

Firstsource Solutions Limited

Q3 FY2013 Earnings Update



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

- **Q3 FY2013 Highlights**

- Financial Performance
- Business Outlook



Q3 FY2013 Highlights (1/5)

Q3 FY2013 Performance Analysis

■ Operating Revenue

- Q3 Revenues at INR 7,132 million
- Q-o-Q flat in constant currency terms (down by 0.6% in INR terms).
 - Q3 is seasonally our weakest quarter on account of holiday season
- Y-o-Y growth of 23.6% in INR terms and 10.5% in constant currency terms

■ Operating EBIT

- Q3 FY13 operating EBIT margins at 7.2%, higher by 90 bps compared to Q2 FY13; largely on account of:
 - Continued operational efficiency showing gains
 - Effective contract management
 - Stabilization of ramps in domestic business
 - Partially offset by cost of growth in new business wins in Healthcare Payer segment
- Y-o-Y operating margin expansion by 370 bps



Q3 FY2013 Highlights (2/5)

- **RP-Sanjiv Goenka Group is the new promoter of the Company**
 - A combination of Preferential Allotment, Secondary Purchase and Open Offer has enabled them to get an ownership of 56.86%

- **FCCB obligation of USD 237 million paid in full on December 4, 2012**

Q3 FY2013 Highlights (3/5)



Employee Strength

- **31,902 employees as on December 31, 2012**
 - 21,345 employees based in India and 10,557 employees based outside of India
 - Net reduction of 463 employees in Q3 FY13 compared to net addition of 830 employees in Q3 FY12 and net reduction of 188 in Q2 FY13



Attrition

- **Offshore (India and Philippines)** – 59.4% compared to 55.9% in Q2 FY13
- **Onshore (US and Europe)** – 35.8% compared to 45.2% in Q2 FY13
- **Domestic (India and Sri Lanka)** – 86.0% compared to 89.7% in Q2 FY13

Q3 FY2013 Highlights (4/5)



Seat Capacity And Utilization

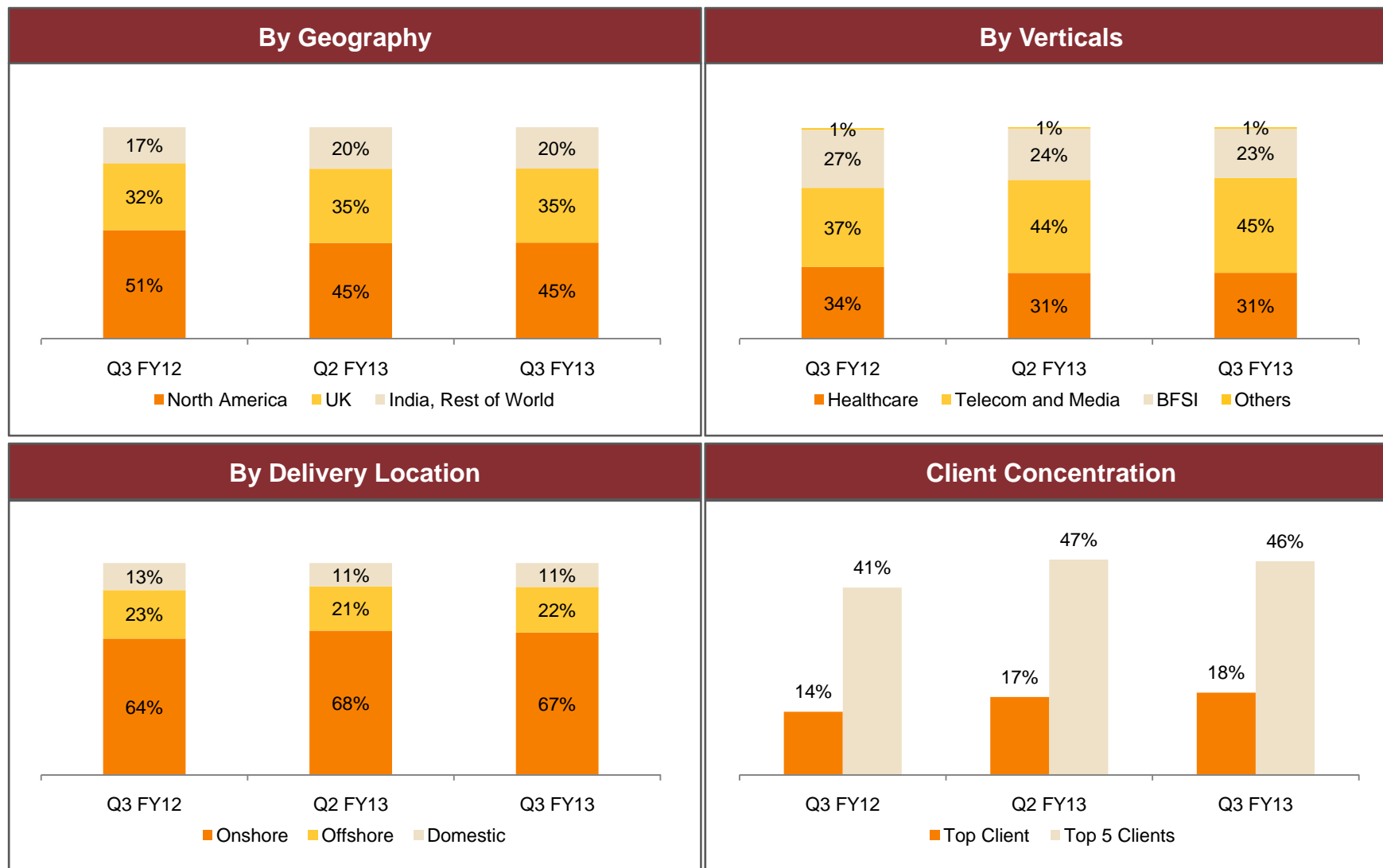
- **Seat capacity of 24,084 seats worldwide**
 - Reduced 274 seats during the quarter
 - 47 delivery centers as on December 31, 2012, compared to 48 centers as on September 30, 2012
 - Reduction of one center in Mumbai
 - Seat fill factor at 81% as on December 31, 2012, compared to 80% as on September 30, 2012
 - Average seat fill factor for Q3 FY13 at 81%



Foreign Exchange Hedges

- **Outstanding FX hedges at \$26 million, £34 million and AUD 10 million for USD, GBP and AUD respectively**
 - **Q4 FY13:** Overall 88% coverage with covered rates for USD at Rs. 52 levels, GBP at Rs. 83 levels and AUD at Rs. 51 levels
 - **FY14:** Overall 79% coverage with covered rates for USD rates at Rs. 56 levels, GBP at Rs. 88 levels and AUD at 54 levels

Q3 FY2013 Highlights (5/5)



Agenda

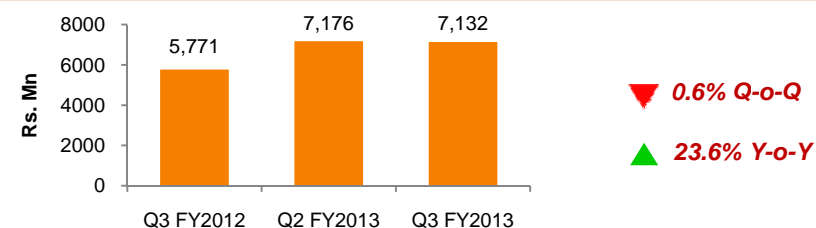
- Q3 FY2013 Highlights
- **Financial Performance**
- Business Outlook



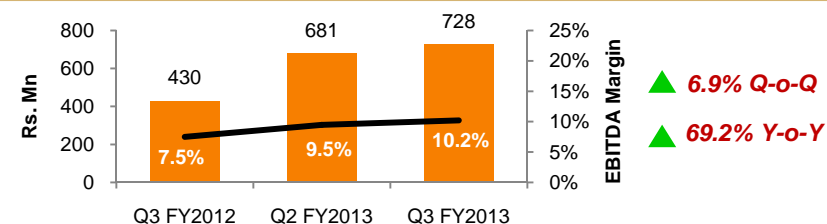
Financial Performance – Q3 FY2013

(IN INR Million)	Q3 FY 2012	Q2 FY 2013	Q3 FY 2013
Income from services	5,814	7,255	7,196
Other operating Income	(43)	(79)	(64)
Revenue from operations	5,771	7,176	7,132
Personnel and Operating Expense	5,340	6,496	6,404
Operating EBITDA	430	681	728
<i>Operating EBITDA %</i>	<i>7.5%</i>	<i>9.5%</i>	<i>10.2%</i>
Depreciation / amortization	230	229	215
Operating EBIT	201	452	513
<i>Operating EBIT %</i>	<i>3.5%</i>	<i>6.3%</i>	<i>7.2%</i>
Other Income / (expense)	6	(9)	(9)
Interest Income / (expense), net	(7)	16	(44)
Amortized (cost) on fair value of FCCB	(35)	(40)	(27)
Exchange gain / (loss) on Foreign currency loan	0	(6)	6
Gain / (loss) on FCCB Buyback	(71)	-	-
PBT	94	412	439
<i>PBT (% of total income)</i>	<i>1.6%</i>	<i>5.8%</i>	<i>6.2%</i>
Taxes and Minority Interest	25	53	24
PAT	69	359	415
<i>PAT (% of total income)</i>	<i>1.2%</i>	<i>5.0%</i>	<i>5.8%</i>

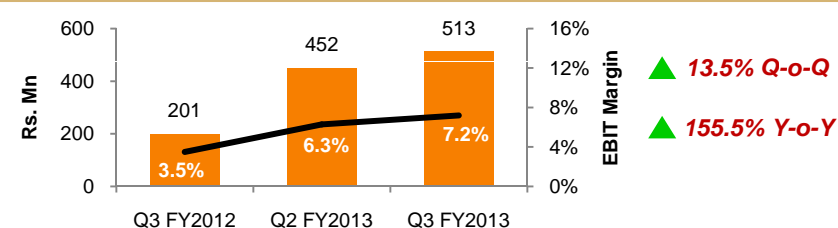
Revenue From Operations



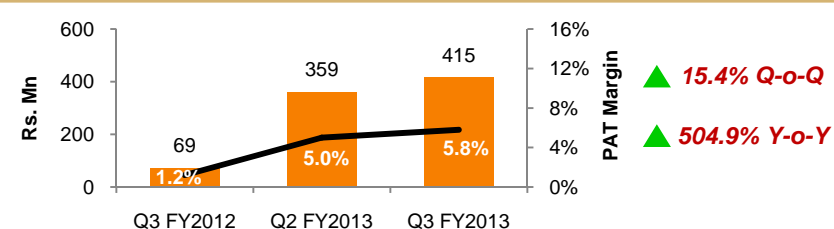
Operating EBITDA



Operating EBIT



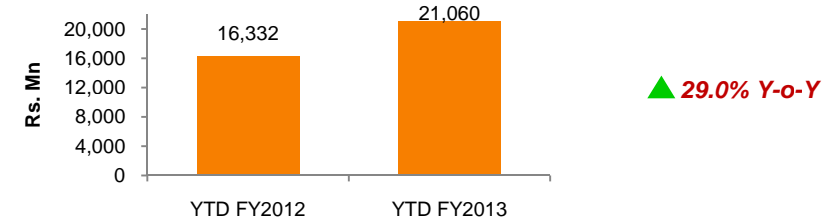
Profit After Tax



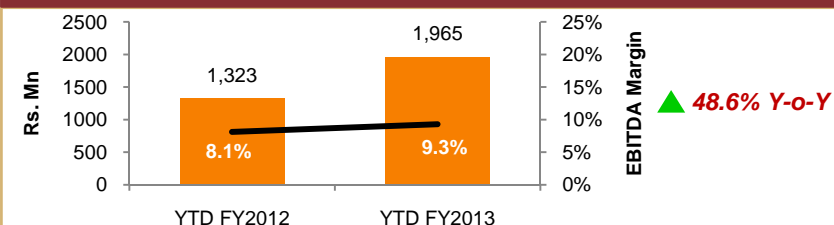
Financial Performance – YTD FY2013

(IN INR Million)	For Nine Months	
	YTD FY2012	YTD FY2013
Income from services	16,290	21,303
Other operating Income	42	(243)
Revenue from operations	16,332	21,060
Personnel and Operating Expense	15,009	19,095
Operating EBITDA	1,323	1,965
<i>Operating EBITDA %</i>	<i>8.1%</i>	<i>9.3%</i>
Depreciation / amortization	674	666
Operating EBIT	648	1,299
<i>Operating EBIT %</i>	<i>4.0%</i>	<i>6.2%</i>
Other Income / (expense)	(10)	(6)
Interest Income / (expense), net	18	(0)
Amortized (cost) on fair value of FCCB	(107)	(106)
Exchange gain / (loss) on Foreign currency loan	26	2
Gain on FCCB Buyback	(68)	-
PBT	508	1,189
<i>PBT (% of total income)</i>	<i>3.1%</i>	<i>5.6%</i>
Taxes and Minority Interest	119	125
PAT	390	1,064
<i>PAT (% of total income)</i>	<i>2.4%</i>	<i>5.1%</i>

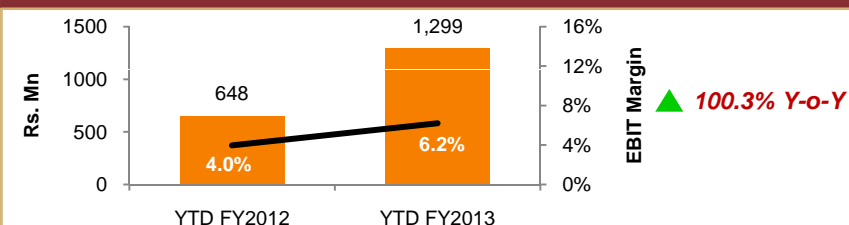
Revenue From Operations



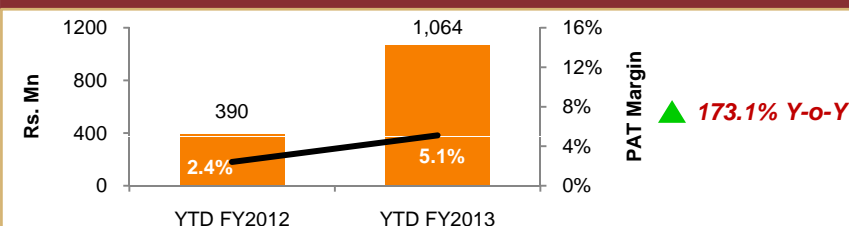
Operating EBITDA



Operating EBIT



Profit After Tax



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Business Outlook

■ Moving into Q4 FY13

- Positive revenue growth on the back of:
 - Seasonally best quarter for the collections business
 - Partially offset by some pressures on account of lesser working days in February in other business segments
- Margin expansion to continue

■ FY13

- **Turnaround year for the Company**
 - Y-o-Y revenue growth rate of ~25% in INR terms
 - Significant operating margin expansion of >200 bps
 - Telecom & Media and Healthcare continue to be best performing verticals; BFSI vertical continues to face headwinds
 - Europe geography growth in excess of 50%



THANK YOU

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