

Firstsource Solutions Limited

Q4 and FY2014 Earnings Update

May 2, 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

FY2014 Highlights (1/2)

FY2014 Performance Analysis

- **Operating revenue**

- FY14 Revenues at INR 31,059 million compared to INR 28,185 million in FY13
- Y-o-Y growth of 10.2% in INR terms and flat in constant currency terms

- **Operating EBIT**

- FY14 operating EBIT at INR 2,864 million compared to INR 1,912 million in FY13
- Y-o-Y growth of 49.8%
- Margin expansion by 240 bps from 6.8% to 9.2%

- **PAT**

- FY14 PAT at INR 1,930 million compared to INR 1,466 million in FY13
- Y-o-Y growth of 31.6%
- Margin expansion by 100 bps from 5.2% to 6.2%



FY2014 Highlights (2/2)

- **Significant expansion into the US Customer Management market by securing a win from a large telecom client. TCV of \$45M over 3 years. Go live in Q1 FY15**
- **Terminated loss making businesses/clients across the estate, helping to improve margins**
- **Healthcare business continued to do well leveraging the opportunities presented by Obamacare**
- **BFSI Customer Management business gains momentum.**
 - Set up a center in CEBU (Philippines) to serve growth from a large UK BFSI client and expanded delivery in UK onshore
 - Secured wins from new customers in the UK geography
- **Repaid \$45M of outstanding long term debt as planned**
- **Productised service offerings gathering momentum, i.e . First Customer Intelligence, First Chat, First Resolve, First Smartomation**
 - FCI 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.**

Q4 FY2014 Highlights (1/4)

Q4 FY2014 Performance Analysis

- **Operating revenue**

- Q4 FY14 Revenues at INR 7,962 million compared to INR 7,125 million in Q4 FY13 and INR 7,998 million in Q3 FY14
- Y-o-Y growth of 11.7% in INR terms and -1.4% in constant currency terms
- Q-o-Q declined by 0.4% in INR terms and grew by 0.6% in constant currency terms

- **Operating EBIT**

- Q4 FY14 operating EBIT at INR 808 million compared to INR 613 million in Q4 FY13 and INR 742 million in Q3 FY14
- Y-o-Y growth of 31.8%, margin expansion by 150 bps from 8.6% to 10.1%
- Q-o-Q growth of 9.0%, margin expansion by 90 bps from 9.3% to 10.1%

- **PAT**

- Q4 FY14 PAT at INR 588 million compared to INR 402 million in Q4 FY13 and INR 483 million in Q3 FY14
- Y-o-Y growth of 46.4%, margin expansion by 180 bps, from 5.6% to 7.4%
- Q-o-Q growth of 21.8%, margin expansion by 140 bps from 6.0% to 7.4%



Q4 FY2014 Highlights (2/4)



Cash Position

- **Cash and cash equivalents** of INR 1,889 million as of March 31, 2014 as compared to INR 1,876 million in previous quarter
 - Repayment of fourth principal installment of \$ 11.25 million on March 31st, 2014
 - Capex spend in Q4 FY14 of INR 115 million
 - Overall capex spend for FY14 is INR 360 million



Employee Strength

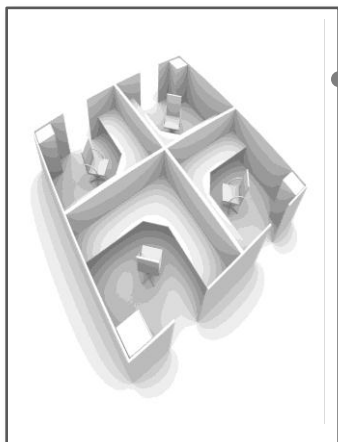
- **27,666 employees as on March 31, 2014**
 - 17,927 employees based in India and 9,739 employees based outside of India
 - Net reduction of 2,280 employees in Q4 FY14



Attrition

- **Offshore (India and Philippines)** – 54.8% compared to 49.2% in Q3 FY14
- **Onshore (US and Europe)** – 38.6% compared to 33.8% in Q3 FY14
- **Domestic (India and Sri Lanka)** – 85.6% compared to 92.8% in Q3 FY14

Q4 FY2014 Highlights (3/4)



Seat Capacity And Utilization

- **Seat capacity of 23,388 seats worldwide**
 - 46 delivery centers as on March 31, 2014, as compared to 47 as on December 30, 2013
 - Seat fill factor at 77% as on March 31, 2014, compared to 78.2% as on December 31, 2013

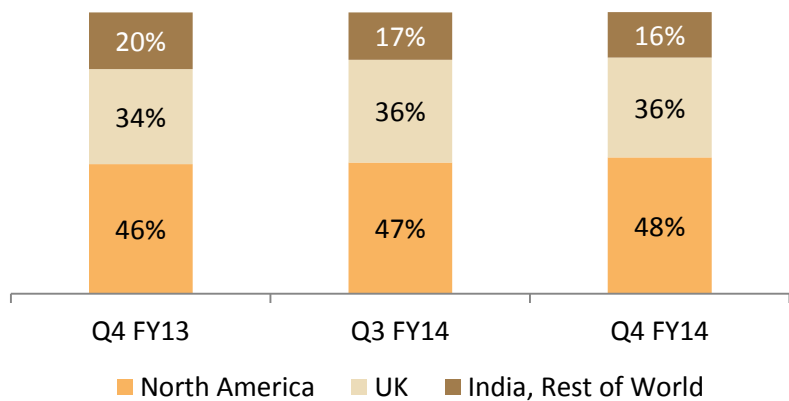


Foreign Exchange Hedges

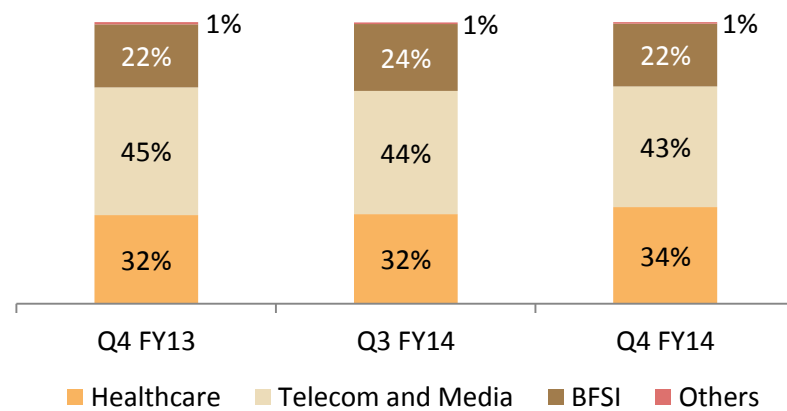
- **Outstanding FX hedges at \$30 million, £51 million and AUD 3 million for USD, GBP and AUD respectively**
 - **Next 12 months:** 87% coverage for USD at INR 63.9 levels, 88% coverage for GBP at INR 100.0 levels , 74% coverage for AUD at INR 59.9 levels and 21% coverage for GBP at PHP 74.5
 - **Next 12 – 24 months:** 25% coverage for USD rates at INR 69.6 levels and 53% coverage for GBP at INR 110.2 levels

Q4 FY2014 Highlights (4/4)

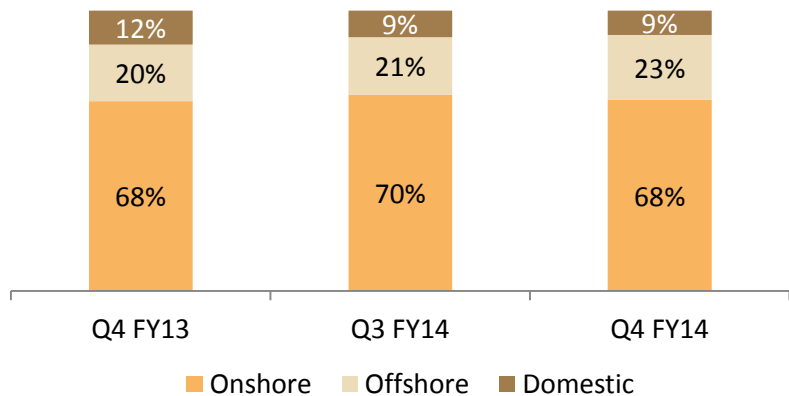
By Geography



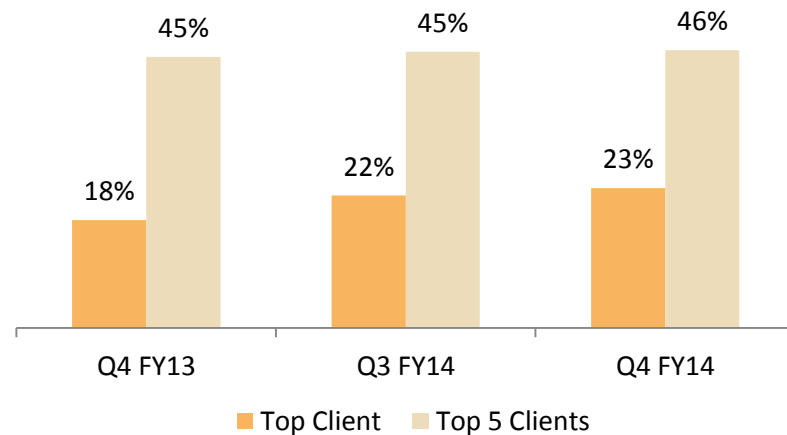
By Verticals



By Delivery Location



Client Concentration

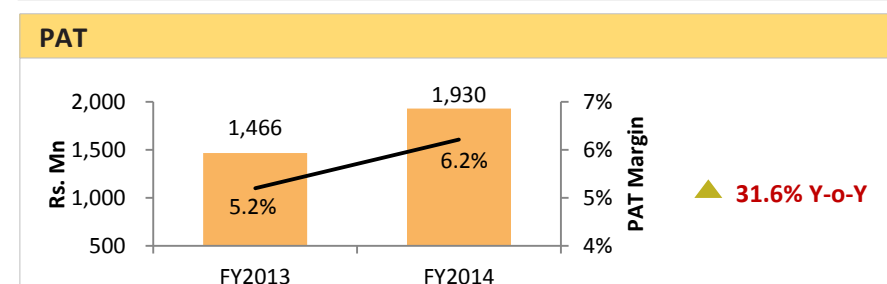
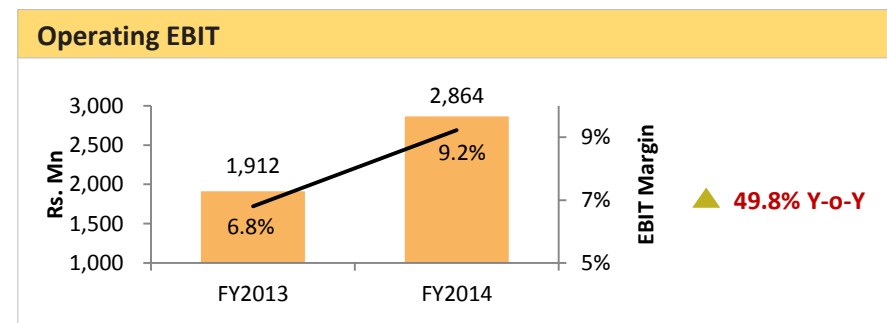
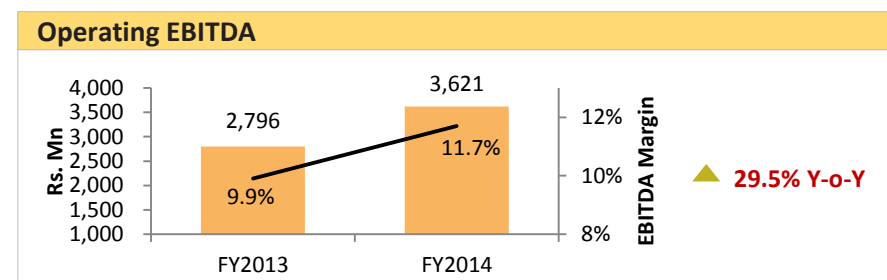
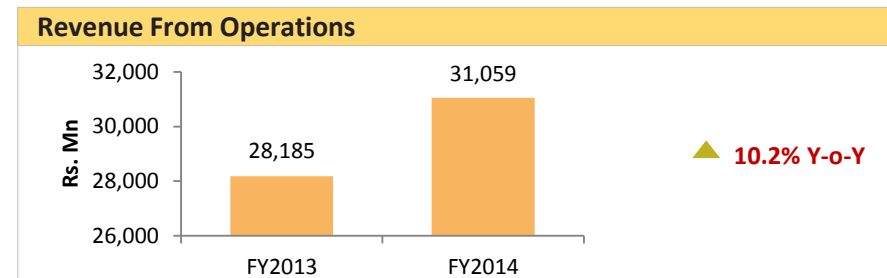


Financial Performance

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Financial Performance – FY2014

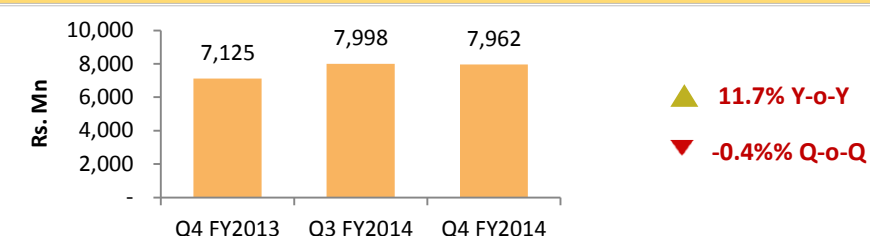
(IN INR Million)	FY 2013	FY 2014
Income from services	28,440	31,270
Other operating Income	(255)	(211)
Revenue from operations	28,185	31,059
Personnel and Operating Expense	25,390	27,438
Operating EBITDA	2,796	3,621
<i>Operating EBITDA %</i>	<i>9.9%</i>	<i>11.7%</i>
Depreciation / amortization	884	757
Operating EBIT	1,912	2,864
<i>Operating EBIT %</i>	<i>6.8%</i>	<i>9.2%</i>
Other Income / (expense)	(17)	(8)
Interest Income / (expense), net	(198)	(824)
Amortized (cost) on fair value of FCCB	(106)	-
Exchange gain / (loss) on Foreign currency loan	2	-
PBT	1,592	2,033
<i>PBT (% of total income)</i>	<i>5.7%</i>	<i>6.5%</i>
Taxes and Minority Interest	126	103
PAT	1,466	1,930
<i>PAT (% of total income)</i>	<i>5.2%</i>	<i>6.2%</i>



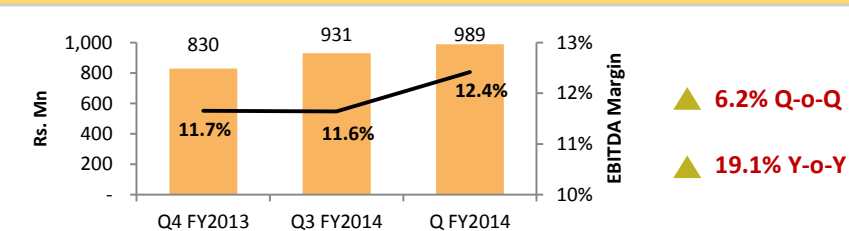
Financial Performance – Q4 FY2014

(IN INR Million)	Q4 FY 2013	Q3 FY 2014	Q4 FY 2014
Income from services	7,137	7,994	8,063
Other operating Income	(12)	4	(101)
Revenue from operations	7,125	7,998	7,962
Personnel and Operating Expense	6,295	7,066	6,973
Operating EBITDA	830	931	989
<i>Operating EBITDA %</i>	<i>11.7%</i>	<i>11.6%</i>	<i>12.4%</i>
Depreciation / amortization	218	190	181
Operating EBIT	613	742	808
<i>Operating EBIT %</i>	<i>8.6%</i>	<i>9.3%</i>	<i>10.1%</i>
Other Income / (expense)	(12)	(4)	(17)
Interest Income / (expense), net	(198)	(205)	(191)
PBT	403	532	600
<i>PBT (% of total income)</i>	<i>5.7%</i>	<i>6.7%</i>	<i>7.6%</i>
Taxes and Minority Interest	1	49	12
PAT	402	483	588
<i>PAT (% of total income)</i>	<i>5.6%</i>	<i>6.0%</i>	<i>7.4%</i>

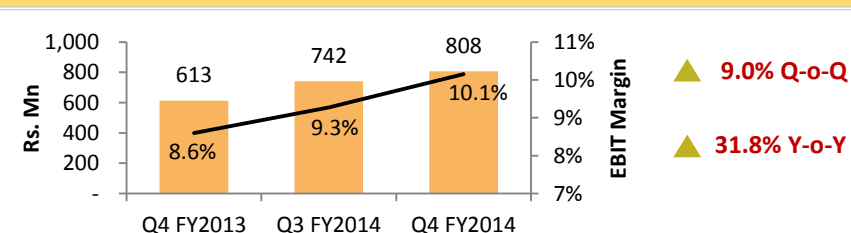
Revenue From Operations



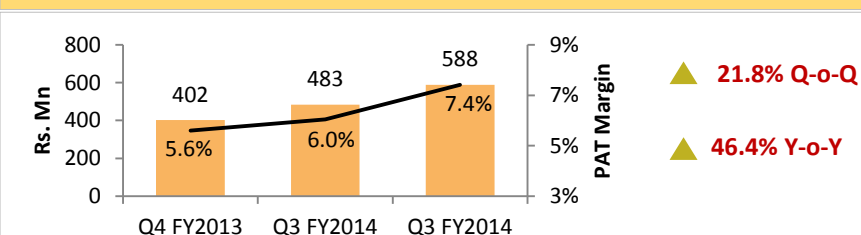
Operating EBITDA



Operating EBIT



PAT



Business Outlook

03

■ Moving into Q1 FY15

- Revenue will be softer than Q4 on account of seasonality fall off of the Collections business and prior period planned terminations of the low margin businesses/ client
- However Y-o-Y growth will be evident.
- Margins expansion in Q1 will be significant on Y-o-Y basis.

■ FY15

- **Revenue growth in our chosen segments, i.e. Customer Management and Healthcare**
 - Customer Management growth aided by increased business by existing customers
 - Healthcare segment continues to grow aided by introduction of new services in both Payor and Provider
 - BFSI Collections cautiously optimistic given inventory of debt placement has increased from \$1.8 bn in Q4FY13 to \$2.2 bn in Q4FY14
 - Pipeline build-up continues to be robust
- **Margin expansion between 150 to 200 basis points**
- **Repayment of debt to continue as per schedule**

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)