

FIRSTSOURCE SOLUTIONS LTD.

RECOMMENDATION : BUY

MARKET PRICE : Rs.105.50 (As on 31st Mar 2023)

TARGET PRICE : Rs.132.00

FACE VALUE : Rs.10

BSE CODE : 532809

NSE CODE : FSL





Firstsource Solutions Ltd., a part of the RP-Sanjiv Goenka Group, is a leading provider of business process solutions to more than 100 global businesses in the Banking and Financial Services, Healthcare, Communications, Media and Technology, and diversified industries.

ABOUT THE COMPANY

Using its 'Digital First, Digital Now' strategy as the north star, its transformational tech-based solutions help you simplify complex business processes, elevating customer experience and creating value across your business. The Company's tech-based solutions span three major areas: Digitally Empowered Customer Experience, Intelligent Back Office, Platforms, Automation and Analytics.


About Us





- Established in **2001**
- Revenues of **₹ 59.0 Billion**
(approximately \$795 Million) in FY2022
- 23,627 Firstsourcers**
across US, UK, Mexico, India and Philippines
- Leaders in chosen segments**
across Banking & Financial Services, Healthcare,
Communications, Media & Technology and Diversified Industries
- Domain driven BPM services company**
Leveraging a 'Digital First, Digital Now' approach to solve key customer problems
- 150+ global clients including**
17 Fortune 500 companies and 9 FTSE 100 companies
- Publicly Traded on Indian Stock Exchanges**
NSE: FSL BSE: 532809 Reuters: FISO.BO Bloomberg: FSOL:IN





Part of RP-Sanjiv Goenka Group


- 


Power
- 

Carbon Black
- 

Consumer & Retail
- 

Media & Entertainment
- 

Education & Infrastructure
- 

IT-Enabled Services
- 

Sports



RP - Sanjiv Goenka Group
Growing Legacies

Combined Revenues of \$4.14 Billion in FY2022



Select Recognition



Everest Group

- Ranked as top Business Process Services (BPS) provider in 'BPS Top 50™' report



ISG

- Leader in ISG Provider Lens™ quadrant report for **Contact Centre – Customer Experience Services** for Europe



- SILVER in the Most Effective Distributed Workforce category



- Customers at the Heart of Everything™ Gold Winner
- Customer Driven Business Change and Transformation, GOLD Winner
- Best Customer Service, GOLD Winner



- Business Services Project of the Year



- Ranked in the HFS Top 10: HCP Services Providers 2022 Report



- Leader in NelsonHall's NEAT Mortgage and Loan Services 2022 report for the Overall Market Segment



- Mortgage Professional America's Top Mortgage Employer 2022



- NASSCOM Business Process Innovation Awards 2022: Strong Leverage of Tier 2 & Tier 3 Cities



- India CSR Leadership Summit 2022: Ranked second in the COVID-19 Warrior category



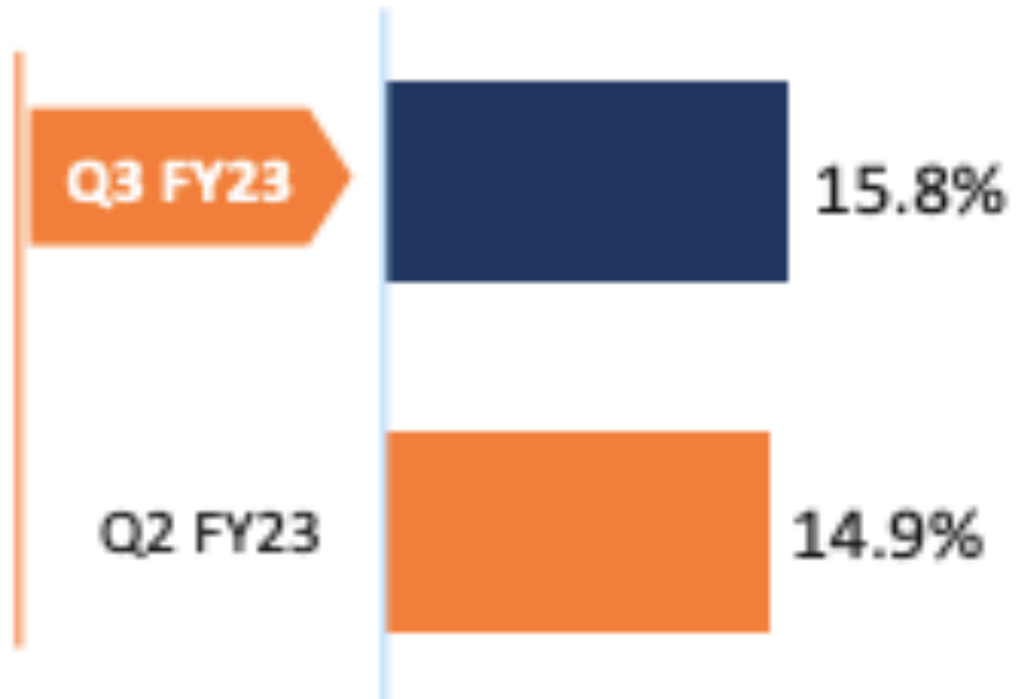
- European Contact Centre & Customer Service Awards (ECCCSA): Silver for the 'Most Effective Learning and Development Initiative'



- BPO Innovation Summit & Awards 2022: Stratus Award for Cloud Computing for Healthcare Cloud

Client Concentration

Top Client



21.0 years
Total Tenure

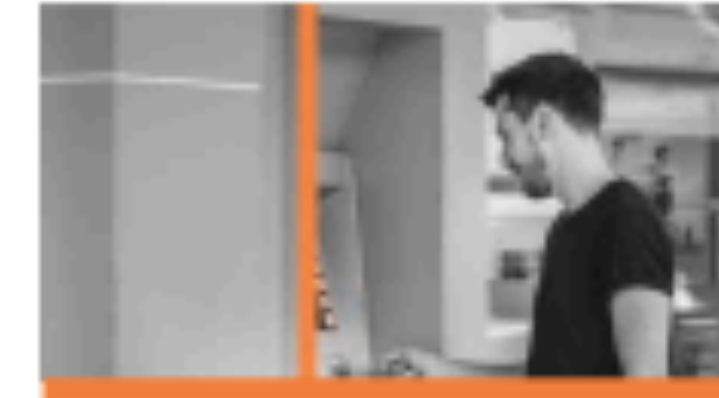
Top 5 Clients



18.1 years
Average Tenure



6 of Top 15
Mortgage servicers in the US



2 of Top 5
Retail banks in the UK



5 of Top 15
Mortgage Lenders in the US



1,000+
Hospitals in the US



7 of Top 10
Health insurance/ managed care companies in the US



1 of Top 3
Utility companies in the UK



5 of Top 10
Credit card issuers in the US



1 of Top 2
Broadcasting and media companies in the UK



2 of Top 5
Telecom and broadcasting companies in the US

Summary of Performance for the Nine months ended December 31, 2022



REVENUES

₹ 44,655 Million
(US\$ 561 Million)

YoY growth of 2.0%
Constant Currency YoY degrowth of 1.1%



OPERATING MARGIN

₹ 3,835 Million
(Margin 8.6%)

YoY degrowth of 28.4%



PROFIT AFTER TAX

₹ 3,724 Million
(Margin 8.3%)

YoY degrowth of 8.0%



EARNINGS PER SHARE (Diluted)

₹ 5.31
per share

9MFY'22 at ₹ 5.74 per share

Summary of Performance for the Quarter ended December 31, 2022



REVENUES

₹ 15,049 Million
(US\$ 183 Million)

YoY growth of 2.8%
Constant Currency YoY degrowth of 0.3%



OPERATING MARGIN

₹ 1,409 Million
(Margin 9.4%)

YoY degrowth of 20.0%
QoQ Margin expansion of 94 bps



PROFIT AFTER TAX

₹ 1,579 Million
(Margin 10.5%)

YoY growth of 16.6%



EARNINGS PER SHARE (Diluted)

₹ 2.25
per share

Q3FY'22 at ₹ 1.92 per share on reported basis

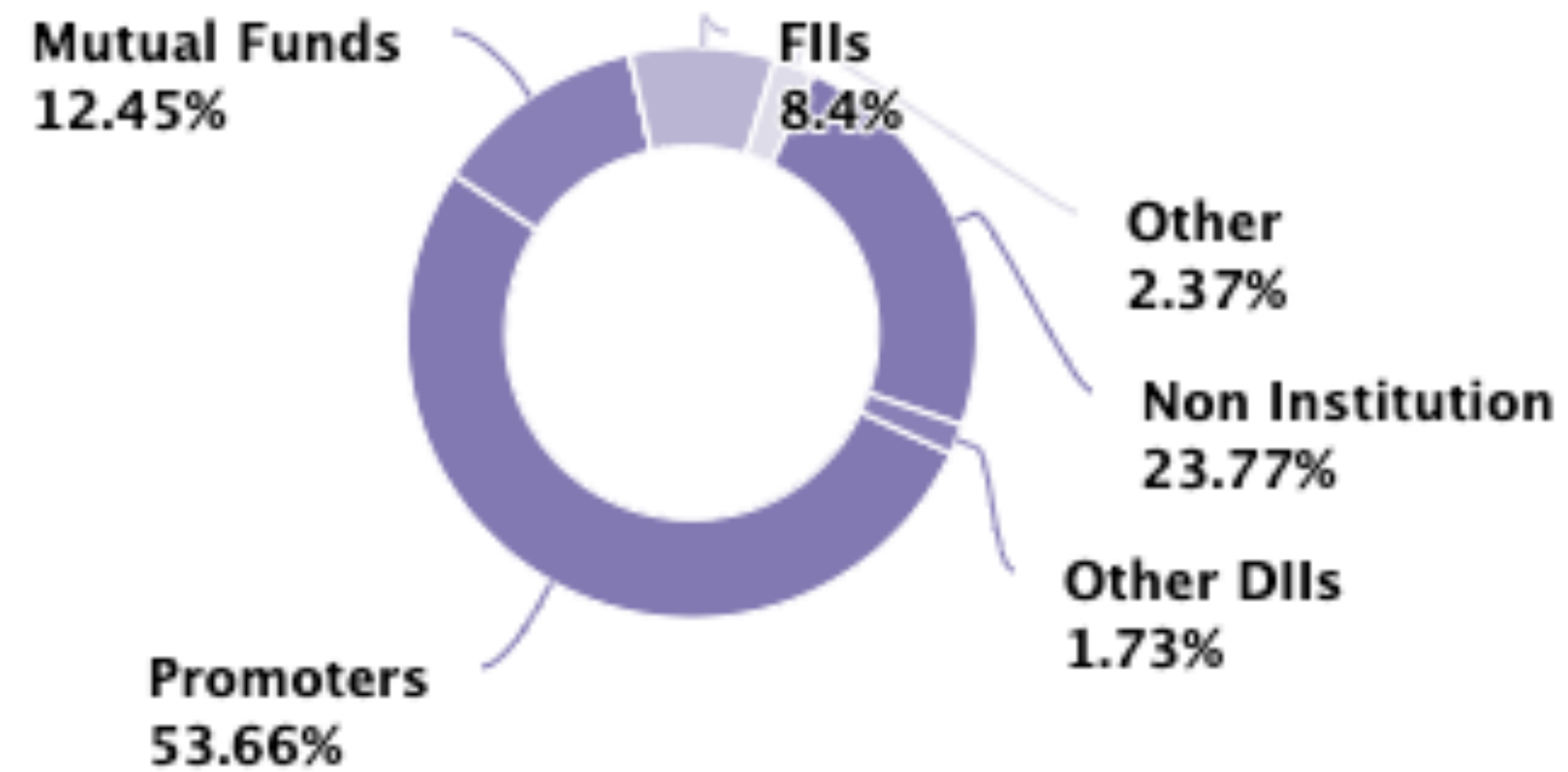
Yearly Results

YEARLY RESULTS OF FIRSTSOURCE SOLUTIONS (in Rs. Cr.)	MAR '22	MAR '21	MAR '20	MAR '19	MAR '18
Net Sales/Income from operations	5,865.74	5,032.69	4,098.61	3,786.71	3,431.50
Other Operating Income	55.41	45.29	--	39.57	103.75
Total Income From Operations	5,921.15	5,077.98	4,098.61	3,826.28	3,535.25
EXPENDITURE					
Employees Cost	3,946.76	3,467.23	2,773.53	2,557.26	2,395.48
Depreciation	249.37	206.35	185.20	74.44	65.92
Other Expenses	1,014.54	806.55	696.19	733.55	680.87
P/L Before Other Inc., Int., Excpt. Items & Tax	710.49	597.85	443.69	461.03	392.98
Other Income	0.56	1.27	8.84	3.89	5.43
P/L Before Int., Excpt. Items & Tax	711.04	599.12	452.53	464.92	398.41
Interest	63.94	52.23	58.32	29.00	40.40
P/L Before Exceptional Items & Tax	647.10	546.89	394.21	435.92	358.01
Exceptional Items	--	-115.06	--	--	--
P/L Before Tax	647.10	431.83	394.21	435.92	358.01
Tax	110.57	70.16	54.53	58.14	31.43
P/L After Tax from Ordinary Activities	536.53	361.68	339.68	377.78	326.58
Net Profit/(Loss) For the Period	536.53	361.68	339.68	377.78	326.58
Minority Interest	0.84	0.01	0.00	0.01	-0.06
Share Of P/L Of Associates	--	--	0.00	0.00	0.00
Net P/L After M.I & Associates	537.37	361.69	339.69	377.79	326.52
Equity Share Capital	696.99	696.10	693.83	691.07	686.52
Reserves Excluding Revaluation Reserves	2,284.52	2,074.78	2,059.56	2,017.42	1,653.20
EPS BEFORE EXTRA ORDINARY					
Basic EPS	7.90	5.31	4.90	5.48	4.78
Diluted EPS	7.62	5.13	4.89	5.45	4.73
EPS AFTER EXTRA ORDINARY					
Basic EPS.	7.90	5.31	4.90	5.48	4.78
Diluted EPS.	7.62	5.13	4.89	5.45	4.73

Key Financial Ratios

KEY FINANCIAL RATIOS OF FIRSTSOURCE SOLUTIONS (in Rs. Cr.)	MAR 22	MAR 21	MAR 20	MAR 19	MAR 18
PER SHARE RATIOS					
Basic EPS (Rs.)	7.90	5.31	4.90	5.48	4.78
Diluted EPS (Rs.)	7.62	5.13	4.90	5.45	4.73
Cash EPS (Rs.)	11.28	8.16	7.57	6.54	5.72
Book Value [ExclRevalReserve]/Share (Rs.)	43.52	40.22	39.87	39.38	34.27
Book Value [InclRevalReserve]/Share (Rs.)	43.52	40.22	39.87	39.38	34.27
Revenue from Operations/Share (Rs.)	84.95	72.95	59.07	55.37	51.49
PBDIT/Share (Rs.)	13.78	11.57	9.19	7.80	6.76
PBIT/Share (Rs.)	10.20	8.61	6.52	6.73	5.80
PBT/Share (Rs.)	9.28	6.20	5.68	6.31	5.21
Net Profit/Share (Rs.)	7.70	5.20	4.90	5.47	4.76
NP After MI And SOA / Share (Rs.)	7.71	5.20	4.90	5.47	4.76
PROFITABILITY RATIOS					
PBDIT Margin (%)	16.22	15.86	15.55	14.09	13.13
PBIT Margin (%)	12.00	11.79	11.04	12.15	11.26
PBT Margin (%)	10.92	8.50	9.61	11.39	10.12
Net Profit Margin (%)	9.06	7.12	8.28	9.87	9.23
NP After MI And SOA Margin (%)	9.07	7.12	8.28	9.87	9.23
Return on Networth/Equity (%)	17.71	12.92	12.28	13.88	13.88
Return on Capital Employed (%)	17.03	17.47	13.89	16.71	11.98
Return on Assets (%)	9.41	7.48	7.40	10.27	9.61
Total Debt/Equity (X)	0.33	0.19	0.30	0.20	0.29
Asset Turnover Ratio (%)	0.42	105.14	89.35	104.09	104.05
LIQUIDITY RATIOS					
Current Ratio (X)	0.93	0.88	0.83	0.94	1.17
Quick Ratio (X)	0.93	0.88	0.83	0.94	1.17
Inventory Turnover Ratio (X)	0.00	0.00	0.00	0.00	0.00
Dividend Payout Ratio (NP) (%)	44.36	56.33	110.75	0.00	0.00
Dividend Payout Ratio (CP) (%)	30.30	35.87	71.67	0.00	0.00
Earnings Retention Ratio (%)	55.64	43.67	-10.75	0.00	0.00
Cash Earnings Retention Ratio (%)	69.70	64.13	28.33	0.00	0.00
COVERAGE RATIOS					
Interest Coverage Ratios (%)	15.02	11.47	7.76	16.03	9.86
Interest Coverage Ratios (Post Tax) (%)	15.02	11.47	7.76	16.03	9.86
VALUATION RATIOS					
Enterprise Value (Cr.)	9,632.58	8,313.04	2,554.78	3,750.60	4,189.14
EV/Net Operating Revenue (X)	1.63	1.64	0.62	0.98	1.18
EV/EBITDA (X)	10.03	10.32	4.01	6.95	9.02
MarketCap/Net Operating Revenue (X)	1.47	1.56	0.47	0.85	1.03
Retention Ratios (%)	55.63	43.66	-10.75	0.00	0.00
Price/BV (X)	2.87	2.83	0.69	1.20	1.55
Price/Net Operating Revenue	1.47	1.56	0.47	0.85	1.03
Earnings Yield	0.06	0.05	0.18	0.12	0.09

Shareholding Pattern an on Dec'22



Summary

- ❖ With deliverance of sound performance in Q3 of FY'23, the Company's Net Sales grew up by 2.69% i.e. Rs.1503.31 crs in Dec'22 versus Rs.1463.81 crs in Dec'21. However, the Net Profits increased by 16.58% i.e. Rs.157.92 crs in Dec'22 on contrary to Rs.135.46 crs in Dec'21.
- ❖ As per fine financials and fair fundamentals, the Company is available at a good price of Rs.105.50 with its 52 week low of Rs.93.00 and 52 week high of Rs.140.00.
- ❖ In view of the Promoters holding majority stake around 53.66% as well as its consistent performance, indicates that the Management is committed to growth of the Company.
- ❖ The Shareholding Pattern as on Dec'22, shows the FIIs and the Other DIIs collectively held 10.13% stake. Whereas, the Mutual Fund Houses own 12.45% holdings.
- ❖ As a reaffirming fact, Firstsource Solutions Ltd. is held by HDFC MF, TATA MF, KOTAK MF, UTI MF, ICICI PRU MF, FRANKLIN TEMPLETON MF, INVESCO MF, NIPPON INDIA MF, ABSL MF, EDELWEISS MF, HSBC MF, BANDHAN MF, IDBI MF, BARODA BNP PARIBAS MF, JM MF, MOSL MF and a few more.
- ❖ On consolidated basis, the Company registered Return on Equity (ROE) and Return on Capital Employed (ROCE) around 17.71% & 17.03% respectively as on Mar'22.
- ❖ For the year ending Mar'22, Firstsource Solutions Ltd. has declared an equity dividend of 35.00% i.e. Rs.3.50 per equity share. The Company has a good dividend track report and has consistently declared dividends for the last 5 years.

Disclosure

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Introduction:

I, Amiteshwar Singh, am the proprietor of M/S Amiteshwar.in. I am a Research Analyst registered with SEBI having registration no. INH100010013. I provide services through my website www.Amiteshwar.in which is primarily focused on research of Multi-Cap stocks of India.

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1. My spouse, Mrs. Prabhjash Kaur
2. My daughter, Ms. Palvit Kaur

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