption

Note: Prior year financials are restated as per IND AS and are unaudited

Other Income – FY17 Q3 vs. FY17 Q2

Other Income	FY17 Q3	FY17 Q2	FY17 Q1	FY16 Q4
Investment & Other Income	72.5	84.7	60.9	40.9
Hedge Gain / (Loss)	-	-	-	(0.6)
Revaluation and Realised Gain	40.4	(36.6)	39.1	32.7
Total	**112.9**	**48.1**	**100.0**	**73.0**

Note: Previous quarters numbers are restated as per IND AS

Figures in INR million

- Other Income – gains due to higher cash surplus more than offset by FMV loss in accordance with IND-AS
- **Revaluation and Realised Gain**
  - USD/INR FY'17 Q3 exit : 67.95 vs. FY'17 Q2 exit : 66.60
  - EUR/INR FY'17 Q3 exit : 71.51 vs. FY'17 Q2 exit : 74.85

Hedge Updates

Current Hedge Status

- Total outstanding hedges now $136.2 mm at average INR 72.42/$; 100% forwards
  - 2.9 times quarter revenue vs. average of 2.6 times in preceding 4 quarters

Contract	Year	Currency	Amount (mn)	Average Rate (INR)
Forwards	FY17 Q4	USD	25.5	70.7
		Euro	3.2	81.0
	Total FY17 Q4 – Equiv USD		28.9	71.5
	FY18	USD	86.9	72.1
		Euro	5.3	82.7
	Total FY18 – Equiv USD		**92.5**	**72.5**
	FY19	USD	14.7	73.9
		Euro	-	-
	Total FY19 – Equiv USD		**14.7**	**73.9**
Total – Equiv USD			**136.2**	**72.4**

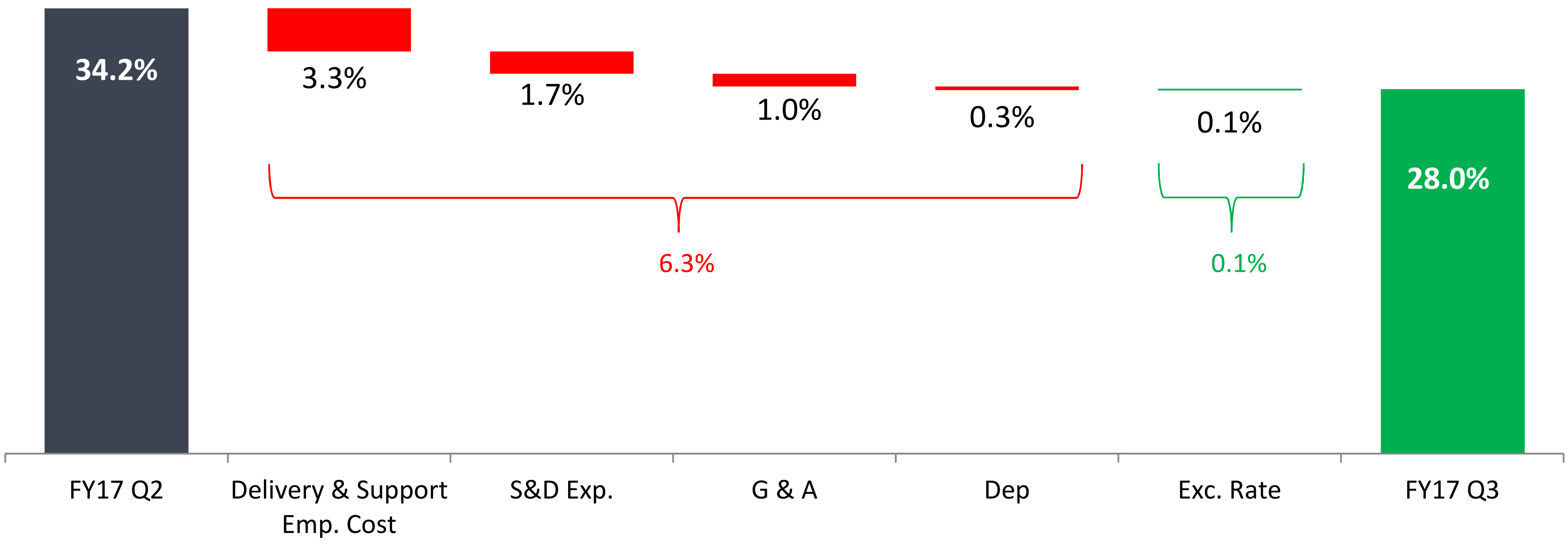
Note: EUR / USD taken at 1.05

P&L Comparison: FY17 Q3 vs. FY17 Q2

Operating P&L	FY17 Q3	OPR (%)	FY17 Q2	OPR (%)
Operating Revenue	3,246.6		3,335.3	
Cost of Revenues				
Delivery and Support Employees Cost	1,338.5	41.2%	1,266.5	38.0%
General and Administrative Expenses				
Facilities (Rent and Electricity)	147.7	4.5%	148.9	4.5%
Administrative Services (Transport, HK, Security)	41.6	1.3%	44.6	1.3%
Technological Services (Communications, AMC)	89.4	2.8%	89.6	2.7%
Legal and Professional Fees	38.8	1.2%	46.2	1.4%
CSR & Donation	36.1	1.1%	13.1	0.4%
Others	59.5	1.8%	49.9	1.5%
Total G&A	**413.1**	**12.7%**	**392.3**	**11.8%**
Selling and Distribution	451.5	**13.9%**	407.2	**12.2%**
Depreciation and Amortization	133.6	**4.1%**	128.3	**3.8%**
Total Operating Cost	**2,336.8**	**72.0%**	**2,194.3**	**65.8%**
Operating Profit	**909.8**	**28.0%**	**1,141.1**	**34.2%**
INR/USD (Avg)	67.43		66.94	
INR/EUR (Avg)	72.71		74.70	

Figures in INR millions.

OPM Bridging Analysis: Q-o-Q
FY17 Q3 vs. FY17 Q2



- Delivery & Support Employees Cost: Increase in employees and onshore contractors, also in Q2 CLX employee cost was lower due to holidays
- S&D: Increase in head count and increase in travel cost.
- G&A: Increase mainly due to increase in CSR contribution by INR 23mm

Note:

- Bridging analysis in constant currency; impact of currency movement for revenue shown under Exc. rate
- S&D Exp. includes employee cost of onsite business development team

Balance Sheet & Other Updates

- Total Cash and Cash equivalents of INR 5,530.8 mm; vs INR 7,043.2 mm for FY’17 Q2; Buy Back of share completed in Dec 2016
  - Equivalent to INR 139.4 per share vs INR 172.3 for FY’17 Q2
  - Net operating cash flow in FY’17 YTD is INR 2,475.1 mm vs INR 2,862.2 mm in FY16 YTD
  - Capex during FY’17 YTD is INR 168 mm vs 401 mm in FY’16 YTD
- Q3 EPS: Basic: INR 21.1; Diluted: INR 20.8
- YTD EPS: Basic: INR 68.4; Diluted: INR 67.6
- Current book value per share of INR 284.8 vs. INR 316.2 last quarter, use of reserves for buy-back

CSR Update

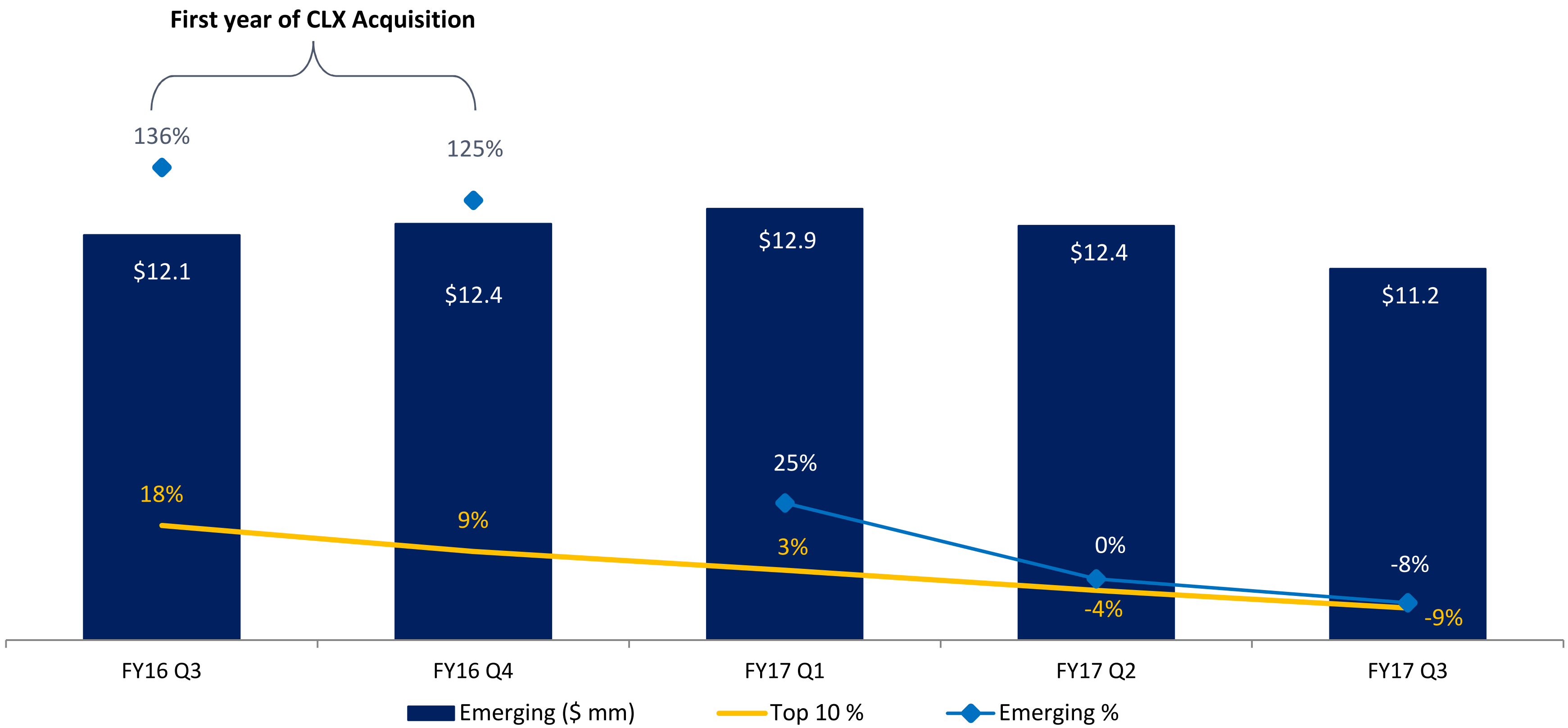
- Spent INR 54 mm for existing and new projects in FY’17 YTD related to India; FY plan is INR 65 mm
- Areas covered: Health, Education, Child Labour Protection
- Total Life touched / benefited in H1 ~32k

Key Business Metrics

Metrics		FY 17 Q3	FY 17 Q2	FY 17 Q1	FY 16 Q4	FY 16 Q3	FY 16 Q2
Currency Contribution* (%)	USD	75%	73%	72%	72%	73%	74%
	EURO	17%	19%	19%	19%	18%	18%
	GBP	7%	8%	9%	9%	9%	8%
Geographic Concentration*	North America	69%	68%	66%	67%	67%	67%
	Europe	27%	29%	30%	30%	29%	29%
Debtors	DSO (including Un-billed)	78 days	74 days	80 days	73 days	71 days	80 days
Client Concentration	Top 10 contribution	76%	75%	74%	76%	77%	75%
Billing Mix	FTE	83%	81%	81%	80%	82%	81%
	SEZ Revenue	64%	64%	66%	66%	66%	67%
Staff Utilization		68.9%	69.4%	68.7%	67.7%	68.7%	66.5%
Client Contribution* (based on 12 month accrued revenue)	US$ 500k+ Clients	15	18	18	16	16	9
	US$ 1mm+ Clients	18	17	18	17	13	12
	US$ 5mm+ Clients	6	7	7	7	7	7

*Other smaller currencies, geographies and client contribution not shown

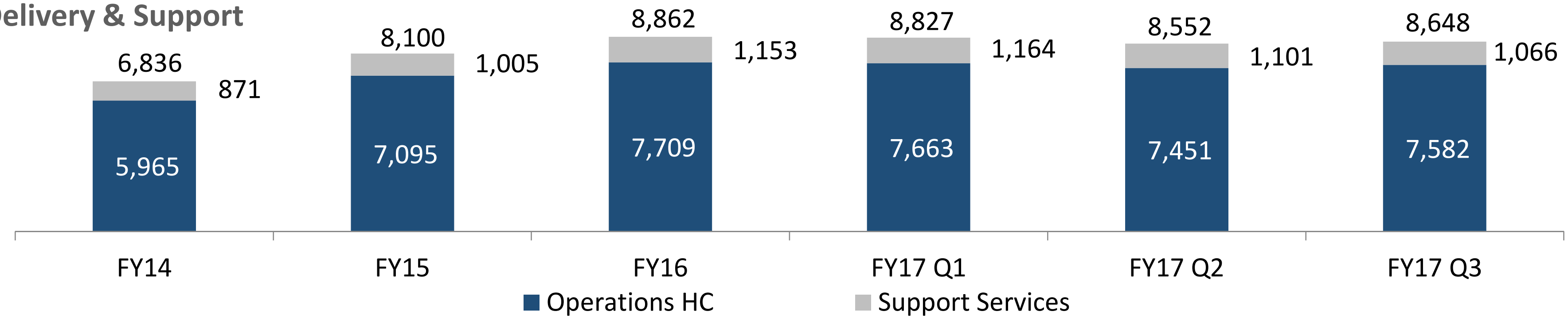
Revenue Mix Trends - Consol



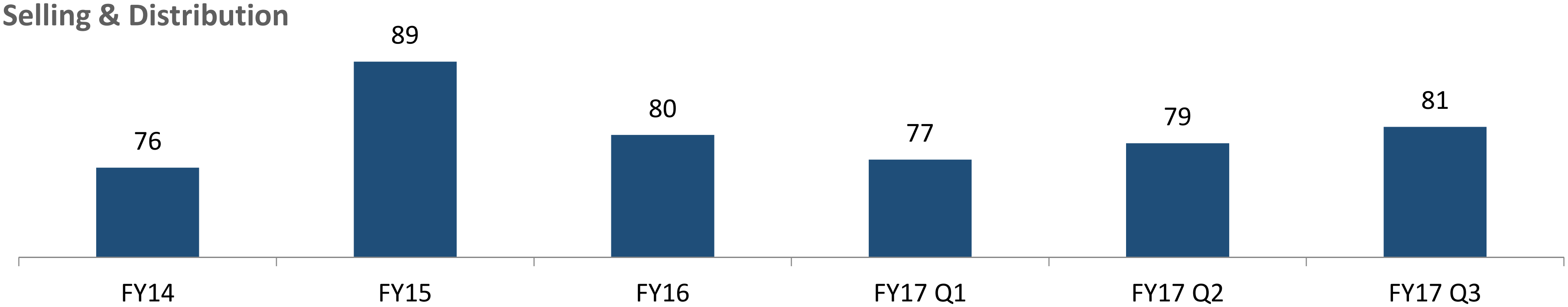
- Top 10 client Y-o-Y drop of -9.4% in USD & -8.8% in CC
- Emerging client Y-o-Y drop in USD by -7.9% & -2.6% in CC; 19% of emerging revenues adversely impacted due to GBP devaluation

Human Resources Update

Delivery & Support



Selling & Distribution



* FY16 and onwards includes CLX- Realignment of onshore delivery roles and exclusion of onshore admin roles

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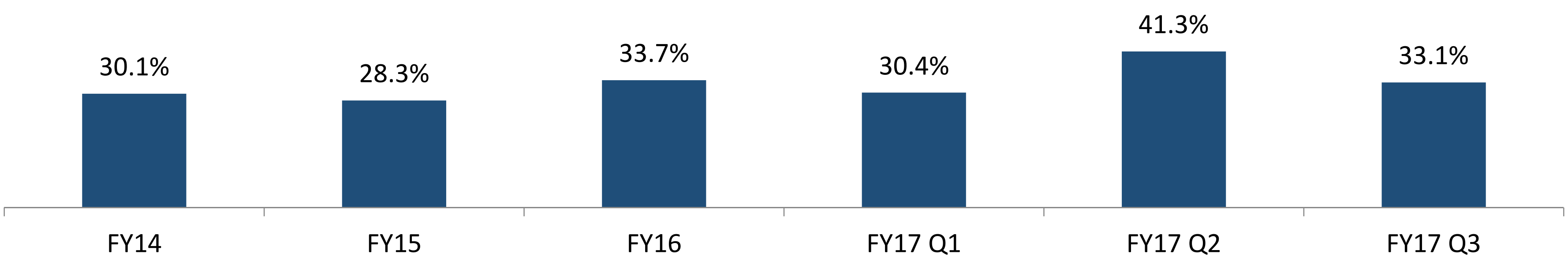

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Thank You

Balance Sheet Abstract

Particulars	Dec 31, 2016	Sep 30, 2016	% of Change
Shareholder’s Funds			
Capital	396.9	408.8	-2.9%
Minority Interest	6.4	6.1	-
Reserves and Surplus	10,904.2	12,516.5	-13%
Total Shareholder's Funds	**11,307.5**	**12,931.4**	**-13%**
Application of Funds			
Fixed Assets	3,395.8	3,543.3	-4%
Deferred Tax Assets (net)	(77.0)	(130.7)	-41%
Net Current Assets and Investments (Liquid)	7,988.6	9,518.8	-16%
Total Application of Funds	**11,307.5**	**12,931.4**	**-13%**

Figures in INR millions.

Financial Summary – Quarterly View

Metrics		FY17 Q3	FY17 Q2	FY17 Q1	FY16 Q4	FY16 Q3
Revenue	Total Revenue (INR mn)	3,359	3,383	3,503	3,505	3,481
	Opg Revenue (INR mn)	3,247	3,335	3,403	3,432	3,443
	Opg Revenue (USD mn)	47.2	48.9	50.2	50.8	51.8
Profit	EBITDA (INR mn)	1,156	1,317	1,360	1,427	1,262
	OPM (INR mn)	910	1,141	1,140	1,200	1,070
	Net Profit (INR mn)	860	971	959	1,006	855
Margin	EBITDA	34%	39%	39%	41%	36%
	OPM	28%	34%	33%	35%	31%
	Net Profit	26%	29%	27%	29%	25%
EPS	Basic	21.1	23.8	23.5	NA	18.5
	Diluted	20.8	23.5	23.2	NA	18.1

Note: Previous quarters numbers are restated as per IND AS

Revised EPS for FY’16 Q4 would be updated in subsequent quarter

P&L Comparison – Quarterly View

Operating P&L	FY17 Q3	OPR (%)	FY17 Q2	OPR (%)	FY17 Q1	OPR (%)	FY16 Q4	OPR (%)	FY16 Q3	OPR (%)
Operating Revenue	3,247		3,335		3,403		3,432		3,443	
Cost of Revenues										
Delivery and Support Employees Cost	1,339	41%	1,266	38%	1,325	39%	1,224	36%	1,366	40%
General and Administrative Expenses										
Facilities (Rent and Electricity)	148	5%	149	4%	153	4%	144	4%	166	5%
Administrative Services (Transport, HK, Security)	42	1%	45	1%	44	1%	42	1%	43	1%
Technological Services (Communications, AMC)	89	3%	90	3%	87	3%	92	3%	74	2%
Legal and Professional Fees	39	1%	46	1%	75	2%	56	2%	54	2%
Provision / Written off for Bad Debt	-	0%	-	0%	-	0%	-	0%	-	0%
CSR & Donation	36	1%	13	0%	6	0%	12	0%	21	1%
Others	59	2%	50	1%	57	2%	65	2%	42	1%
Total G&A	**413**	**13%**	**392**	**12%**	**422**	**12%**	**411**	**12%**	**399**	**12%**
Selling and Distribution*	452	**14%**	407	**12%**	**396**	**12%**	443	**13%**	453	**13%**
Depreciation and Amortization	134	**4%**	128	**4%**	**119**	**4%**	154	**4%**	155	**4%**
Total Operating Cost	**2,337**	**72%**	**2,194**	**66%**	**2,263**	**67%**	**2,232**	**65%**	**2,373**	**69%**
Operating Profit	**910**	**28%**	**1,141**	**34%**	**1,140**	**33%**	**1,200**	**35%**	**1,070**	**31%**

*Selling and Distribution includes employee cost of onsite business development team.
Note: Previous quarters numbers are restated as per IND AS

Figures in INR millions.

Key Business Metrics – Quarterly View

Metrics		FY17 Q3	FY17 Q2	FY17 Q1	FY16 Q4	FY16 Q3	FY16 Q2	FY16 Q1	FY15 Q4
Revenue Growth (%)	USD	-3.5%	-2.6%	-1.1%	-2.0%	3.2%	8.1%	14.2%	4.6%
	Constant Currency	-2.6%	-0.4%	-0.6%	-2.5%	4.2%	7.7%	4.0%	6.3%
Currency Concentration (%)	USD	75%	73%	72%	72%	73%	74%	76%	85%
	EURO	17%	19%	19%	19%	18%	18%	15%	10%
	GBP	7%	8%	9%	9%	9%	8%	9%	5%
	Other	0%	0%	0%	0%	0%	0%	0%	0%
Geographic Concentration	North America	69%	68%	66%	67%	67%	67%	72%	78%
	Europe	27%	29%	30%	30%	29%	29%	25%	18%
	ROW	4%	4%	3%	3%	4%	4%	3%	4%
Debtors	DSO (including Un-billed)	78 days	74 days	80 days	73 days	71 days	80 days	78 days	81 days
Client	Top 10 contribution	76%	75%	74%	76%	77%	75%	78%	86%
Billing Mix	FTE	83%	81%	81%	80%	82%	81%	85%	95%
	SEZ Revenue	64%	64%	66%	66%	66%	67%	69%	73%
Seat Count		9,023	8,632	8,626	8,574	8,522	8,601	7,806	7,640
Staff Utilization		68.9%	69.4%	68.7%	67.7%	68.7%	66.5%	65.0%	64.5%

Note: Previous quarters numbers are restated as per IND AS