

Polaris Consulting & Services Limited

(BSE: 532254; NSE: POLARIS)

Q1 FY2017 Earnings Presentation
August 8, 2016

Performance Highlights: Q1 FY2017

Net Revenue

Rs. 4,955 mn
+0.5% y-o-y

EBITDA

Rs. 587 mn
Margin: 11.8%

PAT

Rs. 397 mn
Margin: 8.0%

DSO

89 Days
(85 Days: Q1 FY2016)

Headcount

7,197
Attrition: 15.2%

CCE and Investments

Rs. 3,528 mn
(Rs. 4,265 mn: Q4 FY2016)

Management Perspectives

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

As Virtusa and Polaris continue to integrate operations and marketing strategies, we have started to experience early signs of synergic benefits. Going forward we anticipate that the combined capabilities of both organisations will support Polaris' endeavour to increase market share in the BFS vertical. Furthermore, during the fiscal year 2017, our focus would be on digital banking transformation and helping our clients reimagine the future of banking in a digital era.

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

Our revenue for the quarter remained relatively flat at Rs. 495.5 Cr. compared to Rs. 492.8 Cr. during the same period last year in-spite of drop in revenue from our largest customer on account of the productivity savings program which was partially offset by restatement of revenue recognised to comply with IND-AS. Annual performance driven pay, bonus payments and tax payments made during the quarter impacted our cash position. We anticipate our liquidity to improve in the coming months driven by internal cash accruals with no significant capital expenditure planned in the near future.

Performance Overview

(Rs. million, unless stated)

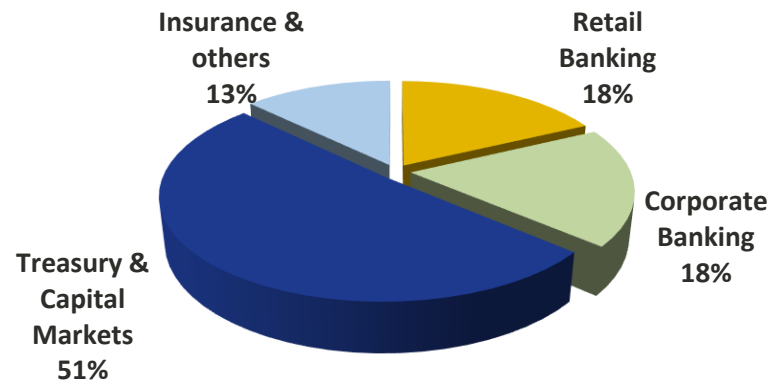
Particulars	Q1		y-o-y Growth (%)
	FY2017	FY2016	
Net Revenue	4,955	4,928	0.5%
EBITDA	587	574	2.3%
Margin (%)	11.8%	11.6%	
PAT	397	367	8.2%
Margin (%)	8.0%	7.4%	
Basic EPS (Rs.)	3.92	3.67	6.7%

Performance Discussion

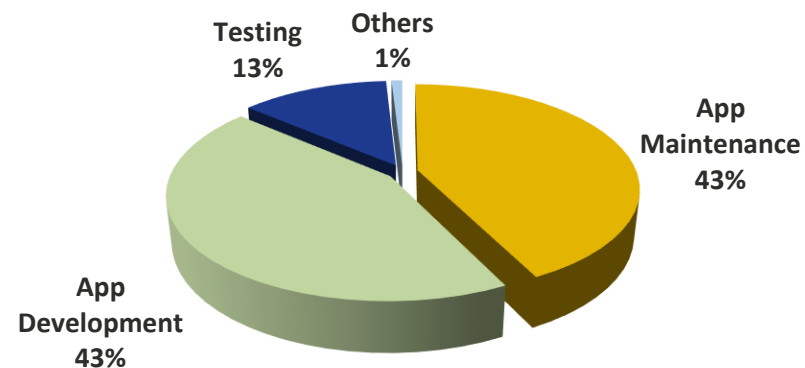
- The Company has adopted Indian AS (IND AS) from Q1 FY2017; the y-o-y quarter financials has also been restated using same accounting standards
- Adoption of IND AS resulted in revenue and PAT by ~Rs. 170 mn and ~Rs. 85 mn, respectively, compared to IGAAP
- PAT for the quarter benefitted from better operating profit coupled with higher other income
- Cash and Cash equivalents & Investments was impacted due to annual performance driven pay, bonus payments and advance tax payment

Q1 FY2017 Revenue Break-up

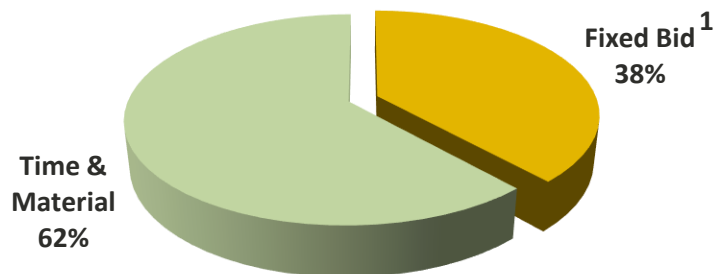
Revenue by Vertical



Revenue by Service Offering



Revenue by Contract Type

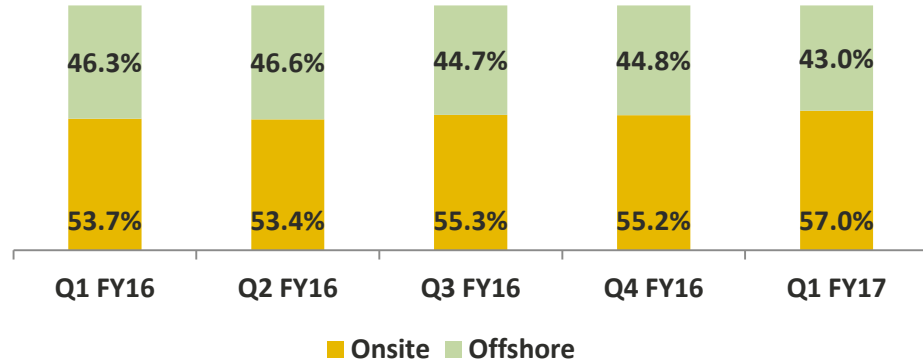


Note:

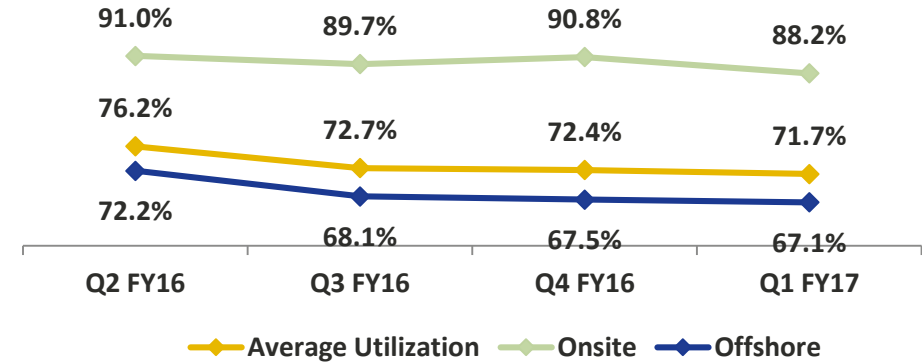
1. Fixed bid includes Fixed price

Operational Metrics

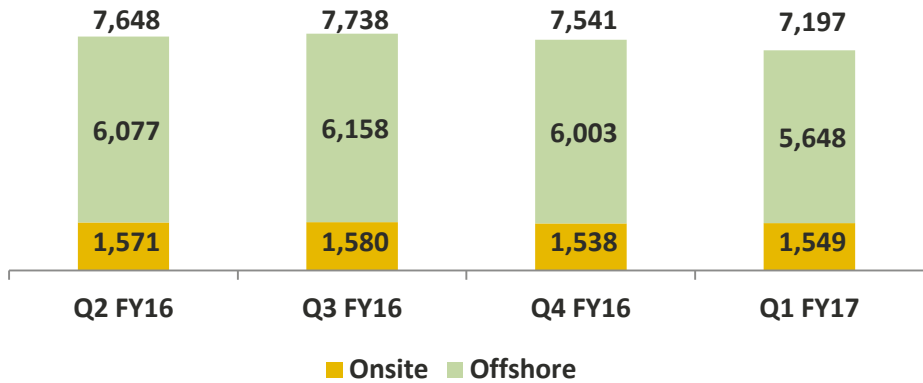
Revenue Mix



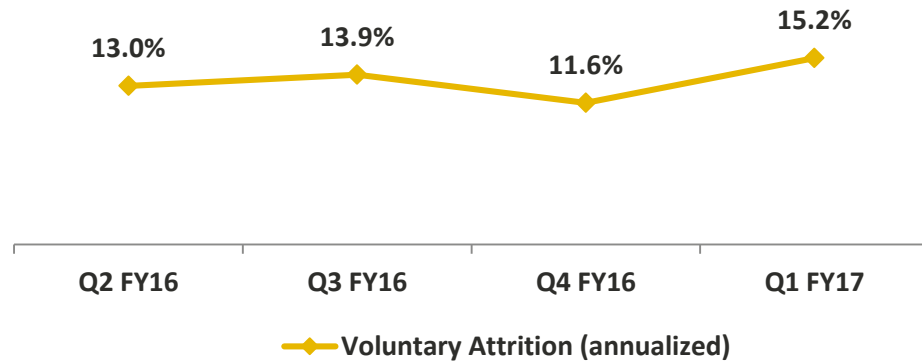
Utilization



Headcount¹



Attrition

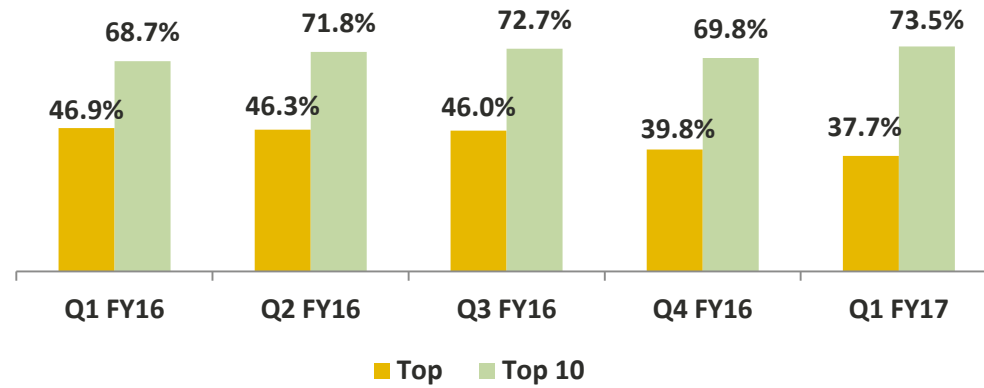


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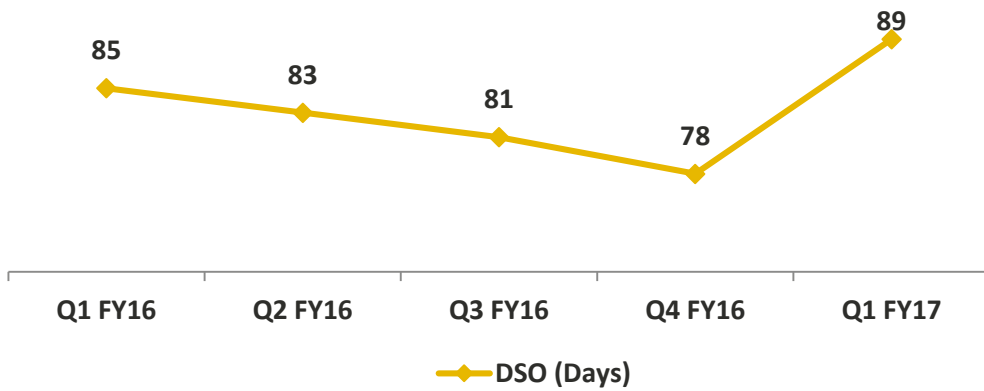
1. Excluding BPO and including vendors

Operational Metrics

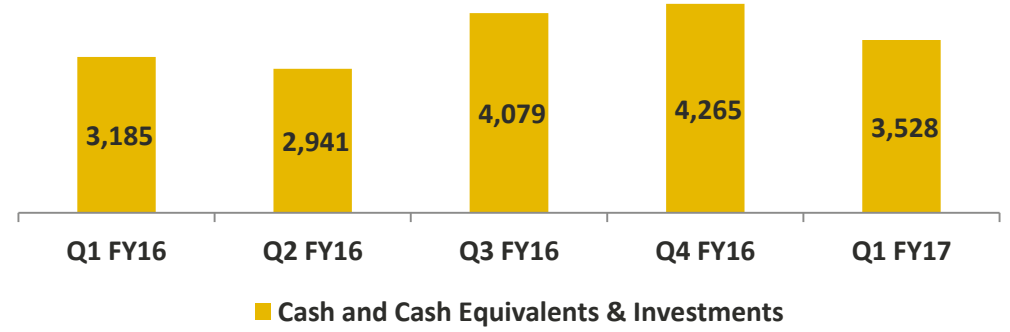
Contribution by top Clients



DSO



Cash & Cash Equivalent and Investments (Rs. mn)



Factsheet

Factsheet

Detailed Profit & Loss Statement

Profit & Loss Statement (Rs. mn)	Q1 FY17	Q1 FY16	Y-o-Y Growth (%)
Income from operations	4,955.0	4,928.1	0.5%
Employee Cost	(3,837.4)	(3,802.9)	0.9%
<i>% of Sales</i>	<i>77.4%</i>	<i>77.2%</i>	
Other Expenditures	(530.5)	(551.3)	
EBITDA	587	574	2.3%
EBITDA Margin (%)	11.8%	11.6%	
Depreciation and Amortisation	(57.5)	(67.5)	
<i>% of Sales</i>	<i>1.2%</i>	<i>1.4%</i>	
EBIT	529.7	506.4	4.6%
EBIT Margin (%)	10.7%	10.3%	
Other Income	74.8	51.5	
Exceptional Item	0.0	0.0	
PBT	604.5	557.9	8.3%
PBT Margin (%)	12.2%	11.3%	
Tax Expenses	(205.5)	(191.0)	
Share of (profit)/loss of associate companies	(1.7)	0.0	
Minority Interest	0.0	0.1	
PAT	397.2	367.1	8.2%
PAT Margin (%)	8.0%	7.4%	
EPS:			
Basic EPS (Rs.)	3.92	3.67	6.7%
Diluted EPS (Rs.)	3.88	3.65	6.3%

Factsheet

	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16	Q1 FY17
Revenue By Vertical					
Retail Banking	14.0%	15.4%	15.2%	16.3%	17.9%
Corporate Banking	22.0%	21.8%	20.7%	19.0%	18.3%
Treasury & Capital Markets	47.0%	47.2%	50.9%	51.7%	51.0%
Insurance & others	17.0%	15.6%	13.1%	13.0%	12.8%
Revenue by Service Offering:					
App Maintenance	38.3%	39.1%	39.9%	41.7%	42.6%
App Development	46.0%	45.7%	46.4%	43.8%	43.6%
Testing	14.5%	14.0%	12.6%	13.4%	12.9%
Others	1.2%	1.2%	1.1%	1.0%	0.9%
Revenue by Product Type:					
Fixed Bid	38.8%	38.8%	41.2%	40.9%	38.3%
Time & Material	61.2%	61.2%	58.8%	59.1%	61.7%
Effort Mix:					
Offshore effort	74.2%	74.5%	73.6%	73.1%	73.0%
Onsite effort	25.8%	25.5%	26.4%	26.9%	27.0%
Revenue Mix:					
Onsite	53.7%	53.4%	55.3%	55.2%	57.0%
Offshore	46.3%	46.6%	44.7%	44.8%	43.0%
Utilization:					
Average Utilization	75.0%	76.2%	72.7%	72.4%	71.7%
Onsite	89.9%	91.0%	89.7%	90.8%	88.2%
Offshore	70.9%	72.2%	68.1%	67.5%	67.1%

	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16	Q1 FY17
Clients:					
Active clients	150	146	142	141	128
Number of New clients	4	4	3	1	3
Number of 10% clients	1	1	1	1	1
Revenue from repeat clients >12 months	89.0%	89.7%	90.5%	90.8%	90.7%
Top client	46.9%	46.3%	46.0%	39.8%	37.7%
Top 10 clients	68.7%	71.8%	72.7%	69.8%	73.5%
Headcount:					
Total Headcount	7,305	7,648	7,738	7,541	7,197
Onsite	1,540	1,571	1,580	1,538	1,549
Offshore	5,765	6,077	6,158	6,003	5,648
Non IT professionals	778	746	741	731	625
IT professionals	6,527	6,902	6,997	6,810	6,572
Net addition	85	343	90	(197)	(344)
Voluntary Attrition (Annualized)	15.3%	13.0%	13.9%	11.6%	15.2%
Cash:					
Cash, Cash Equivalents & Investments (Rs. Mn)	3,185	2,941	4,079	4,265	3,528
DSO (days)	85	83	81	78	89

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. 2,000 Cr.
- As on June 30, 2016, the Company has 7,197 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



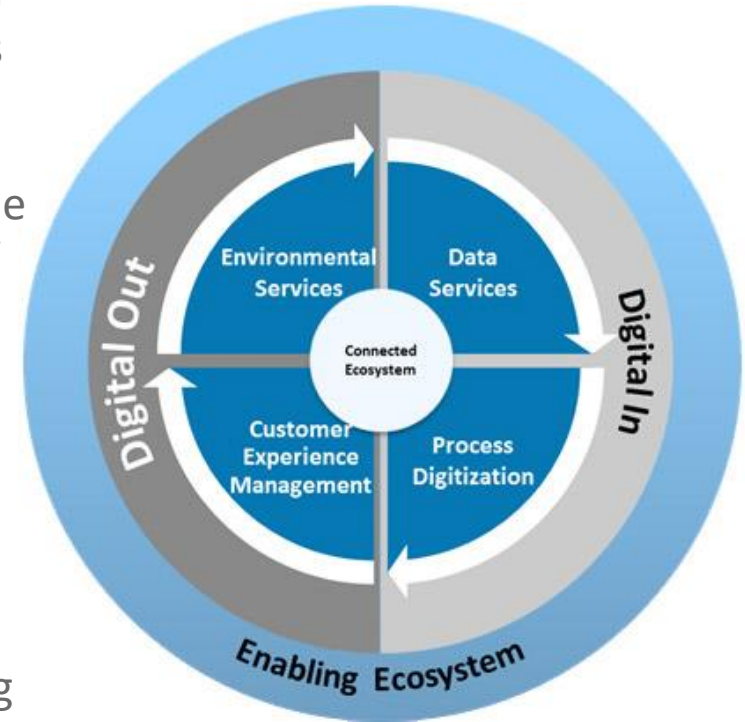
Recent Developments

- 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



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