

Firstsource Solutions Limited

Q3 FY2014 Earnings Update

January 31, 2014

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

01 | Performance Highlights

02 | Financial Performance

03 | Business Outlook



Performance Highlights

01

Q3 FY2014 Highlights (1/5)

Q3 FY2014 Performance Analysis

- **Operating revenue**

- Q3 FY14 Revenues at INR 7,998 million compared to INR 7,132 million in Q3 FY13 and INR 7,908 million in Q2 FY14
- Y-o-Y growth of 12.1% in INR terms and (2.3%) in constant currency terms
- Q-o-Q growth of 1.1% in INR terms and (1.1%) in constant currency terms

- **Operating EBIT**

- Q3 FY14 operating EBIT at INR 742 million compared to INR 513 million in Q3 FY13 and INR 691 million in Q2 FY14
- Y-o-Y growth of 44.6%, margin expansion by 210 bps from 7.2% to 9.3%
- Q-o-Q growth of 7.4%

- **PAT**

- Q3 FY14 PAT at INR 483 million compared to INR 415 million in Q3 FY13 and INR 448 million in Q2 FY14
- Y-o-Y growth of 16.5%, margin expansion by 20 bps, from 5.8% to 6.0%
- Q-o-Q growth of 7.9%



YTD FY2014 Highlights (2/5)

YTD FY2014 Performance Analysis

- **Operating revenue**

- YTD FY14 Revenues at INR 23,097 million compared to INR 21,060 million in YTD FY13
- Y-o-Y growth of 9.7% in INR terms and flat in constant currency terms

- **Operating EBIT**

- YTD FY14 operating EBIT at INR 2,056 million compared to INR 1,299 million in YTD FY13
- Y-o-Y growth of 58.3%

- **PAT**

- YTD FY14 PAT at INR 1,341 million compared to INR 1,064 million in YTD FY13
- Y-o-Y growth of 26.1%



Q3 FY2014 Highlights (3/5)



Cash Position

- **Cash and cash equivalents** of INR 1,876 million as of December 31, 2013 as compared to INR 1,500 million in previous quarter
 - Repayment of third principal installment of \$11.25 million on December 31, 2013



Employee Strength

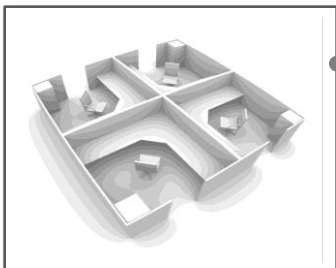
- **29,946 employees as on December 31, 2013**
 - 19,652 employees based in India and 10,294 employees based outside of India
 - Net reduction of 444 employees in Q3 FY14



Attrition

- **Offshore (India and Philippines)** – 49.2% compared to 57.3% in Q2 FY14
- **Onshore (US and Europe)** – 33.8% compared to 47.4% in Q2 FY14
- **Domestic (India and Sri Lanka)** – 92.8% compared to 85.6% in Q2 FY14

Q3 FY2014 Highlights (4/5)



Seat Capacity And Utilization

- **Seat capacity of 23,545 seats worldwide**
 - 47 delivery centers as on December 31, 2013, same as on September 30, 2013
 - Seat fill factor at 78.2% as on December 31, 2013, compared to 80.8% as on September 30, 2013



Foreign Exchange Hedges

- **Outstanding FX hedges at \$31 million, £50 million and AUD 4 million for USD, GBP and AUD respectively**
 - **Next 12 months:** 86% coverage for USD at Rs. 61.6 levels, 88% coverage for GBP at Rs. 96.6 levels and 83% coverage for AUD at Rs. 59.6 levels
 - **Next 12 – 24 months:** 24% coverage for USD rates at Rs. 68.4 levels and 46% coverage for GBP at Rs. 107.2 levels

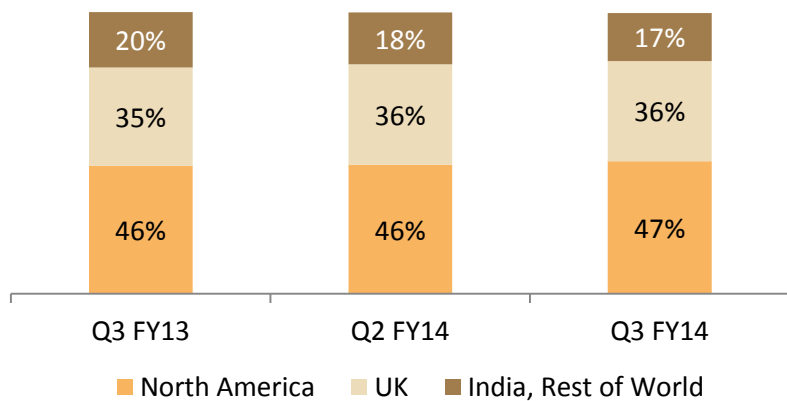


Others

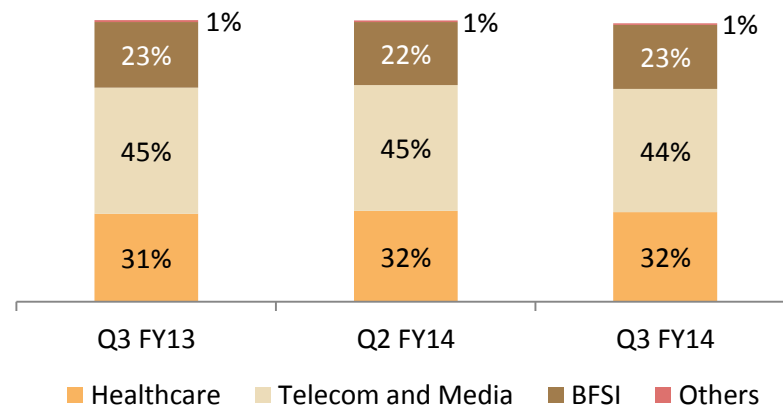
- **Cebu center in Philippines operational for UK BFSI client**
- **Awards & Accolades**
 - Firstsource Customer Intelligence, an analytics based productized service received the Frost and Sullivan 2013 North American “New Product Innovation award”
 - Recognized as one of UK’s leading outsourcing providers by the National Outsourcing Association (NOA) Awards. Firstsource also won two other prestigious awards:
 - BPO Project of the Year 2013 for our work with Sky
 - Outsourcing Service Provider of the Year.
 - Awarded the ‘Outsourcing Partnership of the Year’ in the European Call Centre and Customer Service Awards 2013 for our longstanding relationship with Sky.

Q3 FY2014 Highlights (5/5)

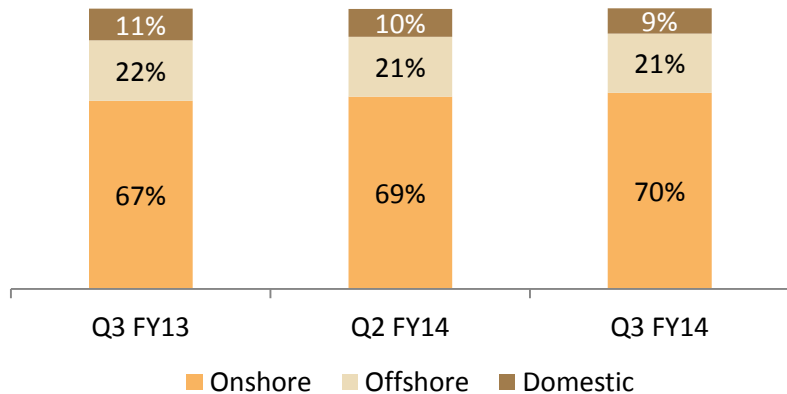
By Geography



By Verticals



By Delivery Location



Client Concentration



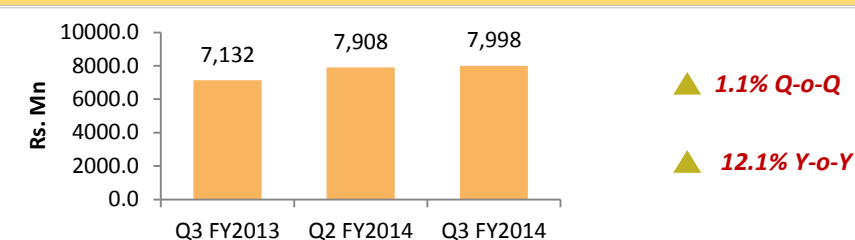
Financial Performance

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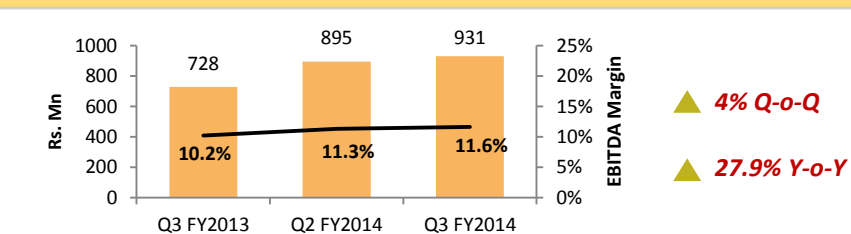
Financial Performance – Q3 FY2014

(IN INR Million)	Q3 FY 2013	Q2 FY 2014	Q3 FY 2014
Income from services	7,196	7,979	7,994
Other operating Income	(64)	(71)	4
Revenue from operations	7,132	7,908	7,998
Personnel and Operating Expense	6,404	7,013	7,066
Operating EBITDA	728	895	931
<i>Operating EBITDA %</i>	<i>10.2%</i>	<i>11.3%</i>	<i>11.6%</i>
Depreciation / amortization	215	205	190
Operating EBIT	513	691	742
<i>Operating EBIT %</i>	<i>7.2%</i>	<i>8.7%</i>	<i>9.3%</i>
Other Income / (expense)	(9)	9	(4)
Interest Income / (expense), net	(44)	(229)	(205)
Amortized (cost) on fair value of FCCB	(27)	-	-
Exchange gain / (loss) on Foreign currency loan	6	-	-
PBT	439	471	532
<i>PBT (% of total income)</i>	<i>6.2%</i>	<i>5.9%</i>	<i>6.7%</i>
Taxes and Minority Interest	24	23	49
PAT	415	448	483
<i>PAT (% of total income)</i>	<i>5.8%</i>	<i>5.7%</i>	<i>6.0%</i>

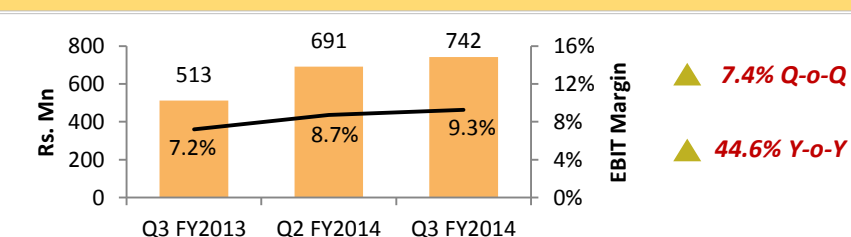
Revenue From Operations



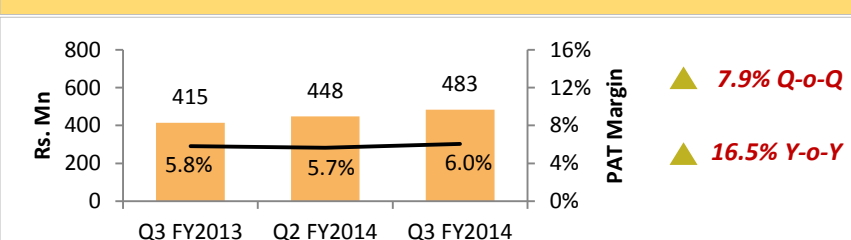
Operating EBITDA



Operating EBIT



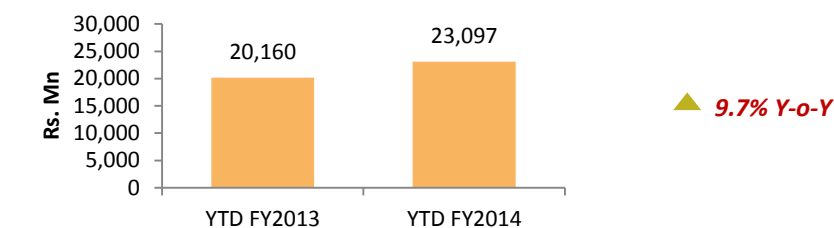
PAT



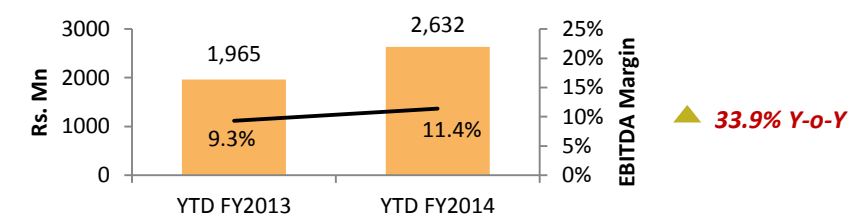
Financial Performance – YTD FY2014

(IN INR Million)	For 9 Months	
	YTD 2013	YTD 2014
Income from services	21,303	23,207
Other operating Income	(243)	(110)
Revenue from operations	21,060	23,097
Personnel and Operating Expense	19,095	20,465
Operating EBITDA	1,965	2,632
<i>Operating EBITDA %</i>	<i>9.3%</i>	<i>11.4%</i>
Depreciation / amortization	666	576
Operating EBIT	1,299	2,056
<i>Operating EBIT %</i>	<i>6.2%</i>	<i>8.9%</i>
Other Income / (expense)	(6)	(9)
Interest Income / (expense), net	(0)	(632)
Amortized (cost) on fair value of FCCB	(106)	-
Exchange gain / (loss) on Foreign currency loan	2	-
PBT	1,189	1,433
<i>PBT (% of total income)</i>	<i>5.6%</i>	<i>6.2%</i>
Taxes and Minority Interest	125	92
PAT	1,064	1,341
<i>PAT (% of total income)</i>	<i>5.1%</i>	<i>5.8%</i>

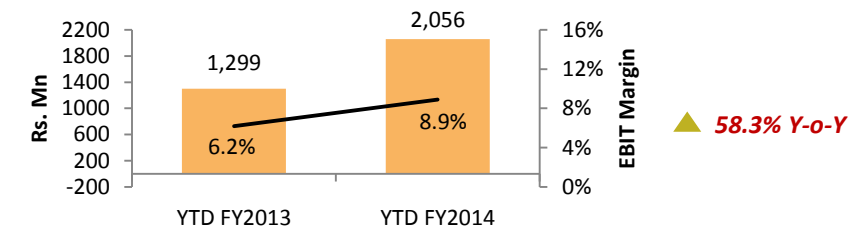
Revenue From Operations



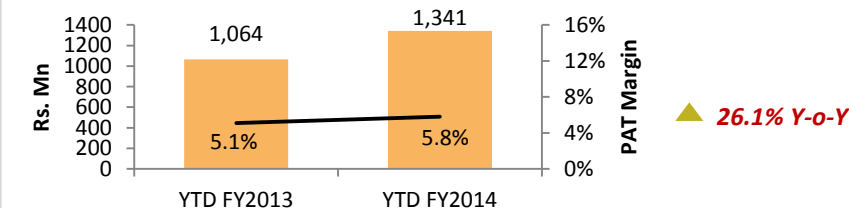
Operating EBITDA



Operating EBIT



PAT



Business Outlook

03

Business Outlook

■ Moving into Q4 FY14

- Q4 is a seasonally strong quarter.
- Cost of growth of offshore ramp-ups incurred in Q3 translates into revenue and margin realization in Q4 and FY15
- Margins to expand in the quarter aided by collections seasonality, offshore growth and terminations of low margin segments

■ FY14

- Moderate Revenue growth

- Customer Management growth aided by increased business by existing customers
- Healthcare segment continues to grow
- Consolidation process; termination of low margin accounts in Customer Management and Asia business
- BFSI Collections business shows positive signs with inventory of debt increasing
- Pipeline build-up continues to be robust

- Operating profit margin expansion between 150 to 200 basis points from FY13

- Offshore growth in India and Philippines
- Operational efficiencies across Business Units
- Termination of low margin accounts

THANK YOU

Firstsource (NSE: FSL, BSE: 532809, Reuters: FISO.BO, Bloomberg: FSOL@IN) is a global provider of customised BPO (Business Process Outsourcing) services to the Banking & Financial Services, Insurance, Telecom, Media & Publishing and Healthcare sectors. Its clients include FTSE 100, Fortune 500 and Nifty 50 companies. Firstsource has a “rightshore” delivery model with operations in India, Ireland, US, UK, Philippines and Sri Lanka. (www.firstsource.com)