

Polaris Consulting & Services Limited

(BSE: 532254; NSE: POLARIS)

Q4 and Full Year FY2017 Earnings Presentation
May 15, 2017

Performance Highlights

Q4 FY2017 Net Revenue

Rs. 5,621 mn
+12.6% q-o-q

FY2017 Net Revenue

Rs. 20,797 mn
+1.4% y-o-y

DSO

81 Days
(89 Days: Q3 FY2017)

Q4 FY2017 EBITDA

Rs. 619 mn
Margin: 11.0%

FY2017 EBITDA

Rs. 2,401 mn
Margin: 11.5%

Headcount

7,327
Attrition: 13.9%

Q4 FY2017 PAT

Rs. 329 mn
Margin: 5.9%

FY2017 PAT

Rs. 1,614 mn
Margin: 7.8%

CCE and Investments

Rs. 5,295 mn
(Rs. 5,236 mn: Q3 FY2017)

Management Perspectives

Commenting on results and developments **Mr. Kris Canekeratne, Chairman** said:

FY2017 was an exciting year operationally. We completed our go-to-market integration with Virtusa and we have started experiencing early signs of synergy benefits. We are reaping the benefits of our strategic investments in FY2017, and we will continue to invest in our growth initiatives in FY2018 to capture additional market share. For FY2018, our priorities will be on expanding our Digital Transformation & Innovation solutions and strengthening our leadership position in this rapidly growing area. At the same time, we will continue to capitalize on our clients' demand for cost reduction and efficiency improvement through our leading Operational Excellence solutions.

Commenting on results **Mr. NM Vaidyanathan, Chief Financial Officer** said:

Despite a challenging macroeconomic environment and currency head-winds in Q4, we recorded growth both in revenue and operating profit compared to FY2016. Our FY2017 revenues in constant currency and operating profit grew by 2.3% and 4.6%, respectively as compared to FY2016. While continuing to focus on improving operational efficiencies in FY18, we also expect to make additional investments in sales & marketing and enhancing domain expertise in digital technologies.

Performance Overview

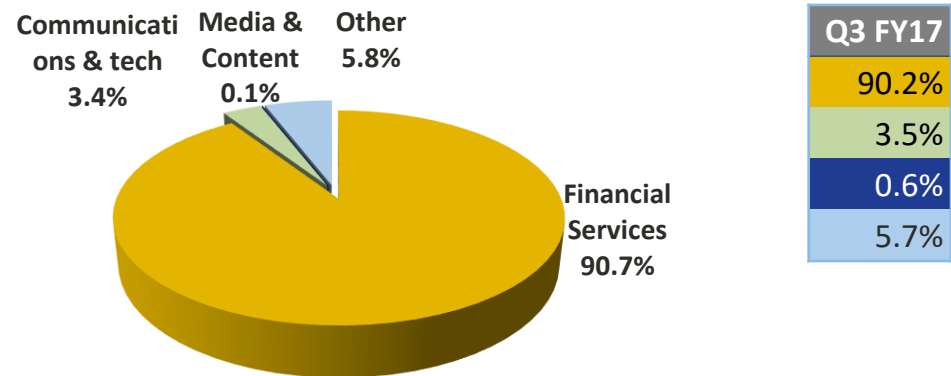
Particulars (Rs. Million)	Q4		Y-o-Y	Q3	Q-o-Q	Full Year		Y-o-Y
	FY2017	FY2016	Growth (%)	FY2017	Growth (%)	FY2017	FY2016	Growth (%)
Net Revenue	5,621	4,991	12.6%	5,154	9.0%	20,797	20,514	1.4%
EBITDA	619	212	191.5%	580	6.6%	2,401	2,336	2.8%
Margin (%)	11.0%	4.3%		11.3%		11.5%	11.4%	
PAT	329	(185)	nm	476	(30.9)%	1,614	1,021	58.1%
Margin (%)	5.9%	nm		9.2%		7.8%	5.0%	
Basic EPS (Rs.)	3.24	(1.84)	nm	4.69	(31.0)%	15.90	10.19	56.0%

Performance Discussion

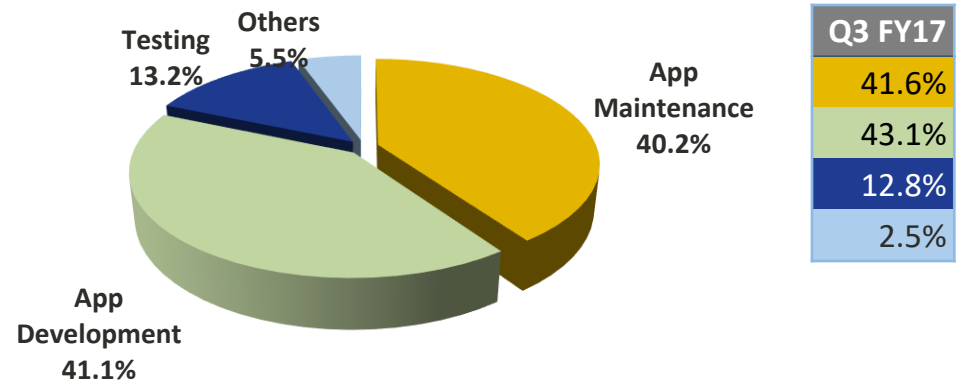
- On constant currency basis revenue for the quarter improved by 10.8% compared to the sequential quarter. FY2017 revenue increased by 2.3% in constant currency compared to same period last year
- Profitability of the quarter was impacted due to unfavorable foreign exchange variations compared to Q3 FY2017
- DSO days improved to 81days compared to 89 days in Q3 FY2017. This improvement was driven by better collections during the quarter

Q4 FY2017 Revenue Break-up

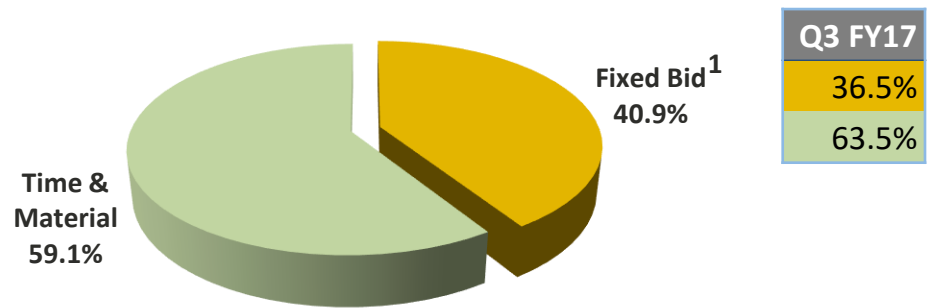
Revenue by Vertical



Revenue by Service Offering



Revenue by Contract Type

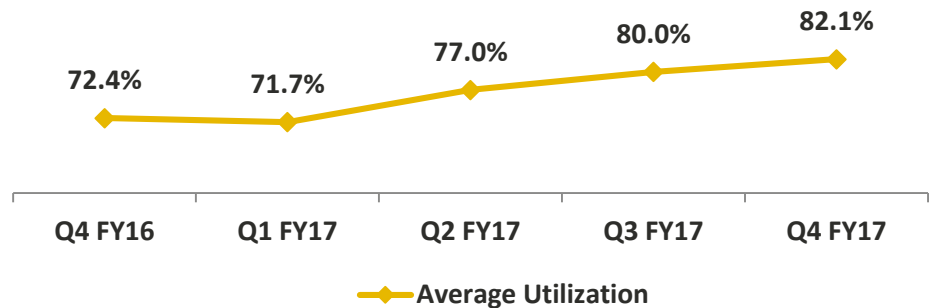


Note:

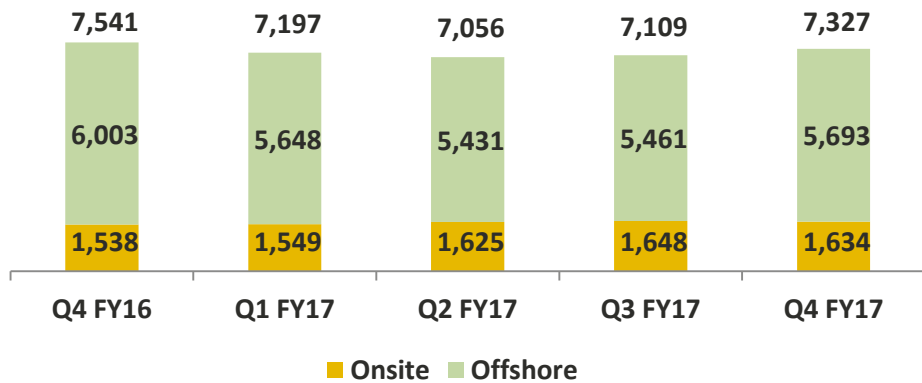
1. Fixed bid includes Fixed price

Operational Metrics

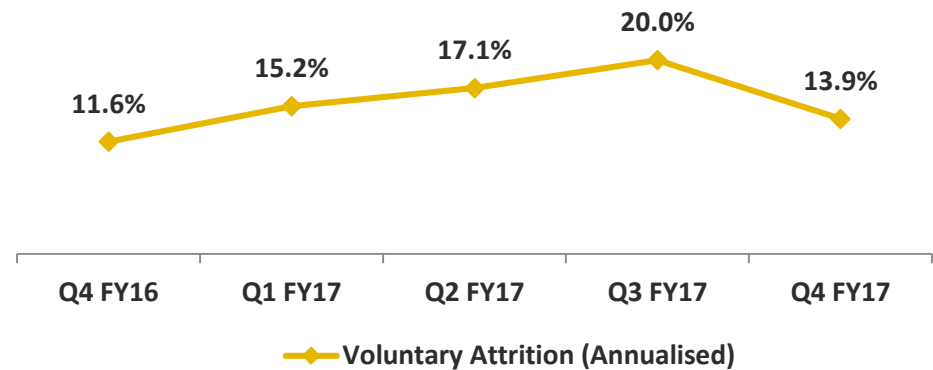
Utilization



Headcount¹



Attrition

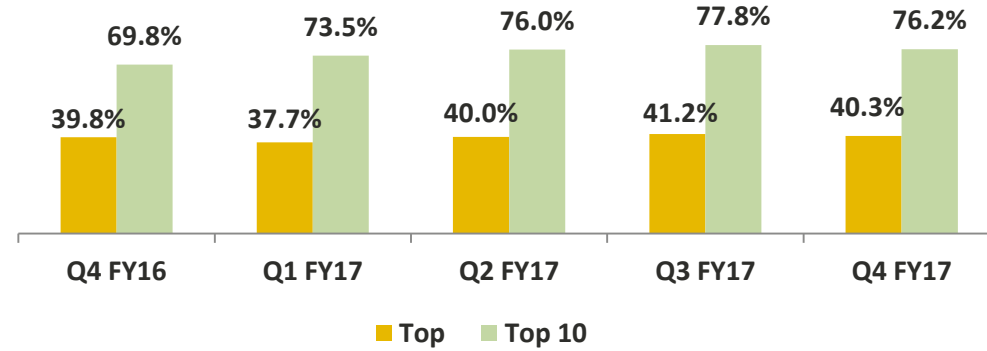


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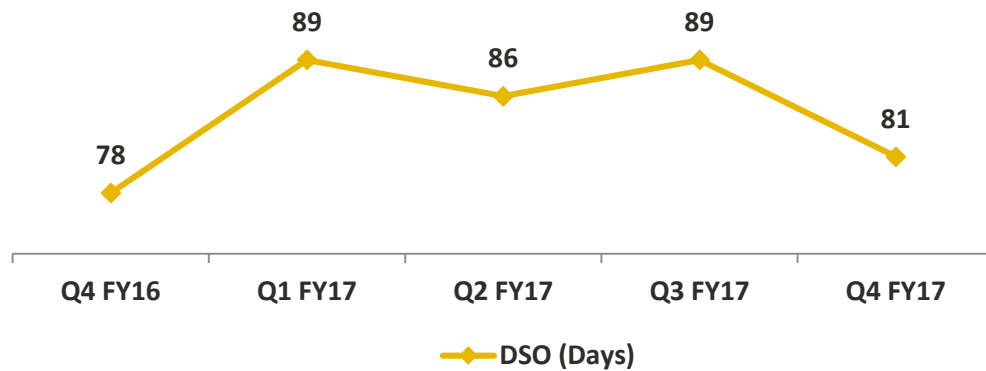
1. Excluding BPO and including vendors

Operational Metrics

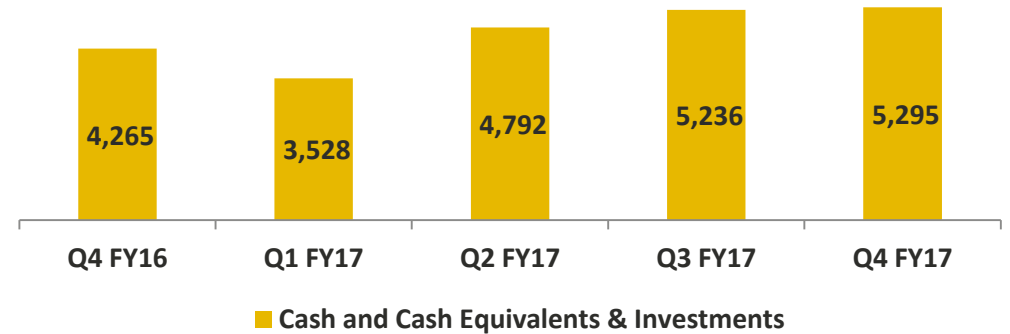
Contribution by top Clients



DSO



Cash & Cash Equivalent and Investments (Rs. mn)



Factsheet

Factsheet

Detailed Profit & Loss Statement

Profit & Loss Statement (Rs. mn)	Q4		Y-o-Y Growth (%)	Q3 FY17	Q-o-Q Growth (%)	Full Year		Y-o-Y Growth (%)
	FY17	FY16				FY17	FY16	
Income from operations	5,621	4,991	12.6%	5,154	9.0%	20,797	20,514	1.4%
Employee Cost	(3,733)	(3,773)	(1.1)%	(3,361)	11.1%	(13,844)	(14,341)	(3.5)%
<i>% of Sales</i>	<i>66.4%</i>	<i>75.6%</i>		<i>65.2%</i>		<i>66.6%</i>	<i>69.9%</i>	
Other Expenditures	(1,269)	(1,006)		(1,213)		(4,552)	(3,836)	
EBITDA	619	212	191.5%	580	6.6%	2,401	2,336	2.8%
EBITDA Margin (%)	11.0%	4.3%		11.3%		11.5%	11.4%	
Depreciation and Amortisation	(49)	(64)		(69)		(233)	(264)	
<i>% of Sales</i>	<i>0.9%</i>	<i>1.3%</i>		<i>1.3%</i>		<i>1.1%</i>	<i>1.3%</i>	
EBIT	569	149	283.0%	512	11.2%	2,167	2,072	4.6%
EBIT Margin (%)	10.1%	3.0%		9.9%		10.4%	10.1%	
Other Income	57	95		31		209	192	
Forex Gain / (Loss)	(170)	8		139		(17)	0	
Exceptional Item	0	(112)		0		0	(218)	
PBT	457	139	227.6%	683	(33.1)%	2,359	2,045	15.4%
PBT Margin (%)	8.1%	2.8%		13.2%		11.3%	10.0%	
Tax Expenses	(124)	(323)		(206)		(738)	(1,024)	
Share of (profit)/loss of associate companies	(3)	(1)		(0)		(6)	(1)	
Minority Interest	0	0		0		0	1	
PAT	329	(185)	nm	476	(30.9)%	1,614	1,020	58.1%
PAT Margin (%)	5.9%	nm		9.2%		7.8%	5.0%	
EPS:								
Basic EPS (Rs.)	3.24	(1.84)	nm	4.69	(31.0)%	15.90	10.19	56.0%
Diluted EPS (Rs.)	3.22	(1.84)	nm	4.66	(30.9)%	15.79	10.07	56.8%

Factsheet

	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17
Revenue By Vertical				
Financial Services	86%	88%	90%	91%
Communications & Technology	7%	5%	4%	3%
Media & Content	1%	1%	1%	0%
Others	7%	7%	6%	6%
Revenue by Service Offering:				
App Maintenance	42%	40%	42%	40%
App Development	44%	46%	43%	41%
Testing	13%	13%	13%	13%
Others	1%	1%	2%	5%
Revenue by Product Type:				
Fixed Bid	38%	43%	37%	41%
Time & Material	62%	57%	63%	59%
Effort Mix:				
Offshore effort	73%	74%	76%	75%
Onsite effort	27%	26%	24%	25%
Utilization:				
Average Utilization	72%	77%	80%	82%

	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17
Clients:				
Active clients	128	119	106	97
Number of New clients	3	3	-	-
Number of 10% clients	1	1	2	2
Revenue from repeat clients >12 months	91%	90%	90%	99%
Top client	38%	40%	41%	40%
Top 10 clients	74%	76%	78%	76%
Headcount:				
IT professionals	6,572	6,448	6,577	6,852
Non IT professionals	625	608	532	475
Total Headcount	7,197	7,056	7,109	7,327
Net addition	(344)	(140)	53	218
Voluntary Attrition (Annualized)	15%	17%	20%	14%
Cash:				
Cash, Cash Equivalents & Investments (Rs. Mn)	3,528	4,792	5,236	5,295
DSO (days)	89	86	89	81

Polaris at Glance



About Polaris Consulting & Services Ltd. (“Polaris”)

- Founded in 1993; Listed on NSE and BSE, Polaris has a market capitalization of around Rs. 2,100 Cr.
- As on March 31, 2017, the Company had 7,327 employees
- Strong balance sheet with zero debt



Specialization

- Polaris is a niche and leading player in the financial technology space
- Major customers include Citibank, Bank of Montreal, JPMC, Lloyds, M&T Bank, RBS, Morgan Stanley and Credit Suisse
- Consistently awarded CMMI Level 5 certification starting from 2001



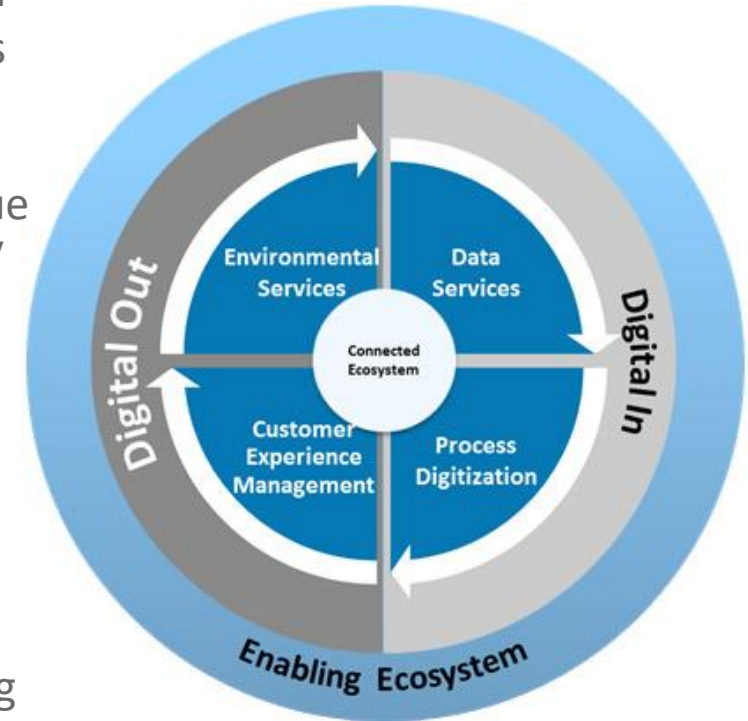
Recent Developments

- Virtusa Consulting Services Private Limited (“Virtusa”) acquired 52.9% of the total outstanding share capital of the Company in March 2016. Further in April 2016, pursuant to an Open Offer, Virtusa acquired 26.0% stake taking their total stake to 78.9% of the outstanding share capital
- During Q3 FY2017, Virtusa reduced its stake to 74.9% through offer for sale

Business Model

Digital Transformation: Transform to be a Digital 360 Enterprise

- Polaris' Digital Enterprise 360 approach is an **'Assess–Adopt–Grow'** strategy with roadmaps to transform Customer Experience, Operation & Technology Processes and build disruptive Business Models through a continuous innovation culture
- **Digital OUT:** This focuses on customer experience transformation and brand value creation, via all customer touchpoints across organization channel, LOB, brands / product and services. It helps organizations maintain a Unified Digital Channel Experience for all its products and services across brands
- **Digital IN:** This focuses on maintaining a balancing act between Operational Efficiency and Technology adoption essential for achieving Superior Customer Experience
- **Connected Ecosystem:** A key technology area essential in building the connecting link between Business and Operations for seamless collaboration
- **Enabling Ecosystem:** This focuses on enabling Rapid Transformation through continuous Innovation, ready-to-use technology accelerators and strong Agile program governance with Development operations



Safe Harbor Statement

Certain statements in this presentation concerning our future prospects are forward-looking statements. Forward-looking statements by their nature involve a number of risks and uncertainties that could cause actual results to differ materially from market expectations. These risks and uncertainties include, but are not limited to our ability to manage growth, intense competition among Indian and overseas IT companies, various factors which may affect our cost advantage, such as wage increases or an appreciating Rupee, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, the success of the companies in which Polaris has made strategic investments, withdrawal of governmental fiscal incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, unauthorized use of our intellectual property and general economic conditions affecting our industry. Polaris may, from time to time, make additional written and oral forward-looking statements, including our reports to shareholders. These forward-looking statements represent only the Company's current intentions, beliefs or expectations, and any forward-looking statement speaks only as of the date on which it was made. The Company assumes no obligation to revise or update any forward-looking statements.

Thank you

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