

SQS – the world's leading specialist in software quality



sqs.com

SQS India BFSI Investors Presentation

Dr. Martin Müller – Managing Director & CEO
September 2014

SQS is the world's leading specialist in independent software quality services.



Founded more than 30 years ago, we have established ourselves as the leading specialist for **smart quality solutions**, serving **North America, EMEA and APAC**.

The **SQS mission** is to shape and drive the most critical and challenging software change initiatives. We support our clients through our **deep industry know how** and **global delivery capability**.

Driven by our **standardised methodology PractiQ®**, **industrialisation & automation processes**.



SQS India BFSI is the Global Specialist in Financial Services Testing.



SQS India BFSI



- 100% Financial Services focus
 - 16+ Years in Business
 - 200+ client base across 23 countries
 - 80+ Active Clients
 - Offices in key Financial Centers: New York, London, Frankfurt, Singapore, Brussels, Dubai, Hong Kong, Mumbai and Sydney
 - Strong multi-country experience
 - 800+ People, 25% from Financial Industry
 - Over 14m person hours of track record in Financial services testing
- Is now part of the SQS Group, world's leading specialist in independent software testing with approx. 4000 people strengthening the industry coverage and focusing on BFSI

Benefits

SQS India BFSI offer local presence with strong experience in banking, global delivery and multi-country project experience.

Alignment to be a PARTNER of CHOICE for Business Assurance Testing.



Banking

- Repository Assets: **35,000+ Test Cases**
- **6,000,000+ person hours** of testing

Cards & Payments

- Repository Assets: **30,000+ Test Cases**
- **7,000,000+ person hours** of testing

Insurance

- Repository Assets: **10,500 Test Cases**
- **230,000+ person hours** of testing

Treasury & Capital Markets

- Repository Assets: **10,000+ Test Cases**
- **980,000+ person hours** of testing

Non-Functional Testing Team

Our offerings cover the entire Application Development Life Cycle.

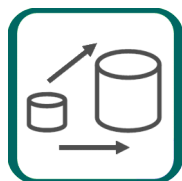


Objective	Comprehensive BR Documents	Seamless translation of BR to FS	Bridging Domain Gap, Establish Func. Coverage	Requirements Led Testing	End to End Business Process Focus	Quick Transition to Productive Use	Support 'Business as Usual'
Phase	Envision	Plan	Construct	Test	Accept	Roll Out	Business as usual
Services	<ul style="list-style-type: none"> Business Process Mapping Process flow Documentation Business Requirements documentation & review Parameter setup & Review 	<ul style="list-style-type: none"> Functional Specification Preparation Review of FS/ Customization Documents Fit for Purpose Testing BR-FS Gap Analysis 	<ul style="list-style-type: none"> Review of Unit test plans 	<ul style="list-style-type: none"> System Testing Integration Testing Data Migration testing Interface testing (Standalone) 	<ul style="list-style-type: none"> User Acceptance Testing Automated Testing Non Functional Testing (Performance, Security, Disaster Recovery, Failover) 	<ul style="list-style-type: none"> Network/ Scheme Certification Support (for Cards) User Training User Manual Preparation Rollout Support Functional Help Desk 	<ul style="list-style-type: none"> Automated Regression Test Packs BAU testing Release testing Project Testing Compliance Testing

Net Revenue went up 20% YoY.



Compared with FY 2013



Growth

+ 8% in \$ terms (**+ 20%** in INR terms), revenues up in Cards & Payments



PBT

PBT increased by **59%**, driven by revenues from Europe



Net Cash Position

Cash balance increased to **INR 502 m** from INR 387 m



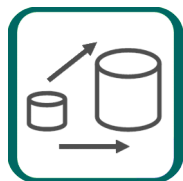
EPS

Improved to **INR 29.53** per share from INR 19.32 per share

Substantial progress in profitability by 190% achieved.



Compared with Q4-14



Growth

+ 6% in \$ terms (**+3%** in INR terms), revenues up in Cards



PBT

PBT increased by **190%**, driven by revenues from Europe



Net Cash Position

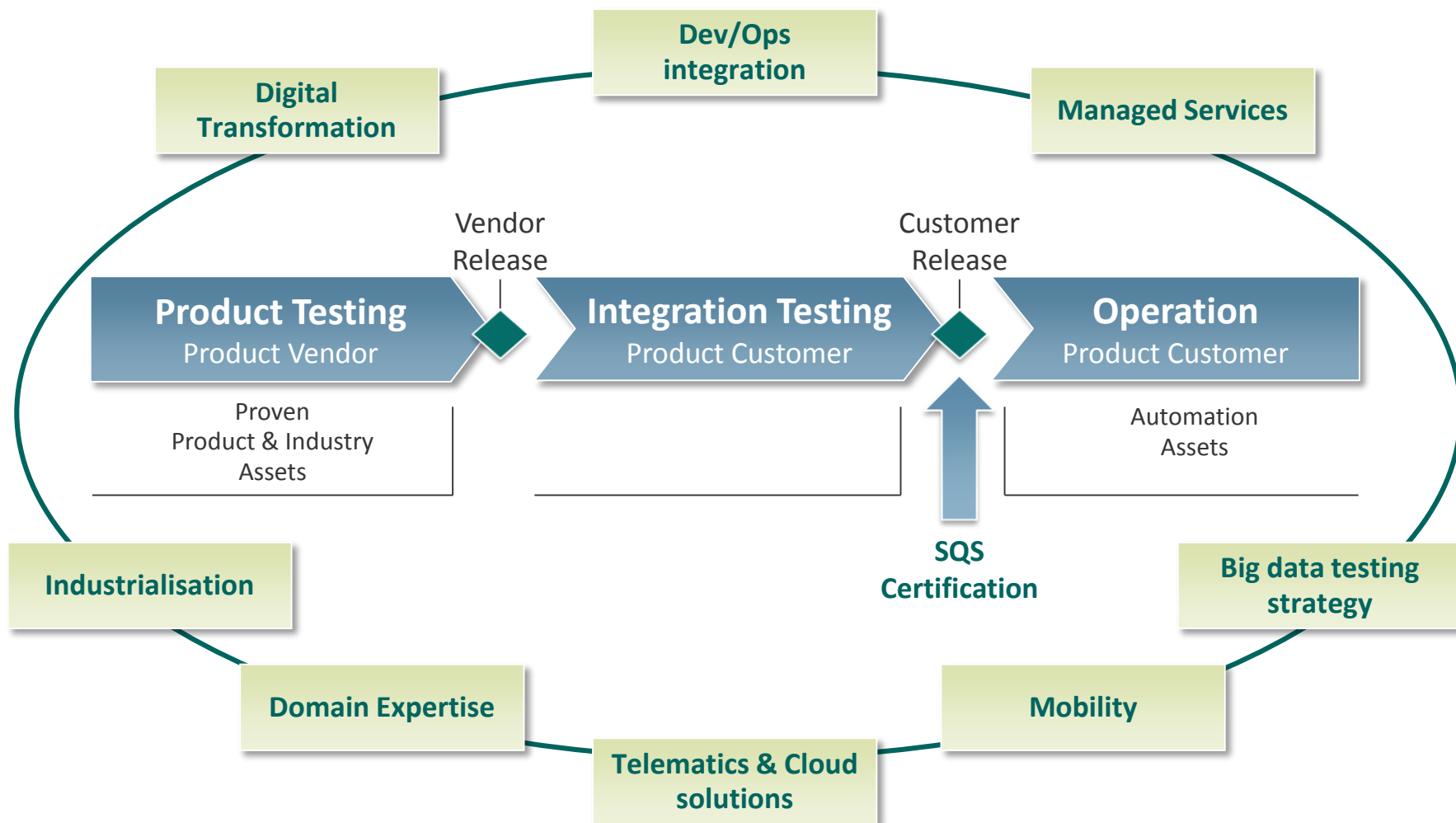
Cash balance increased to **INR 527 m** from INR 502 m



EPS

Improved to **INR 6.09** per share from INR 2.17 per share

Meeting market trends through offering the leading services portfolio in software quality.



Thinksoft was renamed as “SQS India BFSI limited”.



Achievements FY 2015

- Thinksoft renamed as “SQS India BFSI Limited” and fully integrated.
- Revenue growth driven by Cards and Payments vertical and healthy demand from North America and Europe Regions.
- Investment in billable resources, positioning for growth.

Strategies FY 2015

- Continue to focus on BFSI verticals in which we have greatest domain and technology expertise.
- Strategy is for business in Core Banking Testing and large migration in Cards

* BFSI: banking, financial services, insurance



Financial Details

Profitability, Cash Flow and Net Cash all improved.



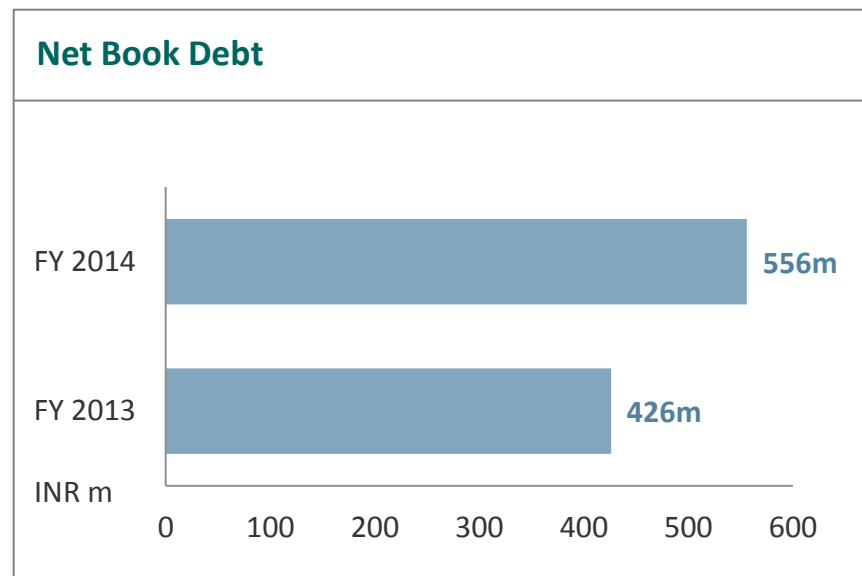
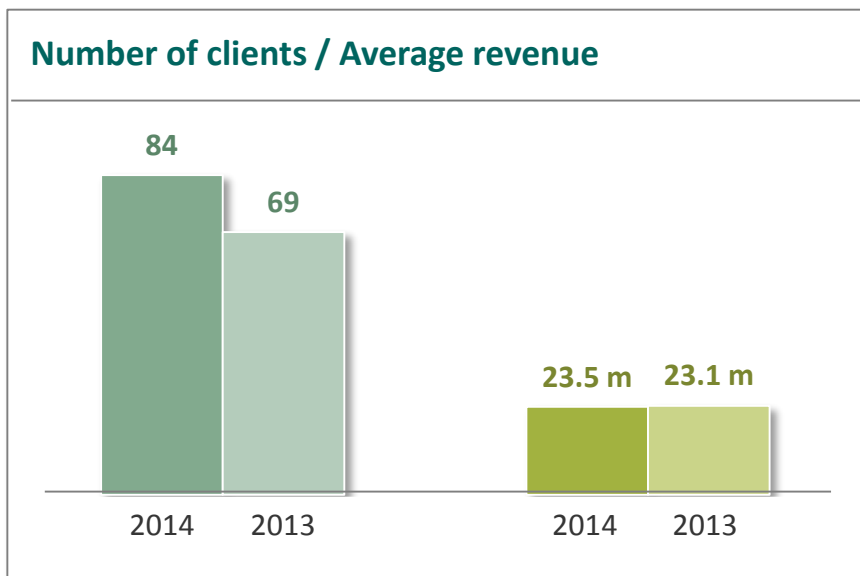
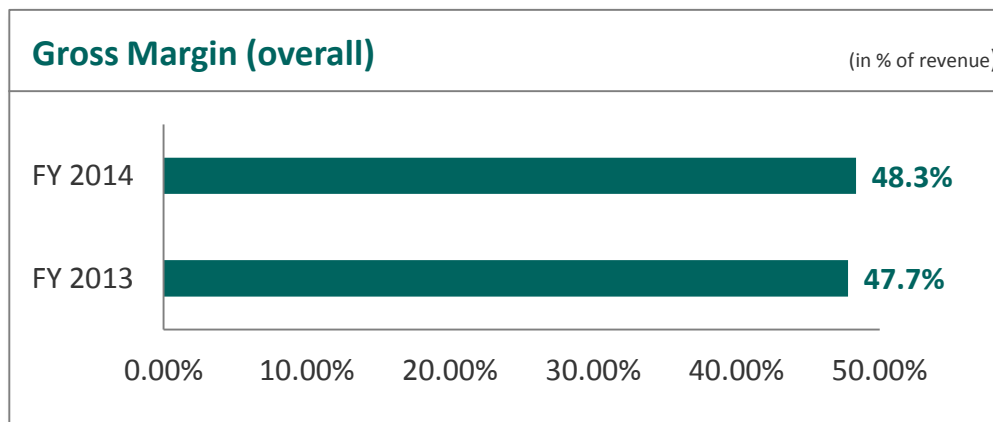
in INR m	2013-14	2012-13	Change	Main developments
Revenue	1944.4	1614.4	20.4 %	Driven by Europe Region, and cards and Payments assignments
Gross Margin (%)	48.3%	47.7%	0.6 %	Maintained due to better realization in Europe
Adj. EBIT	354.1	255.5	38.6 %	Consolidation of facilities and movement to owned delivery centres
Adj. PBT	422.6	264.8	59.5 %	Higher Margins and better exchange rate yield
Operating cash flow	+ 282.0	+ 184.1	+97.9 m	Improvements in EBIDTA
Investment cash flow	- 27.5	- 206.7	+179.2 m	2013-investment in owned premises 2014-Assets replacement & Tools development
Net Cash Position +	+ 429.2	+ 301.9	+127.3 m	Realized income less Repayment of Term loans

EBIT improved by 71 %.



in INR m	Q1-2015	Q4-2014	Change	Main developments
Revenue	513.3	500.3	2.6 %	Driven by Europe Region, and cards and Payments assignments
Gross Margin (%)	44.8%	46.6%	-1.8 %	Reflecting investments in billable staff to prepare for growth in future quarters
Adj. EBIT	87.7	51.4	70.5 %	Q4 Severance pay INR 50 m; higher onsite mix and increase head count from 833 to 851
Adj. PBT	93.7	32.3	190.1 %	Higher Margins and better exchange rate yield
Net Book debts	610	558	-52m	Increase by 10 days sales to 110 days

The deployment of our strategy is evidenced by our key metrics.

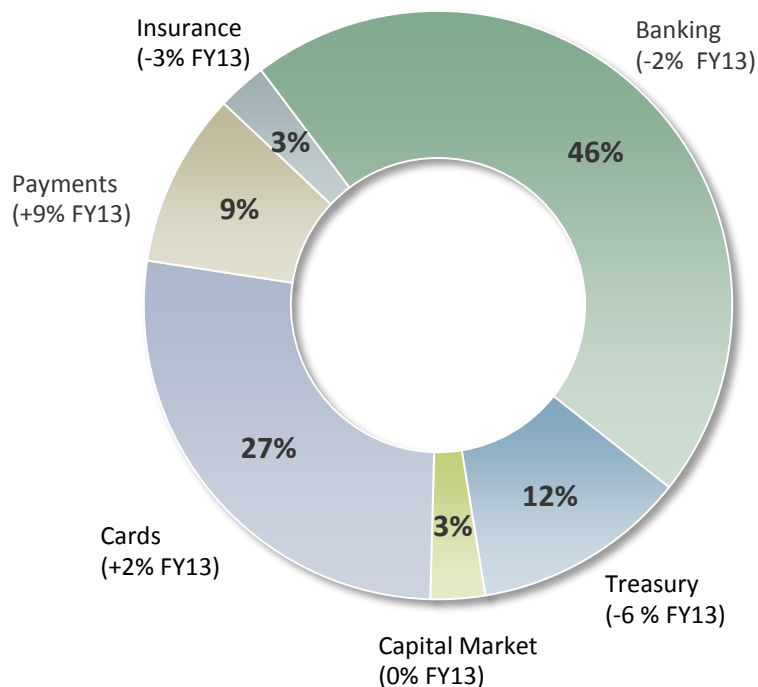


Europe Revenue contribution increased to 49 %.

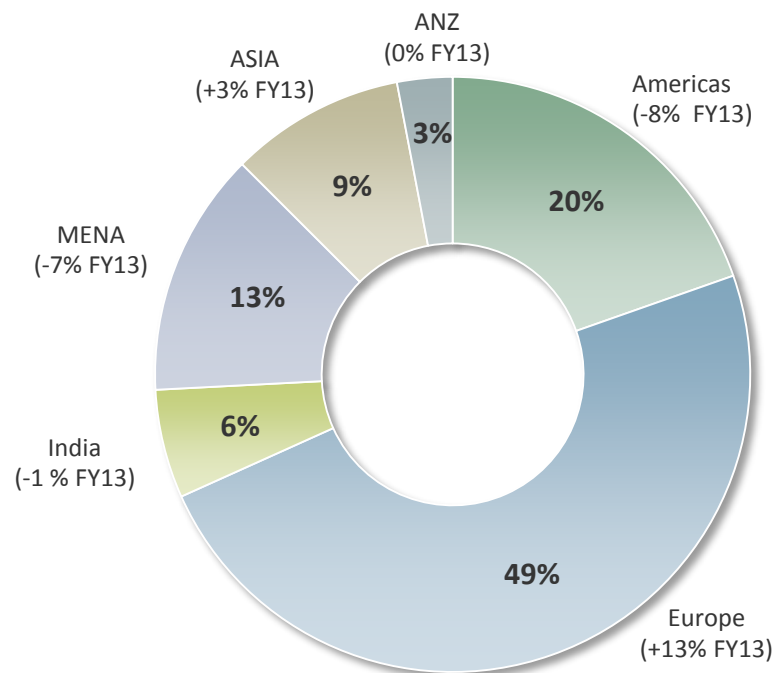


FY 2014 Revenue

Revenue by practice



Revenue by geographies

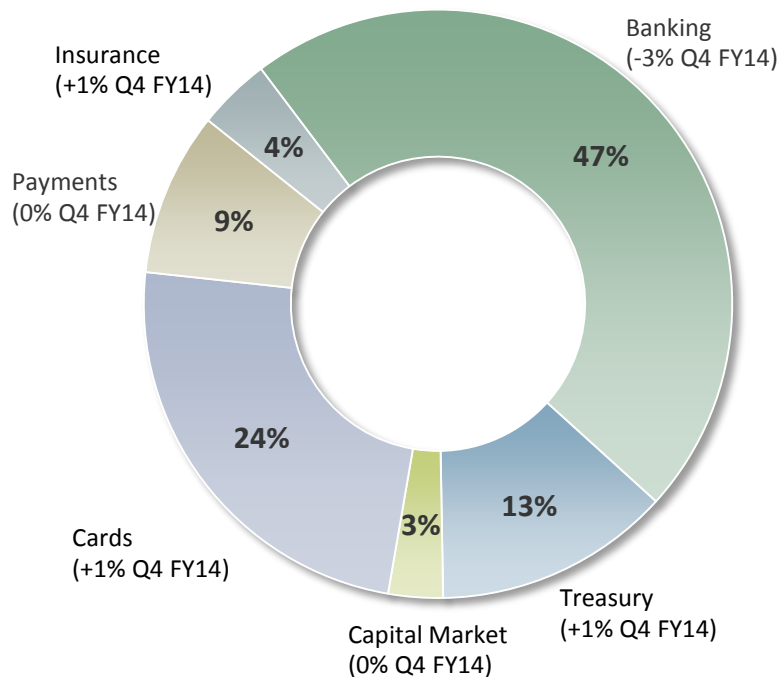


Europe Revenue contribution increased to 50%.

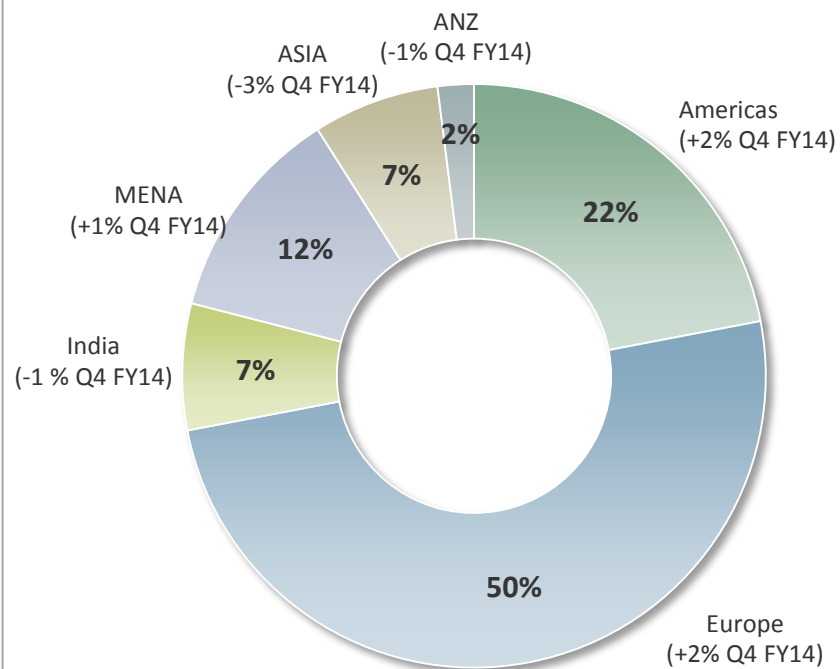


Q1 -2015 Revenue

Revenue by practice



Revenue by geographies



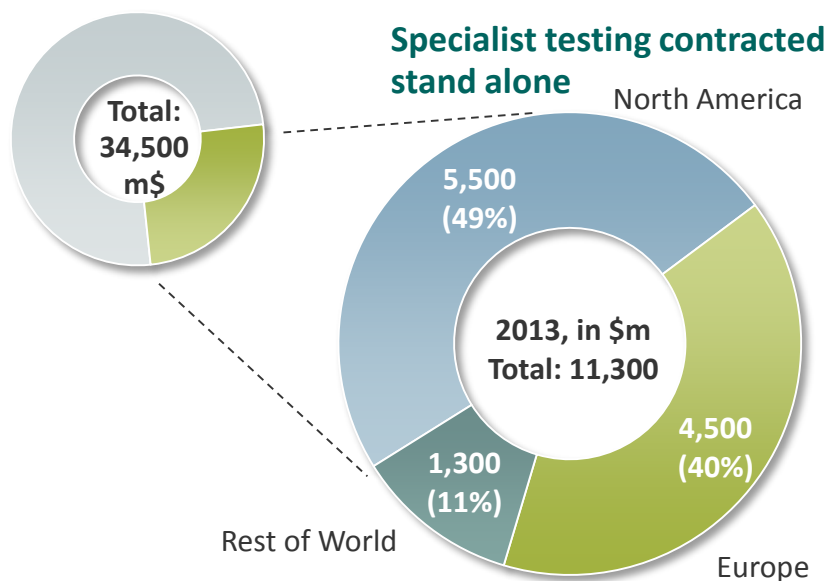


Markets and Outlook

Testing Services market growth rates at c. 7 % in SQS's largest regional markets.

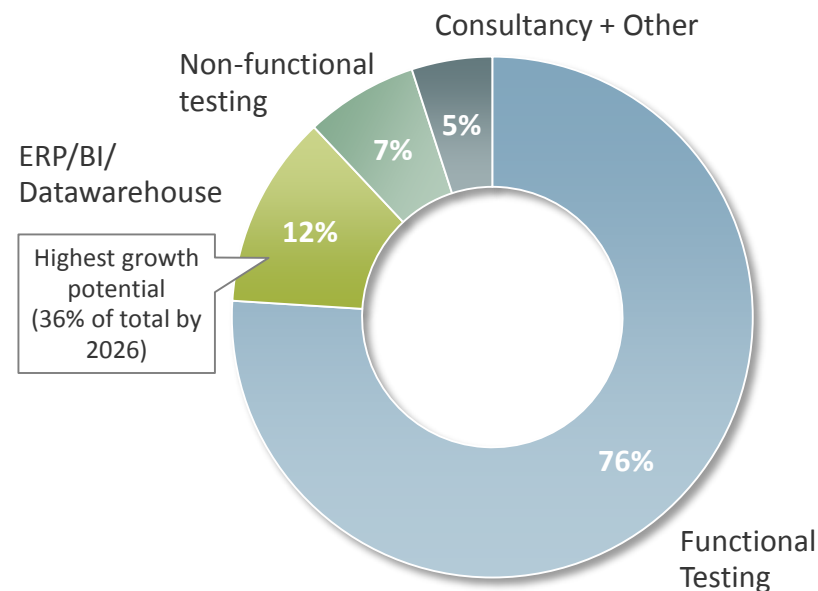


World market testing services



Change per year	2013	2014	2015
North America	+ 9%	+ 12%	+ 12%
Europe	+ 5%	+ 7%	+ 8%
Rest of World	+ 7%	+ 9%	+ 10%

Market split by services

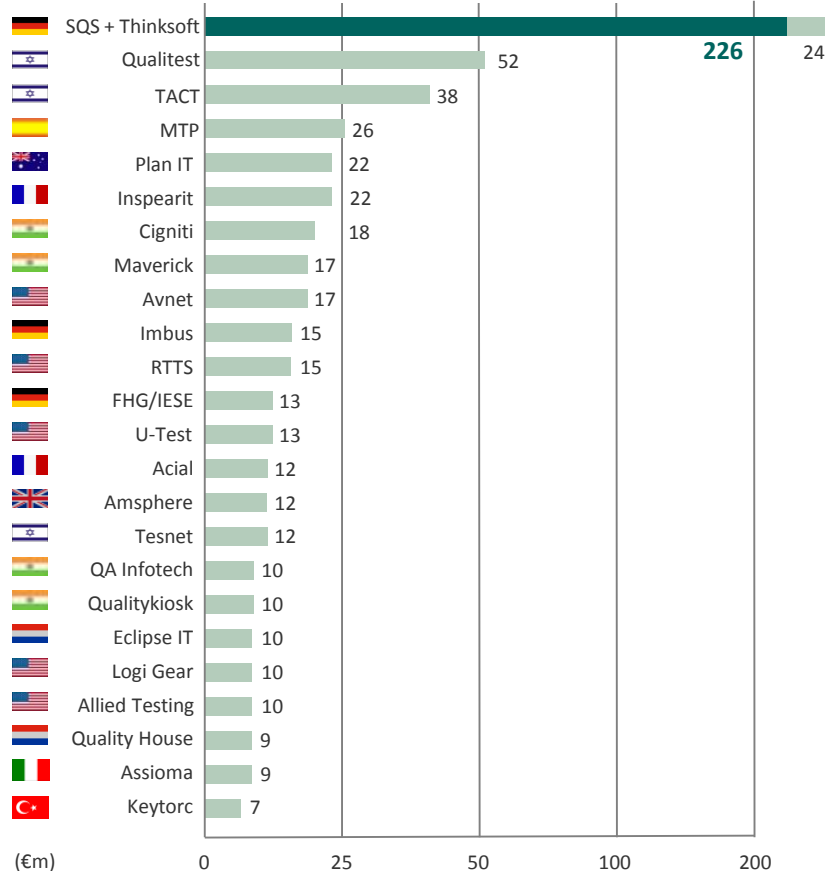


Highest growth rates expected in Financial Services, Energy & Utilities, Retail & Logistics

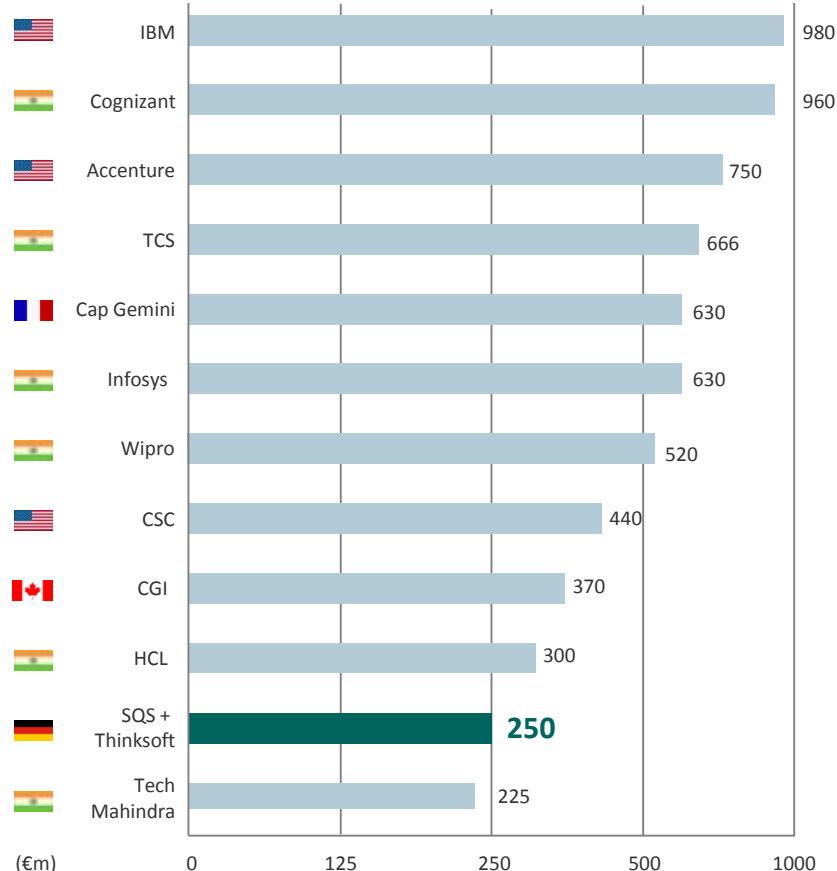
SQS is the world's largest testing services specialist by revenue and no. 11 among system integrators.



Pure Play Test Specialists



System Integrators (testing part only)



Source: Nelson Hall Report/Gartner Report, 2013; SQS, based on estimated or published 2013 revenue figures

BFSI has strong growth potential, resulting from being part of SQS group.



Continue to focus on higher margin business and increased visibility

- Strategy is for acquiring Core banking Testing and large migration in Cards
- Focus on larger clients with higher revenue per client

Extend new businesses

- Build out our domain and Technology expertise
- Cards & Payments segment and also in Insurance.

Focus on

- Continue to focus on BFSI verticals in which we have greatest domain and technology expertise
- Ongoing concentration in Europe and US Markets

We expect general positive market environment as supported by market studies.

Most recent GDP projections indicate positive momentum towards meeting strategic goals.





Appendix

PBT has grown by 60%.



in INR m	FY 2014		FY 2013		Change
		<i>in % of sales</i>		<i>in % of sales</i>	<i>2014/2013</i>
Revenue	1944.44		1614.43		20.4%
Adj. Gross Profit	939.81	48.3%	769.48	47.7%	22.1%
G&A	341.43	17.6%	298.92	18.5%	(14.2%)
S&M	187.68	9.7%	168.69	10.4%	(11.3%)
R&D	-	-	-	-	-
EBITDA	410.70	21.1%	301.88	18.7%	36.0%
<i>Depreciation</i>	56.5	2.9%	46.42	2.9%	21.8%
Adj. EBIT	354.15	18.2%	255.46	15.8%	38.6%
Net interest financial	(9.34)	(0.5%)	(5.20)	(0.3%)	79.6%
Exchange rate loss/gain	77.53	4.0%	14.54	0.9%	433.2%
PBT	422.35	21.7%	264.80	16.4%	59.5%
Taxes	121.95		70.40		73.2%
Profit after taxes	300.40	15.4%	194.4	12.0%	54.5%

Revenue has grown by 19%.



in INR m	Q1/2015		Q1/2014		Change	FY 2014	
		<i>in % of sales</i>		<i>in % of sales</i>	<i>Q1 2015/2014</i>		<i>in % of sales</i>
Revenue	513.26		430.37		19.3%	1944.44	
Adj. Gross Profit	229.90	44.8%	216.30	50.3%	6.3%	939.81	48.3%
G&A	78.24	15.2%	67.53	15.7%	(15.9%)	341.43	17.6%
S&M	50.58	9.9%	41.24	9.6%	(22.6%)	187.68	9.7%
R&D	-	-	-	-	-	-	-
EBITDA	101.08	19.7%	107.52	25.0%	(6.0%)	410.70	21.1%
<i>Depreciation</i>	13.34	2.6%	14.38	3.3%	7.2%	56.5	2.9%
Adj. EBIT	87.73	17.1%	93.14	21.6%	(5.8%)	354.15	18.2%
Net interest financial	0.33	0.1%	(2.12)	(0.5%)	115.7%	(9.34)	(0.5%)
Exchange rate loss/gain	5.66	1.1%	52.39	12.2%	(89.2%)	77.53	4.0%
PBT	93.73	18.3%	143.42	33.3%	(34.6%)	422.35	21.7%
Taxes	31.01		40.84		24.1%	121.95	
Profit after taxes	62.72	12.2%	102.58	23.8%	(38.9%)	300.40	15.4%

Adj. EBITDA went up by 53% YoY.



in INR m	Q1/2015		Q4/2014		Change	FY 2014	
		<i>in % of sales</i>		<i>in % of sales</i>	<i>Q1 2015 / Q4 2014</i>		<i>in % of sales</i>
Revenue	513.26		500.34		2.6%	1944.44	
Adj. Gross Profit	229.90	44.8%	233.05	46.6%	(1.4%)	939.81	48.3%
G&A	78.24	15.2%	112.32	22.5%	30.3%	341.43	17.6%
S&M	50.58	9.9%	54.70	10.9%	7.5%	187.68	9.7%
R&D	-	-	-	-	-	-	-
EBITDA	101.08	19.7%	66.03	13.2%	53.1%	410.70	21.1%
<i>Depreciation</i>	13.34	2.6%	14.59	2.9%	8.5%	56.5	2.9%
Adj. EBIT	87.73	17.1%	51.44	10.3%	70.5%	354.15	18.2%
Net interest financial	0.33	0.1%	(1.83)	(0.4%)	118.2%	(9.34)	(0.5%)
Exchange rate loss/gain	5.66	1.1%	(17.31)	(3.5%)	(132.7%)	77.53	4.0%
PBT	93.73	18.3%	32.31	6.5%	190.1%	422.35	21.7%
Taxes	31.01		10.11		(206.7%)	121.95	
Profit after taxes	62.72	12.2%	22.20	4.4%	182.6%	300.40	15.4%

Adj. EBITDA went up by 53% YoY.



in INR m	Q1/2015		Q1/2014		Change	Q4/2014		Change	FY 2014	
		<i>in % of sales</i>		<i>in % of sales</i>	<i>Q1 2015 / 2014</i>		<i>in % of sales</i>	<i>Q1 2015 / Q4 2014</i>		<i>in % of sales</i>
Revenue	513.26		430.37		19.3%	500.34		2.6%	1944.44	
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G&A	78.24	15.2%	67.53	15.7%	(15.9%)	112.32	22.5%	30.3%	341.43	17.6%
S&M	50.58	9.9%	41.24	9.6%	(22.6%)	54.70	10.9%	7.5%	187.68	9.7%
R&D	-	-	-	-	-	-	-	-	-	-
EBITDA	101.08	19.7%	107.52	25.0%	(6.0%)	66.03	13.2%	53.1%	410.70	21.1%
<i>Depreciation</i>	13.34	2.6%	14.38	3.3%	7.2%	14.59	2.9%	8.5%	56.5	2.9%
Adj. EBIT	87.73	17.1%	93.14	21.6%	(5.8%)	51.44	10.3%	70.5%	354.15	18.2%
Net interest financial	0.33	0.1%	(2.12)	(0.5%)	115.7%	(1.83)	(0.4%)	118.2%	(9.34)	(0.5%)
Exchange rate loss/gain	5.66	1.1%	52.39	12.2%	(89.2%)	(17.31)	(3.5%)	132.7%	77.53	4.0%
Adj. PBT	93.73	18.3%	143.42	33.3%	(34.6%)	32.31	6.5%	190.1%	422.35	21.7%
PBT	93.73	18.3%	143.42	33.3%	(34.6%)	32.31	6.5%	190.1%	422.35	21.7%
Taxes	31.01		40.84		24.1%	10.11		- 206.7%	121.95	
Profit after taxes	62.72	12.2%	102.58	23.8%	(38.9%)	22.20	4.4%	182.6%	300.40	15.4%

Cash and Bank Balance increased by INR 52 m.



in INR Mn		Q1 FY 2015	Q1 FY 2014	FY 2014
Assets	Non current assets	299.13	326.92	311.67
	Tangible assets	258.01	281.39	257.79
	Intangible assets	13.40	21.55	16.35
	Intangible Assets under Development/ CWIP	9.61	0.62	6.64
	Other Non Current Assets	18.11	23.36	30.89
	Current assets	1,244.02	1097.82	1,156.97
	Trade receivable	610.13	443.05	557.78
	Cash and bank balances	527.97	476.12	502.49
	Other Current Assets	105.92	178.65	96.70
	Total assets	1,543.15	1,424.74	1,468.64
Equity and Liabilities	Current liabilities	303.58	326.33	289.95
	Trade Payable	22.75	6.90	15.87
	Other current Liabilities	173.21	165.47	179.24
	Short-Term Provisions	107.62	153.96	94.84
	Non current liabilities (Term Loan)	90.56	113.63	96.33
	Equity & Reserves	1,149.01	984.76	1,082.36
	Total liabilities	1,543.15	1,424.74	1,468.64

Net increase in Cash/equivalents INR 26 m.



In INR m		Q1 FY 15	Q1 FY 14	FY 2013-14
Net cash flow from	Operating Activities	63.24	88.58	237.24
	Net profit/(loss) before taxation	93.74	143.35	422.32
	Depreciation/amortisation	13.34	14.38	56.57
	Loss/(profit) on sale of fixed assets	-	-	(0.36)
	Unrealised forex exchange loss/(gain), net	18.74	(28.72)	(9.70)
	Interest income	(4.76)	(3.13)	(11.41)
	Interest expense	4.03	4.74	18.01
	Provision for bad and doubtful debts	-	(4.02)	(13.02)
	(Increase)/Decrease in Current assets	(46.66)	(37.48)	(111.79)
	Increase/(Decrease) in current liabilities and provisions	5.93	10.98	28.69
	Direct taxes paid (net of refunds)	(21.12)	(11.52)	(142.07)
	Investing activities	(31.43)	(74.36)	(27.49)
	Purchase of fixed assets	(13.58)	(5.47)	(25.29)
	Proceeds from sale of fixed assets	-	-	0.38
	Interest received	4.36	3.12	10.79
	Fixed deposits matured/(invested) during the year	(22.22)	(72.01)	(13.36)
	Financing activities	(5.89)	(10.94)	(129.03)
	Increase in Share Capital	3.93	0.18	7.72
	Repayment of Borrowings	(5.77)	(6.39)	(23.70)
	Interest paid	(4.03)	(4.74)	(18.01)
	Dividends paid	-	-	(81.24)
	Tax on dividend paid	(0.02)	-	(13.79)
	Net increase in cash and cash equivalents	25.92	3.28	80.73
	Cash and cash equivalents at the beginning of the year	395.34	293.48	293.48
	Effect of changes in exchange rate on cash and cash equivalents	(22.66)	13.53	21.13
	Cash and cash equivalents at the end of the year	398.60	310.29	395.34

EPS Diluted at INR 5.91/share.



	Q1/2015	Q1/2014	Change	FY 2014	FY 2013
Profit after taxes adjusted (in INR m)	62.7	102.5	<i>(38.8%)</i>	300.4	194.4
Weighted average number of shares undiluted	10,607,492	10,261,288		10,480,675	10,217,295
EPS Diluted in INR	5.91	9.99	<i>(41.0%)</i>	28.66	19.03

Other short term liabilities & Provisions, 30 June 2014.

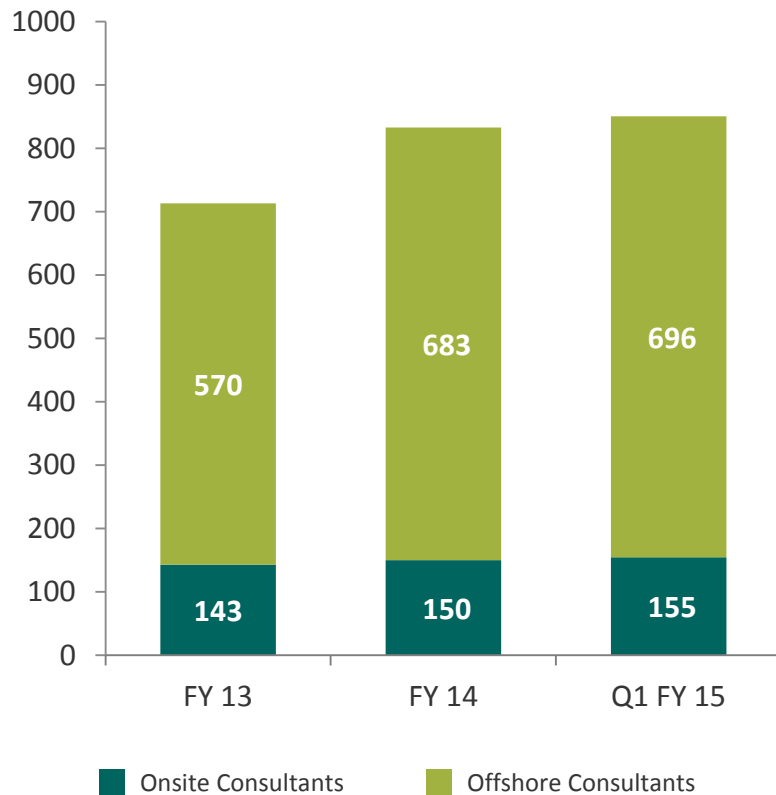


In INR m		30-Jun-14	31-Mar-14	31-Mar-13
Other current liabilities	Advance received from customers	1.70	1.32	1.06
	Employee benefits payable	57.64	56.66	60.21
	Liabilities for other expenses	57.86	44.75	43.64
	Unearned Revenue	0.00	2.49	-
	Unpaid application money due for refund	0.07	0.07	0.07
	Unpaid dividend	1.28	1.29	1.32
	Statutory Liabilities	31.58	49.58	21.52
	Current maturities of long term borrowings	23.08	23.08	28.85
	Sub-total	173.21	179.24	156.67
Short term Provisions	for Leave salary	11.81	11.21	10.32
	for gratuity	3.74	0.84	3.35
	Proven for tax on proposed interim equity dividend	-	0.02	-
	Proposed equity dividend	41.07	41.07	30.37
	Provision for tax on proposed equity dividend	6.98	6.98	4.93
	Provision for taxation (Net of prepaid taxes)	44.03	34.73	70.09
	Sub-total	107.62	94.84	119.06
Total		280.83	274.08	275.74

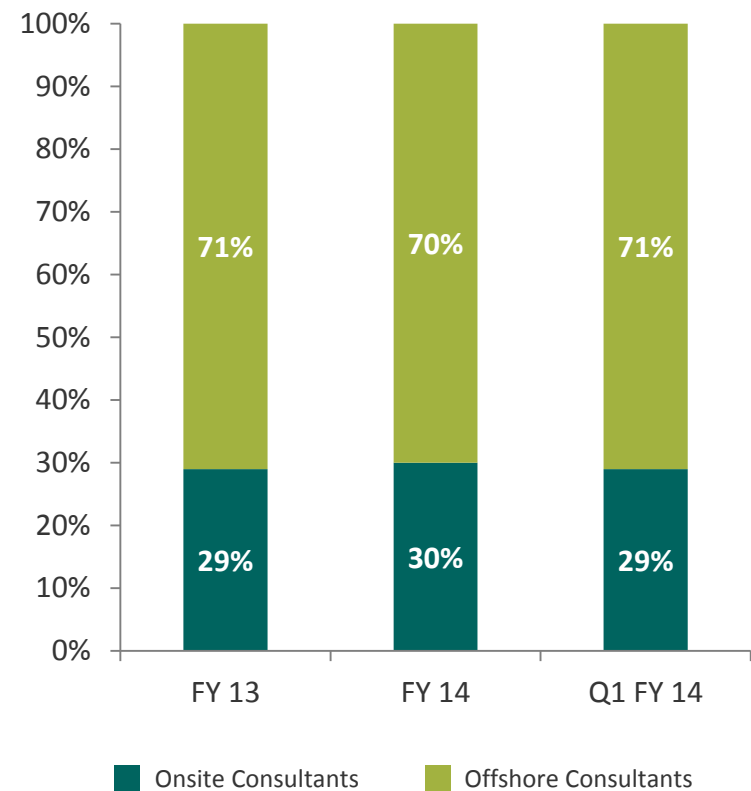
Employee strength increased marginally in Q1.



Permanent Billable Employees (Period Average)



Onshore/Offshore Split Consultants





Thank you for your attention