

Polaris Consulting & Services Limited

(BSE: 532254; NSE: POLARIS)

Q1 FY2018 Earnings Presentation
August 7, 2017

Performance Highlights

Q1 FY2018 Net Revenue

Rs. 5,549 mn
+11.4% y-o-y

Q1 FY2018 EBITDA

Rs. 482 mn
Margin: 8.7%

Q1 FY2018 PAT

Rs. 302 mn
Margin: 5.4%

DSO

87 Days
(81 Days: Q4 FY2017)

Headcount

7,493
Attrition: 15.8%

CCE and Investments

Rs. 5,329 mn
(Rs. 5,323 mn: Q4 FY2017)

Management Perspectives

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

We are pleased with our fiscal first quarter results which reflect healthy demand for our services. We continue to execute against our strategic initiatives, including ongoing investments in our infrastructure and in our digital transformation and domain-based solutions, which will strengthen our leading market position and drive long-term growth.

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

We started the fiscal year on a good note with top line growth of 17.2% y-o-y in constant currency terms. However, our profitability for the quarter was impacted by proactive hiring and investments made to support future growth. Our pipeline continues to expand and is expected to drive our performance and growth in the coming quarters.

Performance Overview

(Rs. million, unless stated)

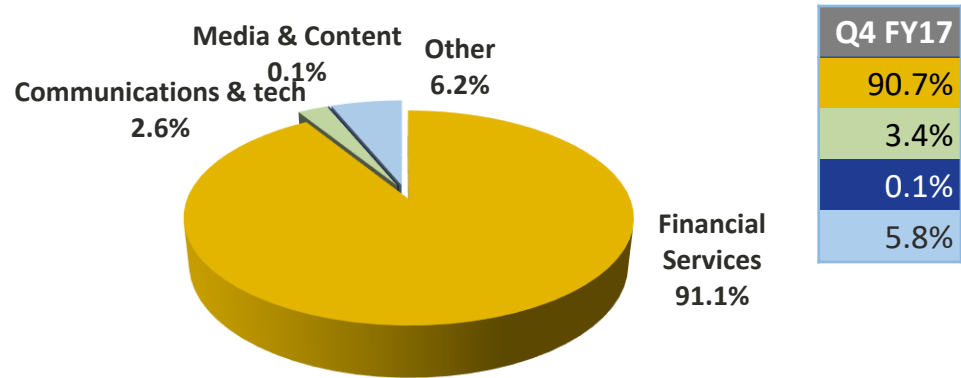
Particulars (Rs. Million)	Q1		Y-o-Y Growth (%)	Q4	Q-o-Q Growth (%)
	FY2018	FY2017		FY2017	
Net Revenue	5,549	4,980	11.4%	5,686	(2.4)%
EBITDA	482	590	(18.2)%	623	(22.7)%
Margin (%)	8.7%	11.8%		11.0%	
PAT	302	399	(24.2)%	331	(8.6)%
Margin (%)	5.4%	8.0%		5.8%	
Basic EPS (Rs.)	2.96	3.93	(24.7)%	3.25	(9.1)%

Performance Discussion

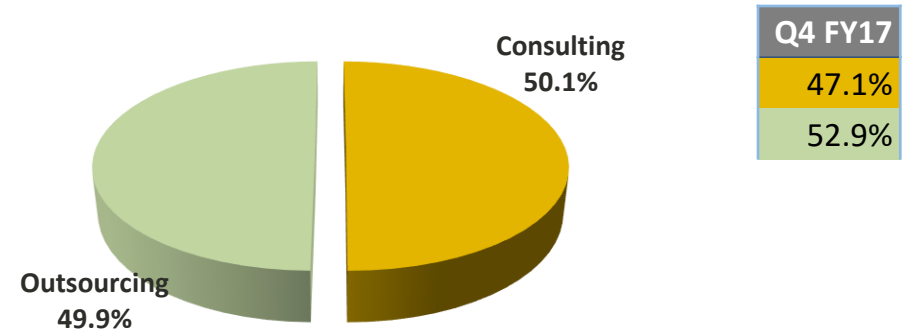
- On a constant currency basis, revenue increased by 17.2% y-o-y and 1.5% q-o-q
- EBITDA margin for the quarter declined due to impact of proactive hiring and account investments undertaken to cater to anticipated demand for the year
- PAT for the quarter declined due to lower operating profit and unfavourable currency movements

Q1 FY2018 Revenue Break-up

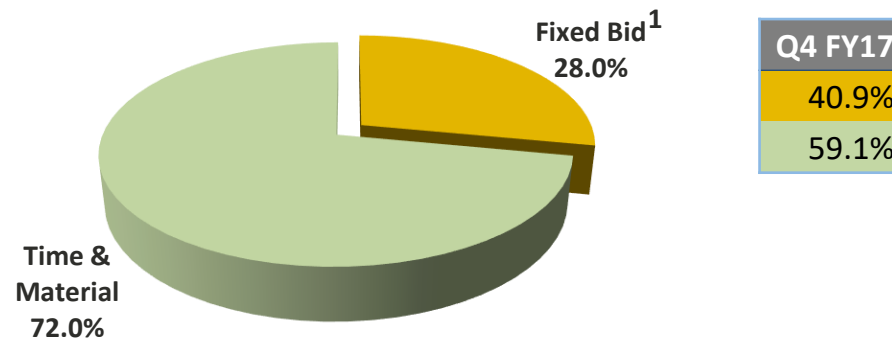
Revenue by Vertical



Revenue by Service Offering



Revenue by Contract Type

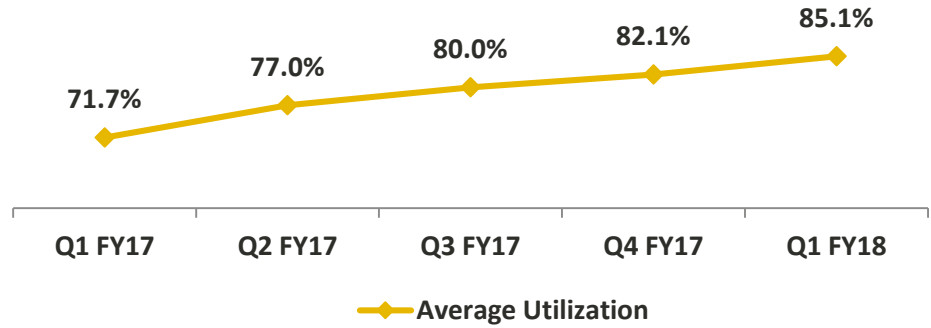


Note:

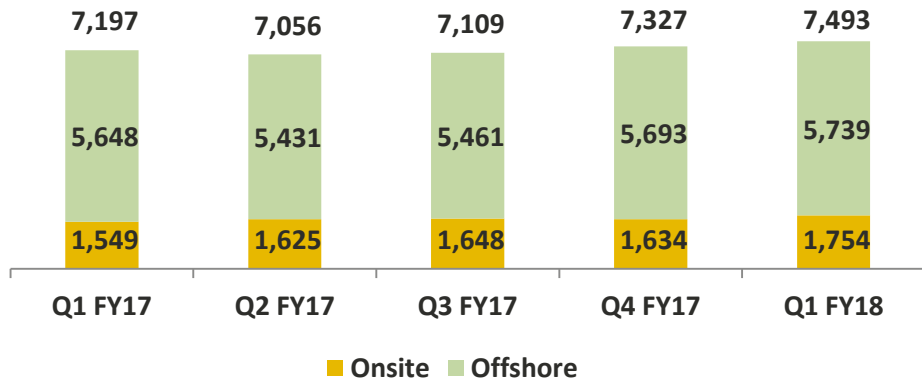
1. Fixed bid includes Fixed price

Operational Metrics

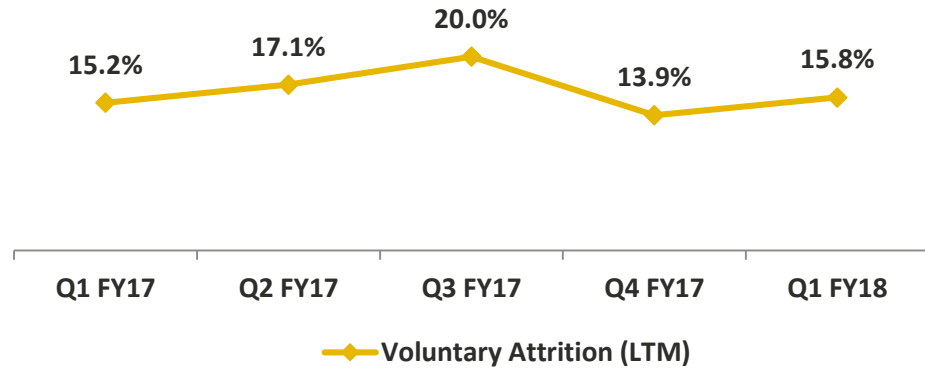
Utilization



Headcount¹



Attrition

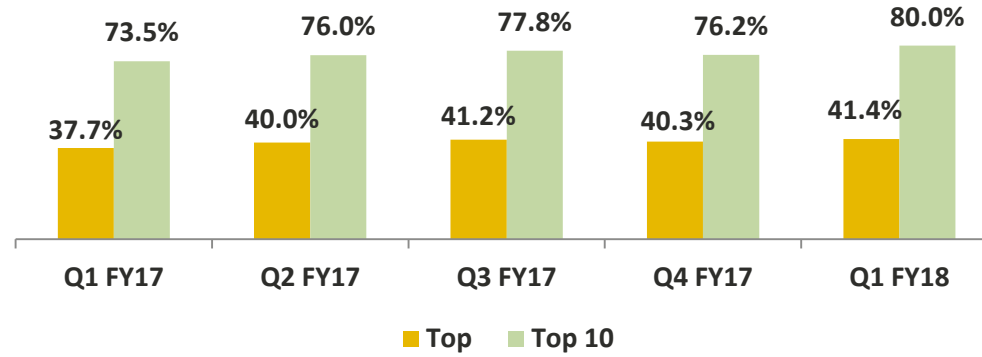


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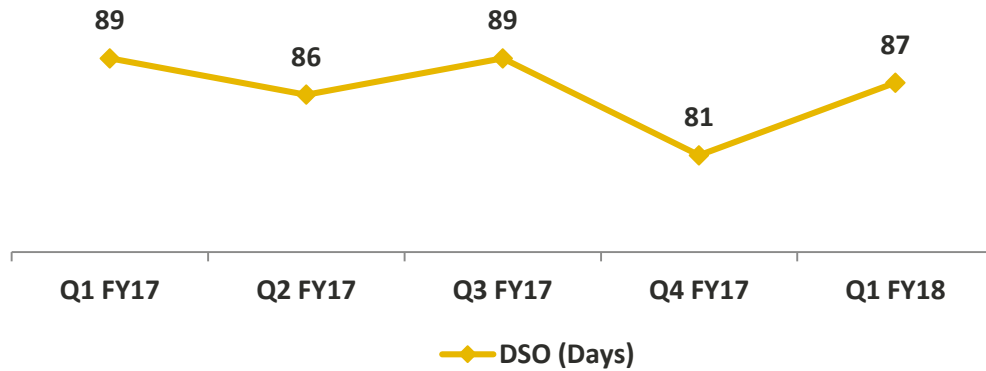
1. Excluding BPO and including vendors

Operational Metrics

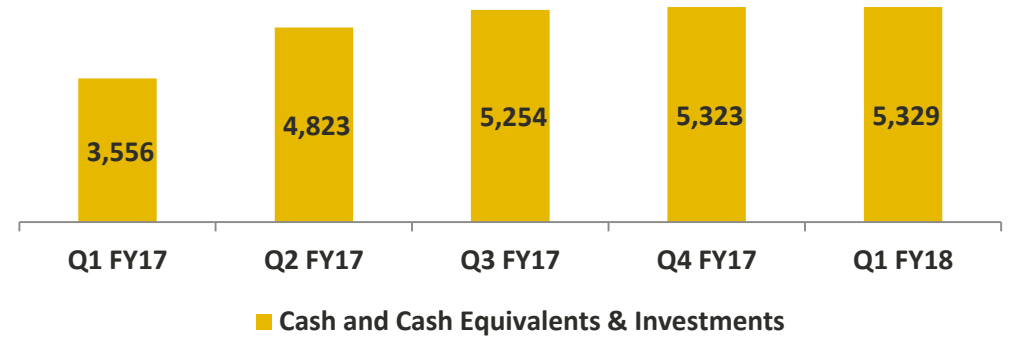
Contribution by top Clients



DSO



Cash & Cash Equivalent and Investments (Rs. mn)



Factsheet

Factsheet

Detailed Profit & Loss Statement

Profit & Loss Statement (Rs. mn)	Q1		Y-o-Y Growth (%)	Q4 FY17	Q-o-Q Growth (%)
	FY18	FY17			
Income from operations	5,549	4,980	11.4%	5,686	(2.4)%
Employee Cost	(3,825)	(3,413)	12.1%	(3,765)	1.6%
<i>% of Sales</i>	68.9%	68.5%		66.2%	
Subcontracting expenses	(706)	(444)		(662)	
Other Expenditures	(537)	(534)		(635)	
EBITDA	482	590	(18.2)%	623	(22.7)%
EBITDA Margin (%)	8.7%	11.8%		11.0%	
Depreciation and Amortisation	(55)	(59)		(50)	
<i>% of Sales</i>	1.0%	1.2%		0.9%	
EBIT	427	531	(19.6)%	573	(25.5)%
EBIT Margin (%)	7.7%	10.7%		10.1%	
Other Income	33	39		57	
Foreign exchange loss/ (gain)	(23)	36		(172)	
PBT	436	606	(28.0)%	458	(4.7)%
PBT Margin (%)	7.9%	12.2%		8.1%	
Tax Expenses	(134)	(206)		(125)	
Share of (profit)/loss of associate companies	(0)	(2)		(3)	
PAT	302	399	(24.2)%	331	(8.6)%
PAT Margin (%)	5.4%	8.0%		5.8%	
EPS:					
Basic EPS (Rs.)	2.96	3.93	(24.7)%	3.25	(9.1)%
Diluted EPS (Rs.)	2.94	3.89	(24.5)%	3.23	(9.1)%

Factsheet

	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	Q1 FY18
Revenue By Vertical					
Financial Services	86%	88%	90%	91%	91%
Communications & Technology	7%	5%	4%	3%	3%
Media & Content	1%	1%	1%	0%	0%
Others	7%	7%	6%	6%	6%
Revenue by Service Offering:					
Consulting	32%	39%	46%	47%	50%
Outsourcing	68%	61%	54%	53%	50%
Revenue by Product Type:					
Fixed Bid	38%	43%	37%	41%	28%
Time & Material	62%	57%	63%	59%	72%
Effort Mix:					
Offshore effort	73%	74%	76%	75%	73%
Onsite effort	27%	26%	24%	25%	27%
Utilization:					
Average Utilization	72%	77%	80%	82%	85%

	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	Q1 FY18
Clients:					
Active clients	128	119	106	97	97
Number of New clients	3	3	-	-	2
Number of 10% clients	1	1	2	2	2
Revenue from repeat clients >12 months	91%	90%	90%	99%	99%
Top client	38%	40%	41%	40%	41%
Top 10 clients	74%	76%	78%	76%	80%
Headcount:					
IT professionals	6,572	6,448	6,577	6,852	7,023
Non IT professionals	625	608	532	475	470
Total Headcount	7,197	7,056	7,109	7,327	7,493
Net addition	(344)	(140)	53	218	166
Voluntary Attrition (Annualized)	15%	17%	20%	14%	16%
Cash:					
Cash, Cash Equivalents & Investments (Rs. Mn)	3,528	4,792	5,236	5,295	5,329
DSO (days)	89	86	89	81	87

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. 2,400 Cr.
- As on June 30, 2017, the Company had 7,493 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



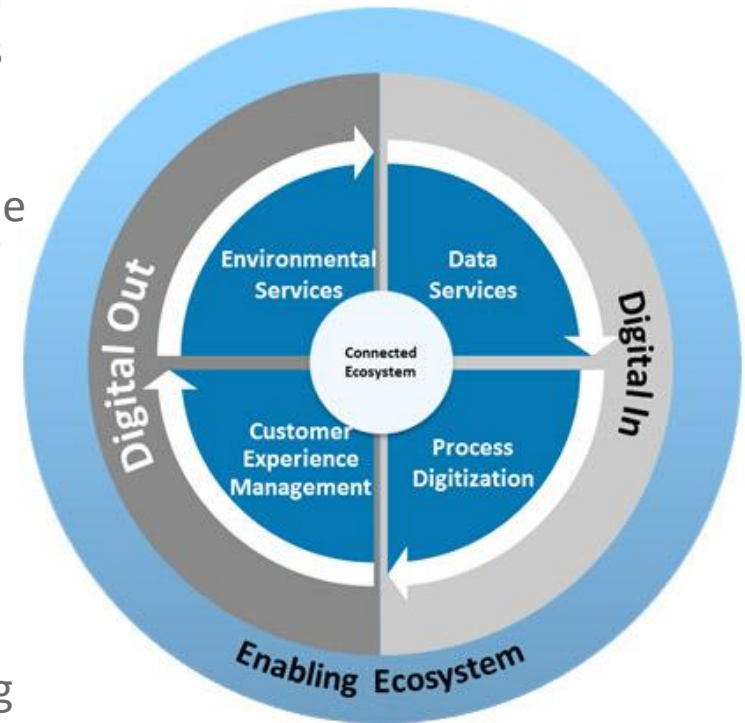
Recent Developments

- 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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