

Firstsource Solutions to re-evaluate loss-making legacy accounts

Abhishek Law

The contracts are 'largely in India', says Chairman Sanjiv Goenka



Sanjiv Goenka, Chairman, Firstsource Solutions Ashoke Chakrabarty

Kolkata, May 5:

Firstsource Solutions, the IT-BPO arm of RP-Sanjiv Goenka Group, is planning to re-evaluate its loss-making contracts in a bid to improve bottom-lines.

According to Sanjiv Goenka, Chairman, Firstsource, the company will now review legacy contracts/ accounts. Apart from renegotiating such accounts, Firstsource could also explore options of selling them, he said.

These contracts have been part of the company since Goenka acquired Firstsource in 2012.

While the exact size of such loss-making contracts could not be ascertained, these accounts are "largely in India". Domestic operations account for just 6 per cent of the company's revenues.

"We certainly do not want to continue with loss-making accounts. We cannot carry on funding these contracts," Goenka said, without elaborating on the course of action.

Hiring and expansion

Meanwhile, Firstsource plans to hire 400 people in the US. Indian IT majors, such as Infosys, TCS and Wipro, have made public their intent to hire in the US, after US President Donald Trump signed an executive order for an overhaul of the country's visa system.

According to Goenka, companies can shift their BPO centres from the US to other countries that have cheaper operating costs. "We will not immediately relocate any centres from the US. I think there is no need for a knee-jerk reaction at the moment."

The company recently added 1,200 employees in the UK, post its deal with Sky.

The UK and the US are the two major markets for Firstsource, accounting for 38 per cent and 55 per cent of its revenues, respectively. Goenka is also exploring possibilities of entering new verticals through Firstsource — mortgage is one such segment the company plans to scale up and expand into new geographies. This apart, the firm will also explore opportunities in AI, robotics and digitisation "in a big way".

"We also hope to have inorganic growth (such as acquisitions). But there is nothing specific now," he added.

Performance

Firstsource, meanwhile, reported a 16 per cent dip in consolidated net profit to ₹ 65 crore for Q4 (January-March) FY17. Net profit for the corresponding quarter in FY16 stood at ₹ 77 crore. In the period under review, revenues saw a near 3 per cent growth to ₹ 892 crore (from ₹ 869 crore) year-on-year.

The dip in net profit was primarily on account of forex losses to the tune of ₹ 35 crore, Goenka said.

For the full fiscal, Firstsource's net profit increased 8 per cent, year-on-year, to ₹ 280 crore (from ₹ 260 crore), while revenue increased 11 per cent to ₹ 3,556 crore (from ₹ 3,217 crore).

Net debt stood at \$66.25 million. Firstsource has been making quarterly principal repayments to the tune of \$11.25 million.

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