

Firstsource Solutions Limited

Q1 FY 2008-09 Earnings Update





firstsource

Disclaimer

Certain statements in this presentation concerning our future growth prospects are forward-looking statements, which involve a number of risks, and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition in BPO services including those factors which may affect our cost advantage, wage increases, our ability to attract and retain highly skilled professional, time and cost overruns on client contracts, client concentration, our ability to manage ramp-ups and growth, our ability to manage our international operations, reduced demand in our key focus verticals, disruptions in telecom infrastructure and technology, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, performance of our subsidiaries, withdrawal of government fiscal incentives, political instability, legal restrictions on raising capital and acquiring companies outside India, unauthorized use of our intellectual property and general economic conditions affecting our industry. Firstsource may, from time to time, make additional written and oral forward-looking statements, including our reports to shareholders. The company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the company.

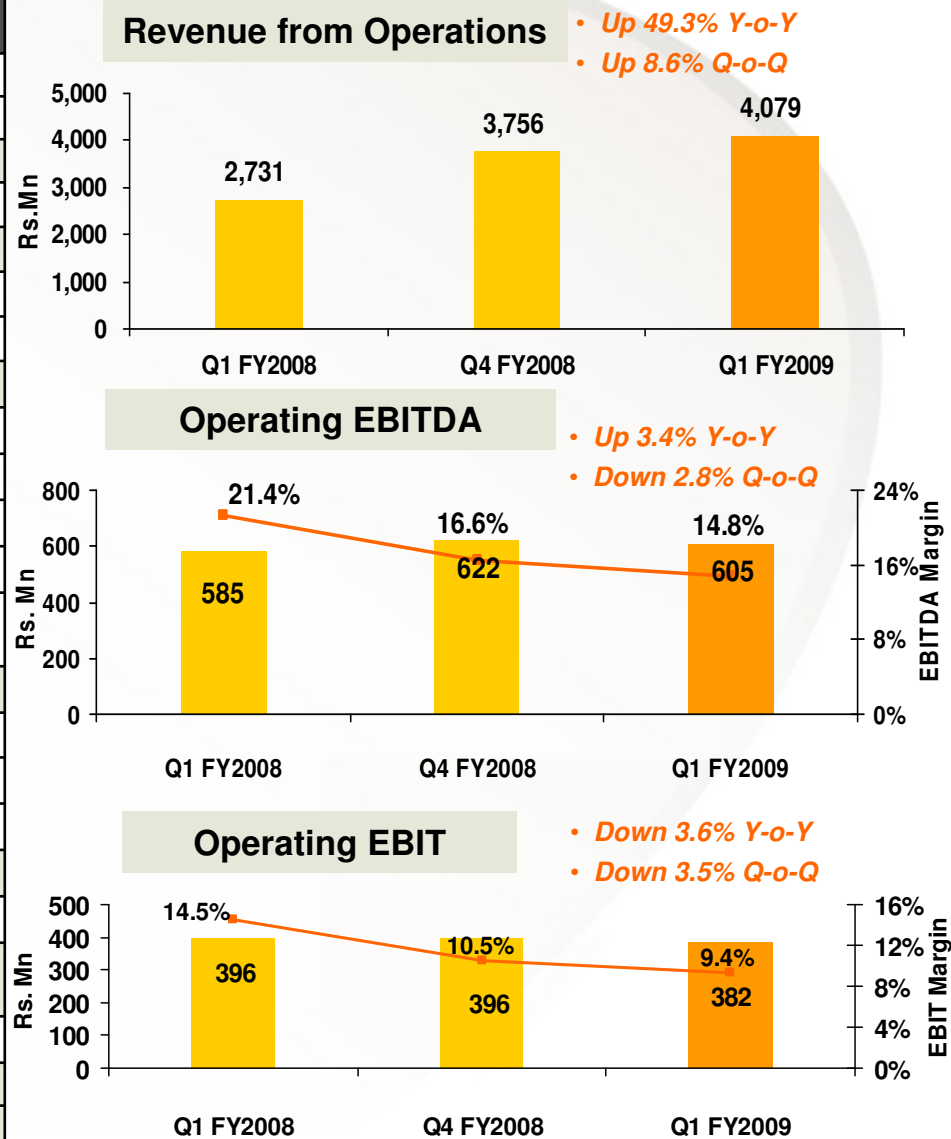
Agenda

- *Financial Performance – Q1 FY2009*
- **Business Outlook**
- **Other Discussion Points**



Financial Performance - Q1 FY2009

(IN INR Million)	Q1 FY 2008	Q4 FY 2008	Q1 FY 2009
Income from services	2,537	3,692	4,016
Other operating Income	194	64	63
Revenue from operations	2,731	3,756	4,079
Personnel & Operating Exps	2,146	3,134	3,474
Operating EBITDA	585	622	605
Operating EBITDA %	21.4%	16.6%	14.8%
Depreciation / amortization	189	227	223
Operating EBIT	396	396	382
Operating EBIT %	14.5%	10.5%	9.4%
Other Income / (expense)	46	36	17
Interest expense/ (Income), net	(20)	17	16
MTM loss/(gain) on foreign currency loan	(42)	3	7
Loss/(gain) due to exchange variation on FCCB	-	193	802
PBT	504	219	(426)
PBT (% of total income)	18.2%	5.8%	- 10.4%
Taxes	62	13	74
Minority Interest	(1)	(4)	0
PAT	443	210	(501)
PAT (% of total income)	16.0%	5.5%	-12.2%
PAT excluding impact of exchange variation on FCCB	443	403	301
Adjusted PAT (% of total income)	16.0%	10.6%	7.4%
Reported Diluted EPS (Rs.)	0.99	0.38	(1.17)
Adjusted Diluted EPS (Rs.) – without FCCB exchange variation impact	0.99	0.73	0.55



Q1 FY2009 Highlights (1 of 4)

Q1 FY2009 Performance Analysis

- **Revenue growth**

- Q-o-Q growth of 8.6% in INR terms and 4.5% in USD terms
- Positive growth drivers
 - Domestic revenues including Airtel ramp-up
 - Barclays revenue for full quarter
- Negatives
 - Fall off of grant income from Q4 FY2008, impact of Rs. 63 million
 - Collections seasonality fall off from Q4 FY2008

- **EBIT Margins**

- Q1 FY2009 Operating EBIT margin at 9.4% compared to 10.5% in Q4 FY2008, lower by 110 bps
- Negative impact on Q1 FY2009 EBIT margins due to
 - Grant fall off
 - Cost of growth (Airtel)
 - Collections seasonality fall off
 - Other volume fluctuations and wage increases
- Positive factors, offsetting the impact were
 - Favorable currency
 - Service delivery leverage
 - SG&A leverage - Lower SG&A as % of revenue
 - Depreciation

Q1 FY2009 Highlights (2 of 4)

- **Foreign Exchange Hedges**

- Non-speculative prudent strategy of hedging cash flows at budgeted levels
- Had already covered over 70% of FY09 projected cash flows at the beginning of the year. Outstanding FX hedges at \$108 million as on June 30, 2008

- **Domestic Business is witnessing strong growth momentum**

- **Airtel**

- Growth in business is in line with expectations and visibility for future growth
- Currently working out of 2 centers (Vashi in new Mumbai and Chennai), third center to be operational in Q2 (Jalandhar)

- **Vodafone Essar**

- Adding 2 more delivery centers in tier-2 cities in India (Bhubaneswar and Siliguri) to support future growth

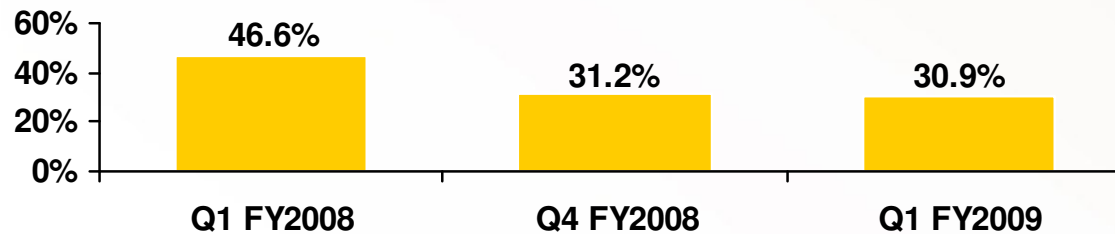
Q1 FY2009 Highlights (3 of 4)

- **Total employee strength of 18,353, up by 984 from end Mar-08 (as against an increase of 279 in last quarter)**
 - India based - 13,906
 - Outside India based - 4,447
- **Stable attrition**
 - Q1 annualized attrition is stable at 38.7% compared to 38.9% last quarter (Q4 FY2008 annualized)
- **14,968 seats worldwide**
 - Seat fill factor at 76% for Q1 FY2009 compared to 73% in Q4 FY2008
- **Share count as on June 30, 2008**
 - Outstanding share count – 427.6 million shares
 - Fully diluted share count – 620.8 million shares
 - Outstanding ESOPs – 76.2 million shares
 - Potential dilution from FCCB – 117.0 million shares
- **Industry recognition**
 - Winners in Transaction and Services category at IQPC Six Sigma excellence awards, London (Transactional services category)
 - Everest Group Outsourcing Excellence Award 2008 for Most Flexible Partnership with Lloyds TSB

Q1 FY2009 Highlights (4 of 4)

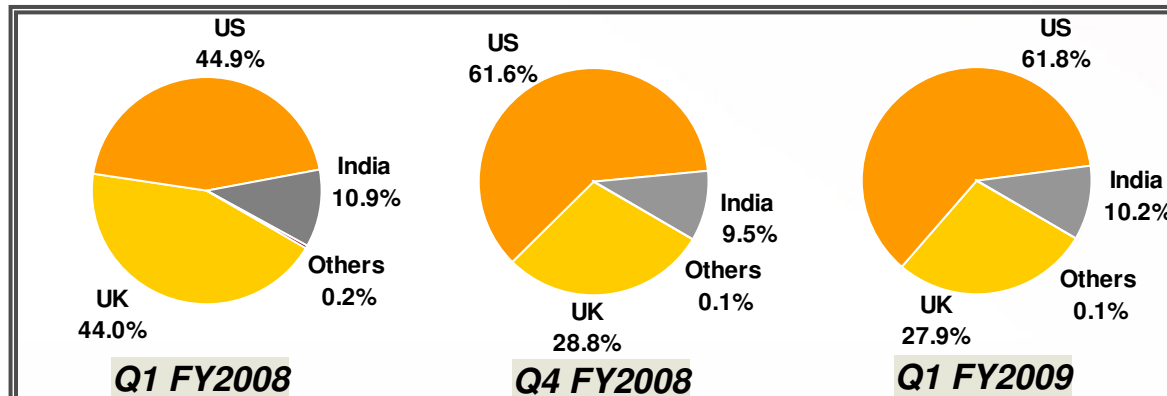
Client concentration

Revenue from top five clients



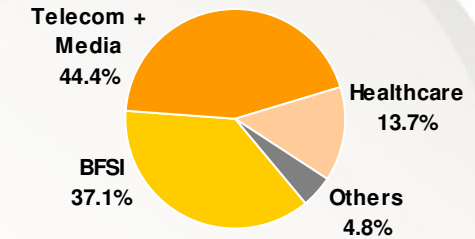
Note: Largest client contributed 9.9% of income from services in Q1 FY2009

Revenues by geography

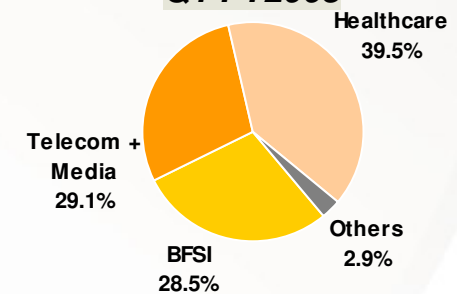


Note: Revenues considered above are Income from services

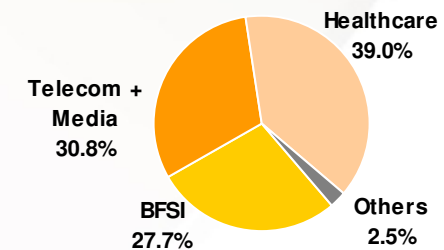
Revenues by vertical



Q1 FY2008



Q4 FY2008



Q1 FY2009

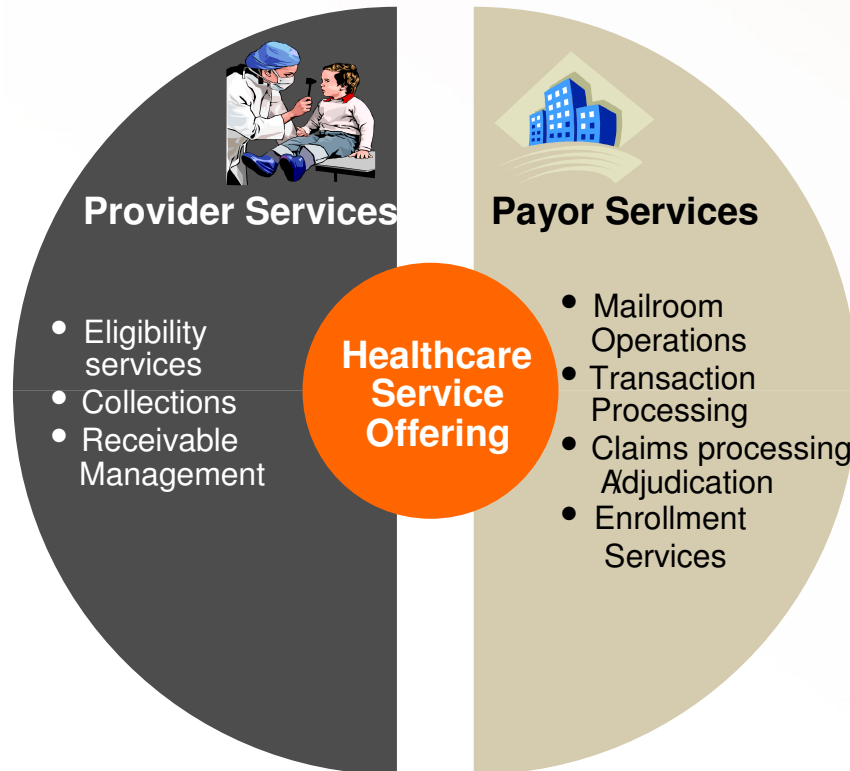
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Healthcare – An Overview

Broad Service Offerings and Segments



Delivery locations

United States and India

Revenue contributed

39% of income from services (Q1 FY09)

Number of employees

3,000 employees

Key clients

- 3 “Fortune 100” healthcare payor companies
- Over 800 hospitals in U.S.

Client highlights - Q1 FY2009

- New Deals – 1 (excluding MedAssist)
- Process ramp ups – 2
- Process ramp downs - Nil

Current trend and outlook

- No impact of economic slowdown
- Good momentum with payors for additional / new business
- Medassist growth is on track

Telecommunications & Media – An Overview

Broad Service Offerings and Segments



Delivery locations

Northern Ireland (UK), Argentina, Philippines and India

Revenue contributed

31% of income from services (Q1 FY09)

Number of employees

9,500 employees

Key clients

- 2 of the world's Top 10 telecom companies
- Leading Indian Telecom Service providers

Client highlights - Q1 FY2009

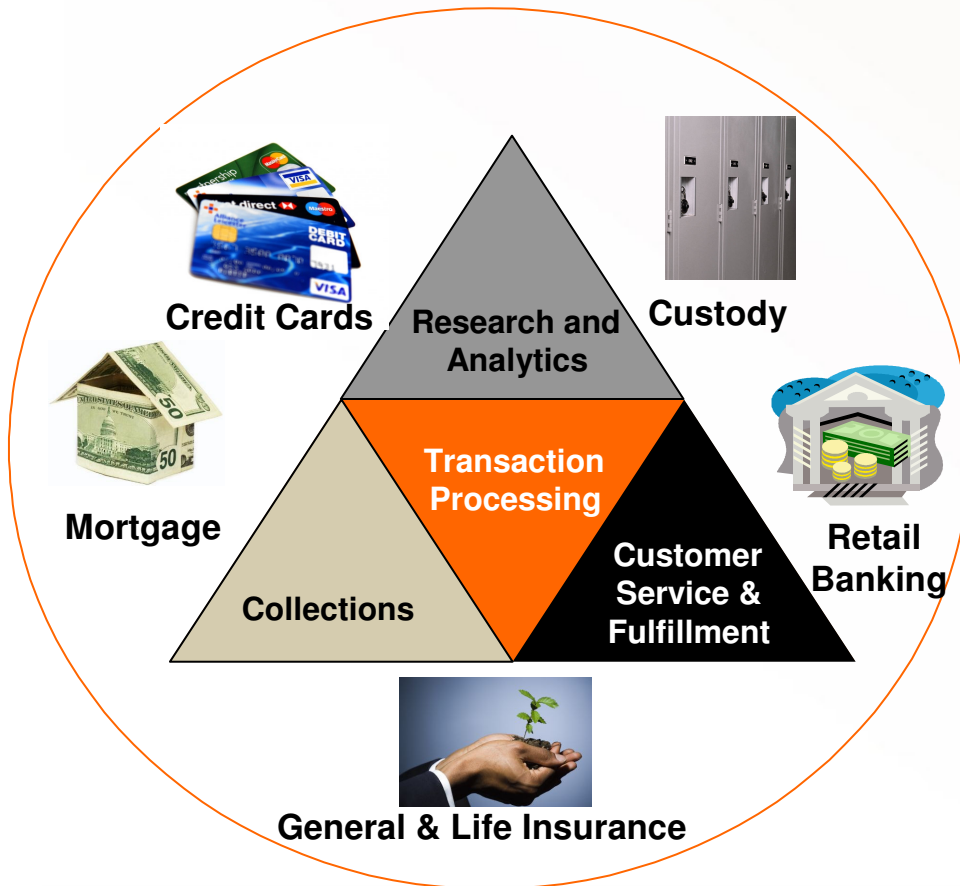
- New Deals – 2
- Process ramp ups – 3
- Process ramp downs - Nil

Current trend and outlook

- Existing clients largely stable with ramp ups in domestic clients

BFSI – An Overview

Broad Service Offering and Segments



Delivery locations

United States, Northern Ireland (UK), Argentina and India

Revenue contributed

28% of income from services (Q1 FY09)

Number of employees

5,000 employees

Key clients

- 3 of the 5 largest US banks
- 5 of 10 largest credit card companies in the US

Client highlights - Q1 FY2009

- New Deals – 3
- Process ramp ups – 1
- Process ramp downs - 2

Current trend and outlook

- Collections business is relatively stable. No further deterioration in business metrics, however will need to watch the next few quarters closely
- As anticipated, new business deals taking longer

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Other Discussion Points (1 of 2)

Delivering FY09 Guidance

33% - 38% Revenue growth guidance in Dollar terms

- Maintaining guidance

Maintaining Profitability

FY09 Profitability

- Expect operating EBIT % for the year to be similar to slightly below the FY 2008 levels with some quarter on quarter volatility

Several levers available to improve profitability

- Productivity improvements aided by benchmarking study conducted recently
- Integration synergies across North America
- SG&A leverage
- Capacity utilization

Expect 150-200 bps expansion in EBIT margins due to above in coming quarters

MedAssist Integration

Support functions

- Finance, HR, Technology and Process Excellence fully integrated

Operations

- Launched a pilot project for offshoring some of the back office processes to India

Other Discussion Points (2 of 2)

FCCB

FCCB

- Zero coupon FCCB of \$275 million, maturing in December 2012, conversion price of Rs. 92.29 (35% premium to reference price)

Our perspective

- Given the maturity is 4½ years away, we view it as a convert
- However, the Company is confident that in the event it does not convert it would be able to refinance the FCCB repayment considering the projected profit levels at that time
- At a YTM of 6.75% and with zero coupon, the FCCB is cost effective considering the current cost of debt

Mark-to-market (MTM) hit on FCCB is non-cash, non-operating

- Hedging FCCB at this point of time is unwarranted and will be speculative

THANK YOU

Firstsource (NSE: FSL, BSE: 532809, Reuters: FISO.BO, Bloomberg: FSOL@IN) is among India's leading BPO (business process outsourcing) service providers. Firstsource provides customized business process management to global leaders in the Banking & Financial Services, Telecom & Media and Healthcare sectors. It's clients include six "Fortune Global 500" banks, two "Fortune Global 500" telecommunications companies and three "Fortune 100" healthcare companies. Firstsource has a global delivery model with operations in India, US, UK, Argentina and Philippines. (www.firstsource.com)

