

Polaris Consulting and Services Ltd.

(BSE: 532254; NSE: POLARIS)

Q4 and Full Year FY2016 Earnings Presentation
May 12, 2016

Performance Highlights: FY2016

Net Revenue

Rs. 20,371 mn
+7.6% y-o-y

EBITDA

Rs. 2,526 mn
Margin: 12.4%

PAT

Rs. 1,271 mn
Margin: 6.2%

DSO

78 Days
(88 Days: FY2015)

Headcount

7,541
Attrition: 11.6%

CCE and Investments

Rs. 4,265 mn
(Rs. 3,140 mn: FY2015)

Management Perspectives

Commenting on results and developments **Mr. Jitin Goyal, CEO and Executive Director** said:

FY2016 was a strategically very important year for Polaris as we became part of Virtusa Corporation. We are now focussed on the integration with Virtusa and laying out the roadmap for realising synergy benefits. The combination is synergistic as it will not only augment our capabilities to provide end-to-end BFSI solutions but also expands our geographic reach and enables us to pursue larger business opportunities with an enhanced scale.

Commenting on FY2016 results **Mr. NM Vaidyanathan, Chief Financial Officer** said:

Our profitability for the year was impacted due to a discount provision made on a contract with a large customer, a loss on BPO business assets held for sale, a transaction cost and an adjustment for tax pertaining to prior periods. All these items put together had impact of about Rs. 657 million on our Net Income during the year. Our focus will be on sustaining margins even as we expect integration costs to impact us in the next fiscal year.

Performance Overview

Q4 FY2016 and FY2016 Performance

(Rs. million, unless stated)

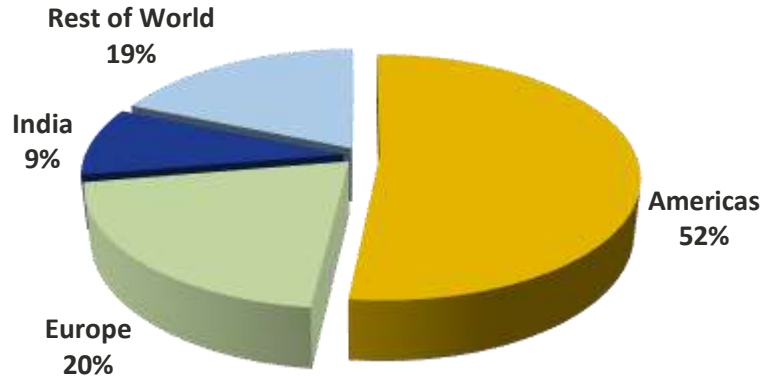
Particulars	Q4		y-o-y	Q3	q-o-q	Full Year		y-o-y
	FY2016	FY2015	Growth (%)	FY2016	Growth (%)	FY2016	FY2015	Growth (%)
Net Revenue	5,060	4,670	8.4%	5,176	(2.2)%	20,371	18,933	7.6%
EBITDA	472	503	(6.1)%	716	(34.1)%	2,526	2,251	12.2%
Margin (%)	9.3%	10.8%		13.8%		12.4%	11.9%	
PAT	51	371	(86.2)%	365	(86.0)%	1,271	1,673	(24.0)%
Margin (%)	1.0%	7.9%		7.1%		6.2%	8.8%	
Basic EPS (Rs.)	0.51	3.71	(86.3)%	3.65	(86.0)%	12.68	16.77	(24.4)%

Performance Discussion

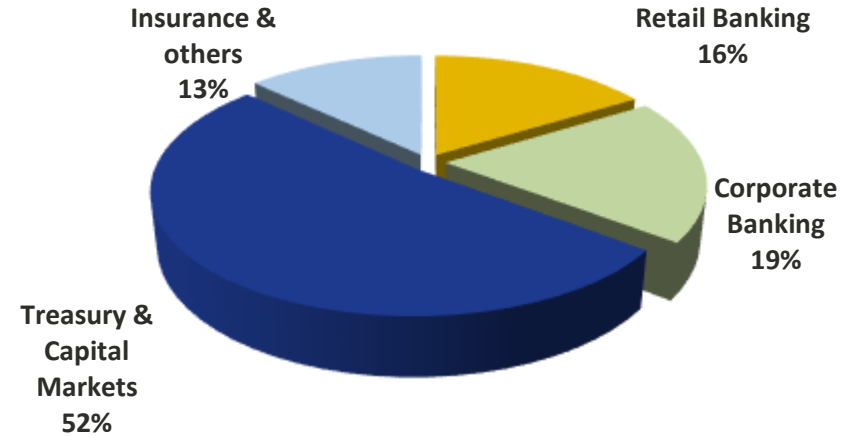
- EBITDA for the year improved despite the impact of productivity saving and minimum discounts provided to a large customer during Q4 FY2016 (\$3.8 mn or Rs. 256 mn)
- PAT for the year included an impact of Rs. 218 mn exceptional item pertaining to the loss on BPO business held for sale and one time transaction costs. Further, adjustments for tax of Rs. 183 million pertaining to prior periods also had an adverse impact on the PAT

Q4 FY2016 Revenue Break-up

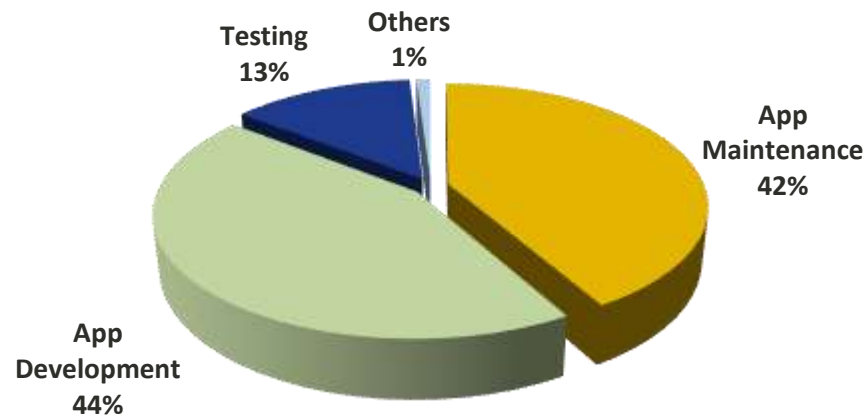
Revenue by Geography



Revenue by Vertical



Revenue by Service Offering



Revenue by Contract Type

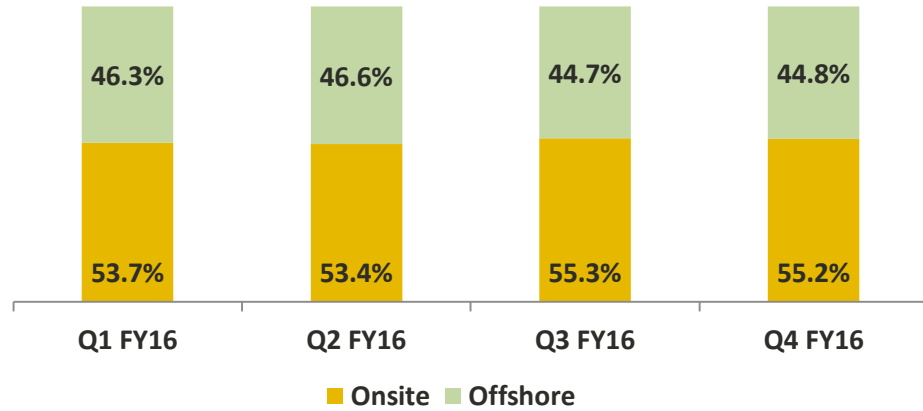


Note:

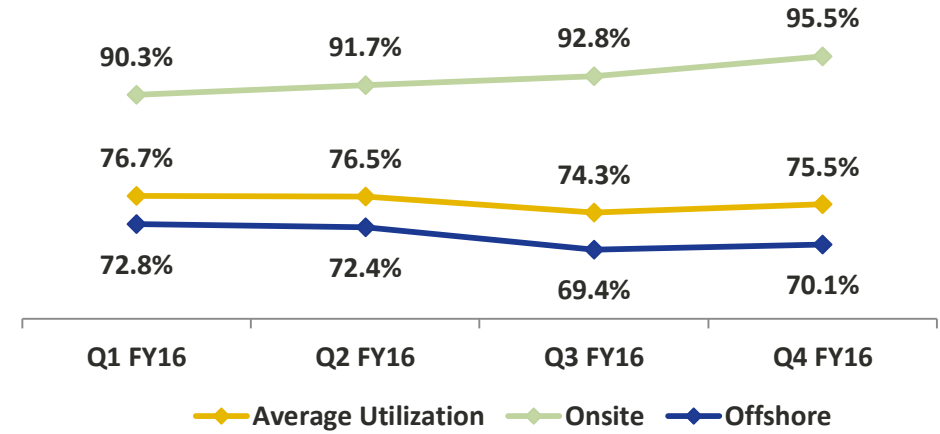
1. Fixed bid includes Fixed price

Operational Metrics

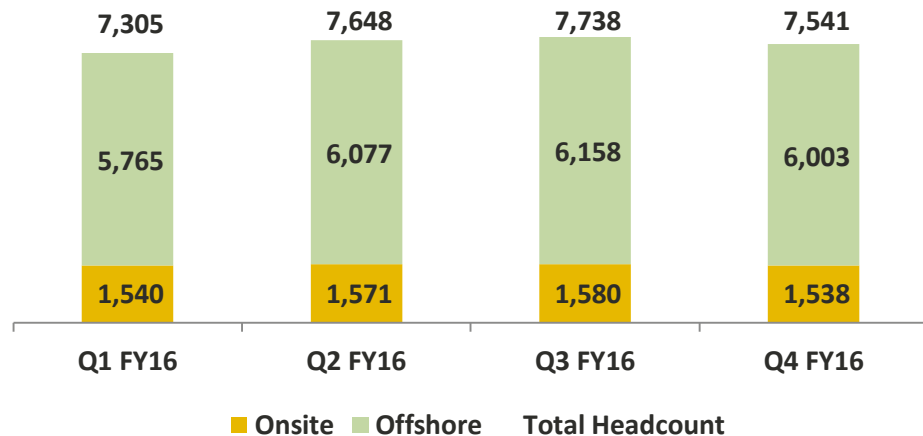
Revenue Mix



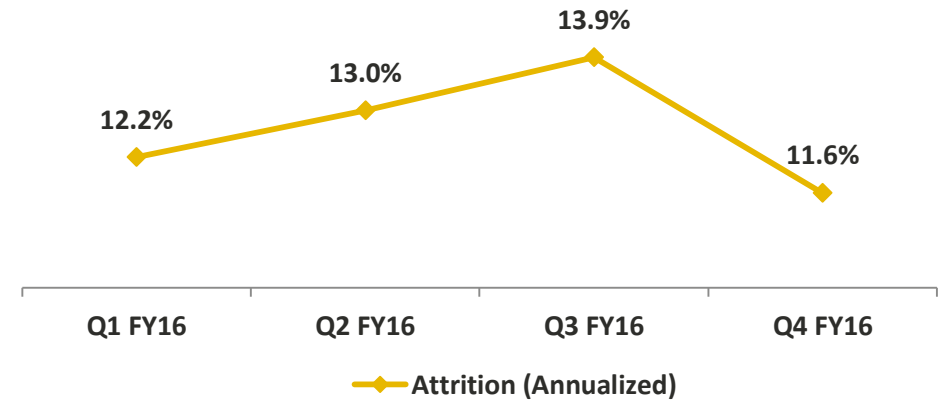
Utilization



Headcount¹



Attrition²



Note:

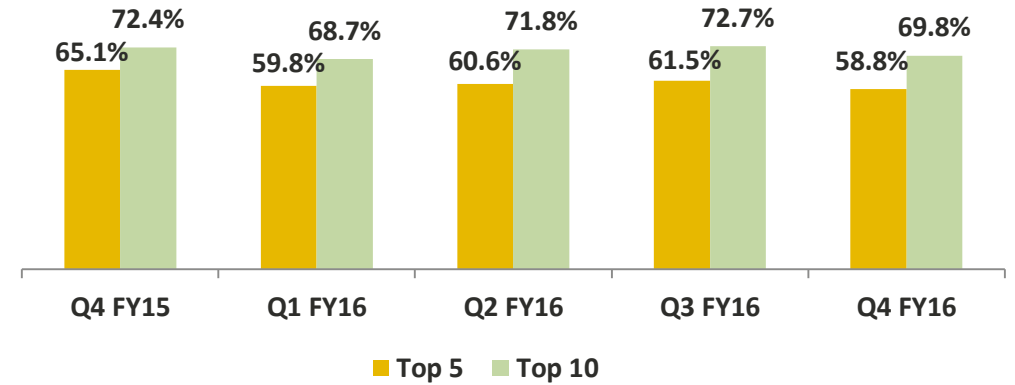
1. Excluding BPO
2. Voluntary attrition

Operational Metrics

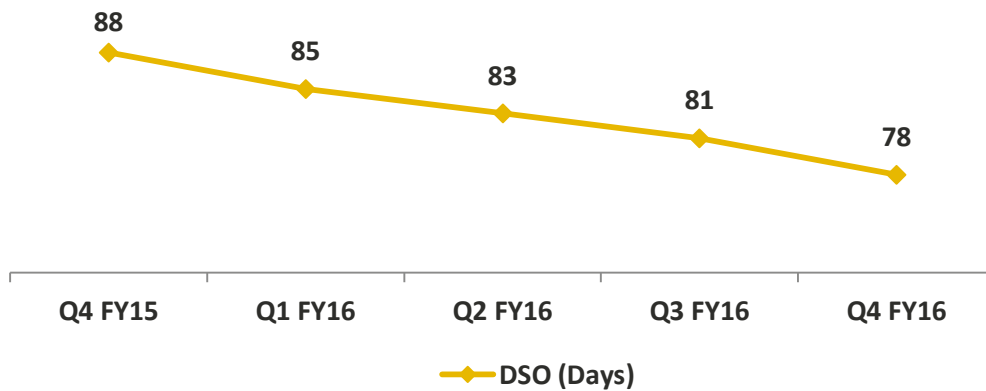
Client Concentration

	Q4 FY15	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16
\$1+ mn clients	22	20	18	18	21
\$3+ mn clients	5	6	6	6	3
\$5+ mn clients	3	4	5	5	5
\$10+ mn clients	4	2	2	3	4
\$25+ mn clients	1	1	1	1	1

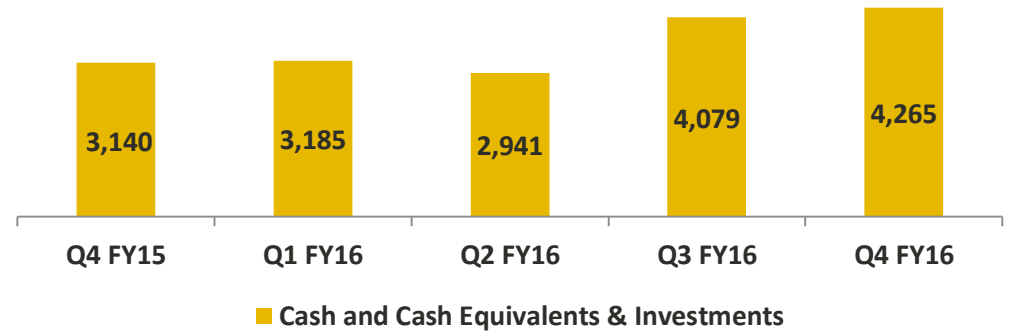
Contribution by top Clients



DSO



Cash & Cash Equivalent and Investments (Rs. mn)



Factsheet

Polaris at Glance



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

- Founded in 1993; Listed on NSE and BSE, Polaris has a market capitalization of over Rs. 2,000 Crores
- As on March 31, 2016, the Company has 7,541 employees (excluding BPO division)
- 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



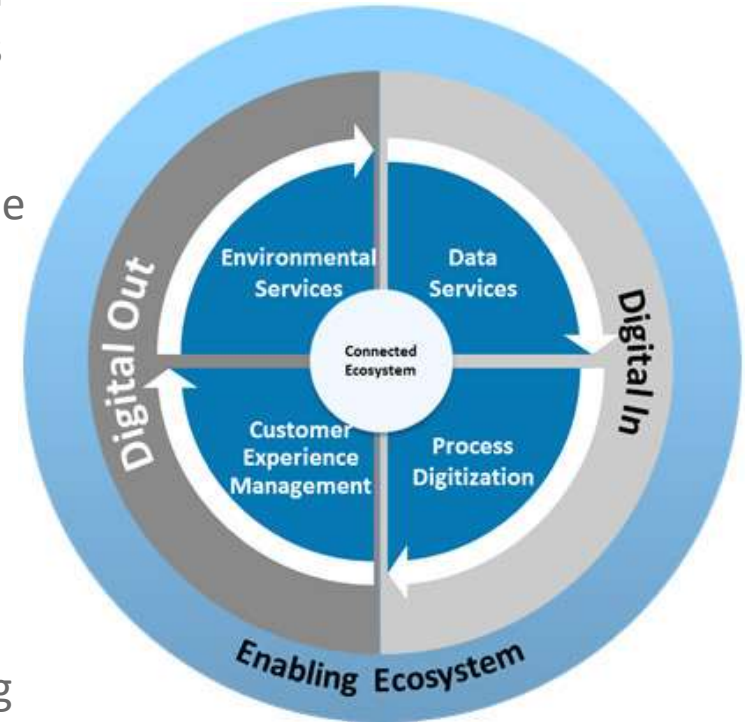
Recent Developments

- 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 Q4 FY2016, Polaris entered into a Business Transfer Agreement to transfer all its BPO business as a going concern

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



Factsheet

Detailed Profit & Loss Statement

Profit & Loss Statement (Rs. mn)	Q4 FY16	Q4 FY15	Y-o-Y Growth (%)	Q3 FY16	Q-o-Q Growth (%)	FY2016	FY2015	Y-o-Y Growth (%)
Income from operations	5,060	4,670	8.4%	5,176	(2.2)%	20,371	18,933	7.6%
Employee Cost	(4,071)	(3,660)	11.2%	(3,923)	3.8%	(15,677)	(14,613)	7.3%
<i>% of Sales</i>	<i>(80.5)%</i>	<i>(78.4)%</i>		<i>(75.8)%</i>		<i>(77.0)%</i>	<i>(77.2)%</i>	
Other Expenditures	(517)	(507)		(537)		(2,169)	(2,070)	
EBITDA	472	503	(6.1)%	716	(34.1)%	2,526	2,251	12.2%
EBITDA Margin (%)	9.3%	10.8%		13.8%		12.4%	11.9%	
Depreciation and Amortization	(65)	(67)		(65)		(266)	(279)	
<i>% of Sales</i>	<i>(1.3)%</i>	<i>(1.4)%</i>		<i>(1.2)%</i>		<i>(1.3)%</i>	<i>(1.5)%</i>	
EBIT	407	436	(6.5)%	651	(37.5)%	2,260	1,972	14.6%
EBIT Margin (%)	8.0%	9.3%		12.6%		11.1%	10.4%	
Other Income	84	87		31		154	411	
Exceptional Item	(112)	0		(106)		(218)	(69)	
PBT	379	523	(27.6)%	577	(34.3)%	2,196	2,314	(5.1)%
PBT Margin (%)	7.5%	11.2%		11.1%		10.8%	12.2%	
Tax Expenses	(328)	(153.0)		(211)		(926)	(642)	
PAT	51	371	(86.2)%	365	(86.0)%	1,271	1,673	(24.0)%
PAT Margin (%)	1.0%	7.9%		7.1%		6.2%	8.8%	
EPS:								
Basic EPS (Rs.)	0.51	3.71	(86.3)%	3.65	(86.0)%	12.68	16.77	(24.4)%
Diluted EPS (Rs.)	0.50	3.63	(86.2)%	3.57	(86.0)%	12.48	16.39	(23.9)%

Note:

- Q4 FY2016 PAT impacted by exceptional items of Rs. 112 mn (Loss on BPO business assets held for sale: Rs. 66 mn and Transaction cost: Rs. 46 mn) and adjustments for tax pertaining to prior periods of Rs. 179 mn
- FY2016 PAT impacted by exceptional items of Rs. 218 mn (Loss on BPO business assets held for sale: Rs. 66 mn and Transaction cost: Rs. 152 mn) and adjustments for tax pertaining to prior periods of ~Rs. 183 mn

Factsheet

Detailed Balance Sheet

Balance Sheet (Rs. mn)	Mar 2015	Dec 2015	Mar 2016
EQUITY AND LIABILITIES			
Shareholders' funds			
Share Capital	500	501	507
Reserves & Surplus	8,009	8,940	9,118
Shareholders' fund	8,508	9,441	9,625
Share application money pending allotment		2	
Minority interest	15	154	
Non-current liabilities			
Differed tax liabilities (net)	25	27	15
Long-term provision			
Non current liabilities	25	27	15
Current liabilities			
Trade payables	1,803	1,899	2,119
Other current liabilities	1,149	929	744
Short term provisions	1,453	294	388
Current liabilities	4,405	3,121	3,250
TOTAL EQUITY AND LIABILITIES	12,953	12,746	12,890

Balance Sheet (Rs. mn)	Mar 2015	Dec 2015	Mar 2016
ASSETS			
Non-current assets			
Fixed Assets	2,347	2,434	2,286
Non-current Investments	1,149	571	571
Deferred tax assets (net)	81	97	96
Long term loans and advances	913	864	779
Other non current assets	24	15	55
Non current assets	4,514	3,981	3,787
Current Assets			
Current investments	105	821	1,079
Trade receivables	2,382	2,722	2,559
Cash and cash equivalents	1,916	2,712	2,641
Short-term loans and advances	1,088	322	759
Other current assets	2,948	2,187	2,065
Current Assets	8,439	8,765	9,103
TOTAL ASSETS	12,953	12,746	12,890

Factsheet

Revenue by Geography

Particulars	Q4 FY15	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16
Americas	52%	53%	52%	54%	52%
Europe	21%	20%	21%	21%	21%
India	8%	8%	8%	7%	9%
Rest of World	19%	19%	20%	18%	19%
Total	100%	100%	100%	100%	100%

Revenue by Vertical

Particulars	Q4 FY15	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16
Retail Banking	13%	14%	15%	15%	16%
Corporate Banking	21%	22%	22%	21%	19%
Treasury & Capital Markets	48%	47%	47%	51%	52%
Insurance & others	18%	17%	16%	13%	13%
Total	100%	100%	100%	100%	100%

Revenue by Service Offering

Particulars	Q4 FY15	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16
App Maintenance	38%	38%	39%	40%	42%
App Development	46%	46%	46%	46%	44%
Testing	15%	15%	14%	13%	13%
Others	1%	1%	1%	1%	1%
Total	100%	100%	100%	100%	100%

Revenue by Contract Type

Particulars	Q4 FY15	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16
Fixed Bid	41%	39%	39%	41%	41%
Time & Material	59%	61%	61%	59%	59%
Total	100%	100%	100%	100%	100%

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

Contact Details:

NM Vaidyanathan, CFO

vaidyanathan.nm@polarisft.com

Polaris Consulting & Services Limited

Polaris House, 244, Anna Salai

Chennai - 600006

Phone: +91 44 3987 4000

Bijay Sharma, Churchgate Partners

polaris@churchgatepartnersindia.com

Phone: +91 22 6169 5988