

Polaris Consulting & Services Limited

(BSE: 532254; NSE: POLARIS)

Q4 and Full Year FY2018 Earnings Presentation
May 14, 2018

Performance Highlights

Q4 FY2018 Net Revenue

Rs. 7,213 mn
+26.9% y-o-y

FY2018 Net Revenue

Rs. 26,279 mn
+25.4% y-o-y

DSO

75 Days
(73 Days: Q3 FY2018)

Q4 FY2018 EBITDA

Rs. 1,039 mn
Margin: 14.4%

FY2018 EBITDA

Rs. 3,476 mn
Margin: 13.2%

Headcount

7,782
Attrition: 12.7%

Q4 FY2018 PAT

Rs. 686 mn
Margin: 9.5%

FY2018 PAT

Rs. 2,264 mn
Margin: 8.6%

CCE and Investments

Rs. 7,225 mn
(Rs. 6,804 mn: Q3 FY2018)

Management Perspectives

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

The demand for our services continues to be strong which is reflected in the growth in revenues and margins for the fiscal year 2018 as well as the quarter. We remain focused on building differentiated, market leading digital transformation capabilities and delivering service excellence in order to strengthen our position with our global banking clients. During the quarter we successfully completed the delisting offer and are currently awaiting final delisting approvals from the stock exchanges.

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

Overall, we had a pleasing fiscal year with all round improvement in all major metrics. Our revenue grew by 25.4% primarily driven by higher contribution from our key customers, our EBITDA, PAT and margins grew and we were also able to record improvement in other metrics like utilization, DSO etc. We remain hopeful of continuing the momentum which we have built in Fiscal year 2018 into the next fiscal year.

Performance Overview

(Rs. million, unless stated)

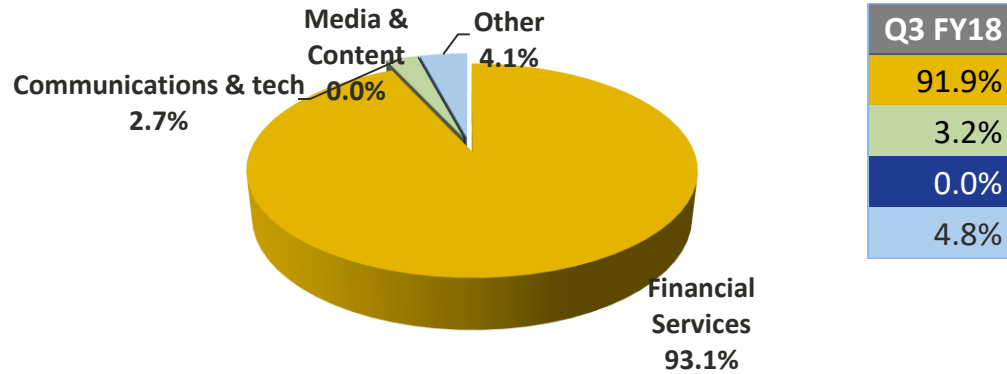
Particulars (Rs. Million)	Q4		Y-o-Y Growth (%)	Q3		Q-o-Q Growth (%)	Full Year		Y-o-Y Growth (%)
	FY2018	FY2017		FY2018	FY2017		FY2018	FY2017	
Net Revenue	7,213	5,686	26.9%	6,801	6.1%		26,279	20,950	25.4%
EBITDA	1,039	451	130.1%	859	20.9%		3,476	2,399	44.9%
Margin (%)	14.4%	7.9%		12.6%			13.2%	11.4%	
PAT	686	331	107.1%	552	24.2%		2,264	1,624	39.3%
Margin (%)	9.5%	5.8%		8.1%			8.6%	7.8%	
Basic EPS (Rs.)	6.68	3.26	104.9%	5.40	23.7%		22.11	15.99	38.2%

Performance Discussion

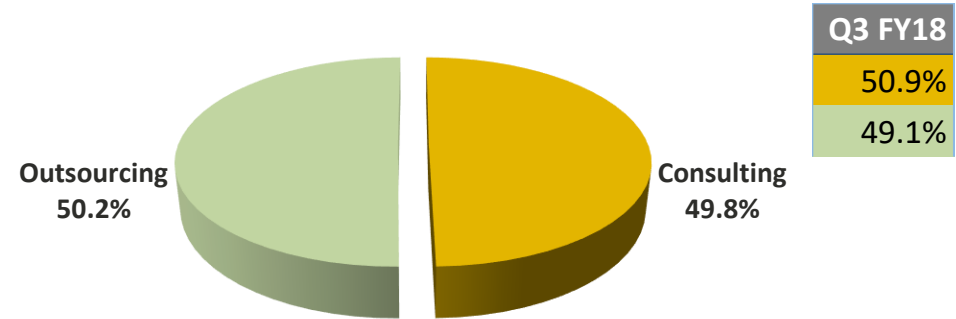
- On a constant currency basis, revenue increased by 31.6% y-o-y and 6.0% q-o-q. On full year basis revenue increased by 31.2% compared to FY17. This improvement was primarily driven by higher contribution by our key customers
- EBITDA margin improved by 646 basis points compared to Q4 FY17 and 177 basis points compared to Q3 FY18. Full year EBITDA margins improved by 178 basis points
- DSO stood at 75 days compared to 81 days in Q4 FY17 and 73 days in Q3 FY17
- Utilization for the quarter was 87.7% compared to 82.1% in Q4 FY17 and 85.8% in Q3 FY18

Q4 FY2018 Revenue Break-up

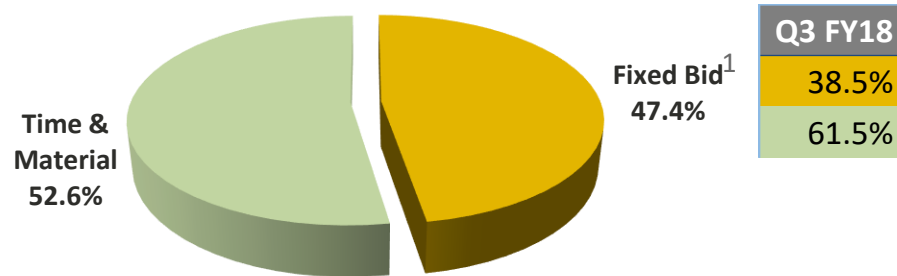
Revenue by Vertical



Revenue by Service Offering



Revenue by Vertical

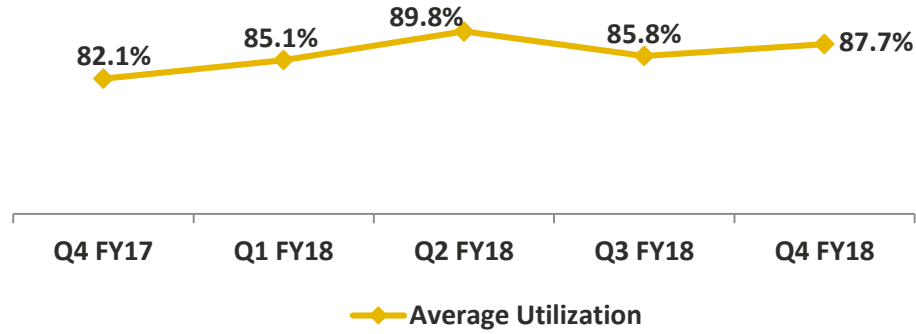


Note:

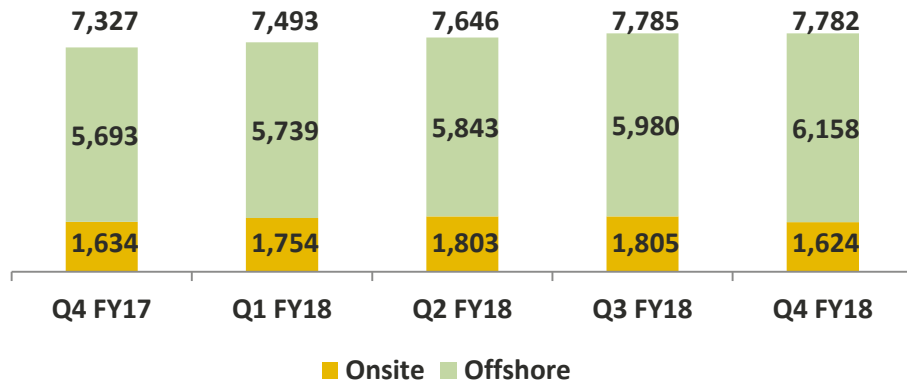
1. Fixed bid includes Fixed price

Operational Metrics

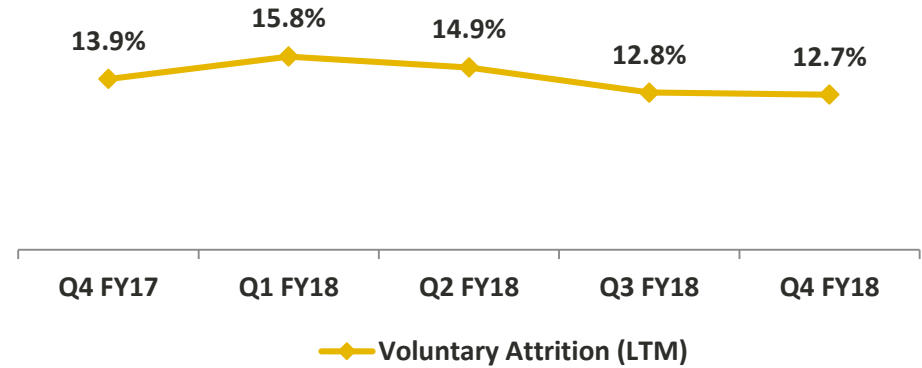
Utilization



Headcount

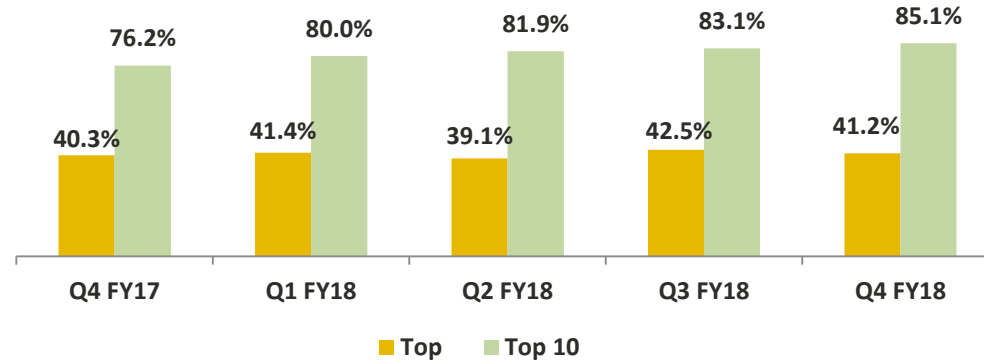


Attrition

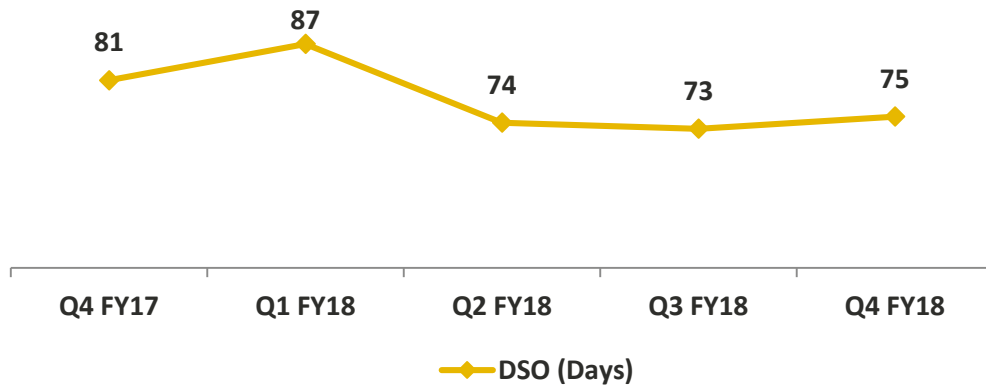


Operational Metrics

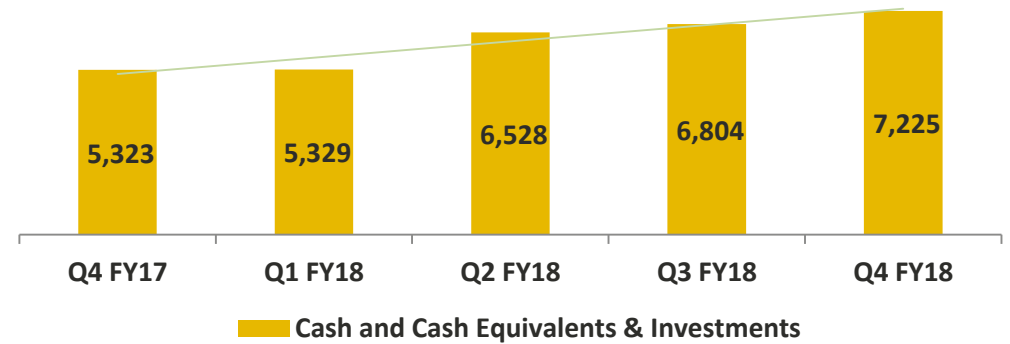
Contribution by top Clients



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 FY18	Q-o-Q Growth (%)	Twelve Months		Y-o-Y Growth (%)
	FY18	FY17				FY18	FY17	
Income from operations	7,213	5,686	26.9%	6,801	6.1%	26,279	20,950	25.4%
Employee Cost	(4,631)	(3,765)	23.0%	(4,421)	4.7%	(17,060)	(13,948)	22.3%
<i>% of Sales</i>	<i>64.2%</i>	<i>66.2%</i>		<i>65.0%</i>		<i>64.9%</i>	<i>66.6%</i>	
Subcontracting expenses	(894)	(662)		(845)		(3,259)	(2,344)	
Other Expenditures	(650)	(807)		(676)		(2,483)	(2,259)	
EBITDA	1,039	451	130.1%	859	20.9%	3,476	2,399	44.9%
EBITDA Margin (%)	14.4%	7.9%		12.6%		13.2%	11.4%	
Depreciation and Amortisation	(68)	(50)		(70)		(252)	(238)	
<i>% of Sales</i>	<i>0.9%</i>	<i>0.9%</i>		<i>1.0%</i>		<i>1.0%</i>	<i>1.1%</i>	
EBIT	971	401	142.2%	790	23.0%	3,224	2,160	49.3%
EBIT Margin (%)	13.5%	7.1%		11.6%		12.3%	10.3%	
Other Income	69	57		41		151	209	
Share of (profit)/loss of associates	(2)	(3)		(3)		(8)	(6)	
PBT	1,038	455	128.1%	828	25.4%	3,368	2,363	42.6%
PBT Margin (%)	14.4%	8.0%		12.2%		12.8%	11.3%	
Tax Expenses	(352)	(124)		(276)		(1,105)	(738)	
PAT	686	331	107.1%	552	24.2%	2,264	1,624	39.3%
PAT Margin (%)	9.5%	5.8%		8.1%		8.6%	7.8%	
EPS:								
Basic EPS (Rs.)	6.68	3.26	104.9%	5.40	23.7%	22.11	15.99	38.2%
Diluted EPS (Rs.)	6.65	3.24	105.2%	5.36	24.1%	22.03	15.89	38.7%

Factsheet

	Q4 FY17	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18
Revenue By Vertical					
Financial Services	91%	91%	92%	92%	93%
Communications & Technology	3%	3%	2%	3%	3%
Media & Content	0%	0%	0%	0%	0%
Others	6%	6%	5%	5%	4%
Revenue by Service Offering:					
Consulting	47%	50%	50%	51%	50%
Outsourcing	53%	50%	50%	49%	50%
Revenue by Product Type:					
Fixed Bid	41%	28%	36%	38%	47%
Time & Material	59%	72%	64%	62%	53%
Effort Mix:					
Offshore effort	75%	73%	74%	72%	73%
Onsite effort	25%	27%	26%	28%	27%
Utilization:					
Average Utilization	82%	85%	90%	86%	88%

	Q4 FY17	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18
Clients:					
Active clients	97	97	94	90	83
Number of New clients	-	2	1	1	-
Number of 10% clients	2	2	2	2	2
Revenue from repeat clients >12 months	99%	99%	99%	99%	99%
Top client	40%	41%	39%	42%	41%
Top 10 clients	76%	80%	82%	83%	85%
Headcount:					
IT professionals	6,852	7,023	7,176	7,785	7,295
Non IT professionals	475	470	470	500	487
Total Headcount	7,327	7,493	7,646	7,285	7,782
Net addition	218	166	153	139	(3)
Voluntary Attrition (LTM)	14%	16%	15%	13%	13%
Cash:					
Cash, Cash Equivalents & Investments (Rs. Mn)	5,323	5,329	6,528	6,804	7,225
DSO (days)	81	87	74	73	75

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. 4,850 Cr.
- As on March 31, 2018, the Company had 7,782 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



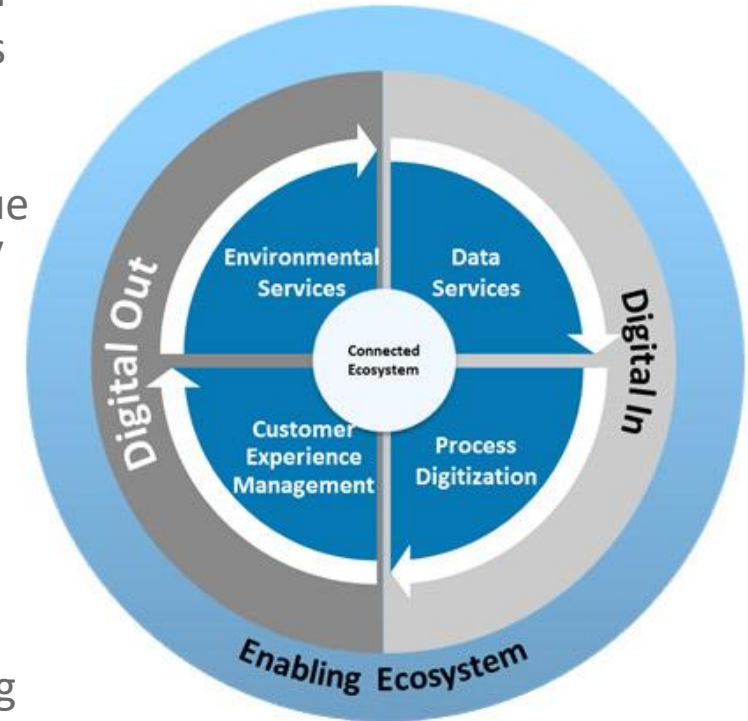
Recent Developments

- In October 2017, Virtusa proposed for delisting of Polaris, which was approved by shareholders in December 2017
- Successfully completed the delisting offer taking the Virtusa’s shareholding to 92.6%

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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