
FIRSTSOURCE SOLUTIONS LIMITED**DETAILS OF INDEPENDENT DIRECTORS' FAMILIARISATION PROGRAMME**

Firstsource Solutions Limited ("the Company") has put in place a system to familiarise its Independent Directors with the Company their roles, rights, responsibilities in the company, nature of the industry in which the company operates, business model of the company, etc.

At the Board Meeting held on November 14, 2014, a familiarisation programme was conducted for Mr. V. K. Sharma, newly appointed Independent Director. Further, at the Board Meeting held on February 9, 2015, a familiarisation programme was conducted for Ms. Grace Koshie, newly appointed woman Independent Director. Copy of presentation prepared for familiarisation programme is attached. In addition to this, all the Independent Directors are made aware of their roles and duties and Code for Independent Directors, Code of Conduct for Non Executive Directors and Code of Conduct for Prevention of Insider Trading as issued by the Company are also shared with them at the time of their appointment/ re-appointment.

Presentations are also made from time to time at the Board and its Committee meetings, on quarterly basis, covering the business & financial performance of the Company & its subsidiaries, quarterly/ annual financial results, revenue and capital budget, review of Internal Audit findings etc.

Firstsource Solutions Limited

Familiarisation Programme for Independent Directors

February, 2015

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01 | Overview

02 | Financial Summary

03 | Business Outlook

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Overview

History of Firstsource Solutions Limited

- Firstsource Solutions Limited (“the Company”) was incorporated on December 6, 2001 under the Companies Act, 1956 by the name ICICI Infotech Upstream Limited. Subsequently, the Company’s name was changed to ICICI OneSource Limited on April 2, 2002 and later changed to Firstsource Solutions Limited on November 21, 2006.
- The registered office of the Company is located at 5th Floor, Paradigm ‘B’ Wing, Mindspace, Link Road, Malad (West), Mumbai - 400 064, India.
- The Company is engaged in the business of providing business process outsourcing (BPO) services across banking and financial services, telecommunications, media and healthcare industries.

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Board of Directors of Firstsource Solutions Limited

<u>Name of the Director</u>	<u>Category</u>
Mr. Sanjiv Goenka, Chairman	NI- NED
Mr. Rajesh Subramaniam, Managing Director & CEO	ED
Dr. Shailesh J. Mehta	I-NED
Mr. Y. H. Malegam	I-NED
Mr. Charles Miller Smith	I-NED
Mr. Donald W. Layden Jr.	I-NED
Mr. V. K. Sharma	I-NED
Mr. Pradip Roy	I-NED
Ms. Grace Koshie	I-NED
Mr. Subrata Talukdar	NI-NED
Mr. Pradip Kumar Khaitan	NI-NED
Mr. Shashwat Goenka	NI-NED

I-NED: Independent - Non Executive Director; NI-NED: Non-Independent – Non Executive Director; ED: Executive Director

Board Committees and their functions

1. Audit Committee

Name of the Member
Mr. Y. H. Malegam, Chairman
Dr. Shailesh J. Mehta
Mr. Charles Miller Smith
Mr. Subrata Talukdar

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- **This Committee has now the following powers, role and terms of reference.**
 1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
 2. Recommending to the Board, the appointment, reappointment, terms of appointment and, if required, the replacement or removal of the statutory auditors, and the fixation of audit fees.
 3. Approval of payment to statutory auditors for any other non-audit services rendered by the statutory auditors.

Board Committees and their functions

4. Reviewing, with the management, the quarterly/ annual standalone and consolidated financial statements and auditors' report thereon, before submission to the Board for approval.
5. To mandatory review the following information:
 - (i) Management discussion and analysis of financial condition and results of operations
 - (ii) Statement of significant related party transactions (as defined by the Audit Committee), submitted by management
 - (iii) Management letters/ letters of internal control weaknesses issued by the statutory auditors
 - (iv) Internal audit reports relating to internal control weaknesses.
6. To review the functioning of the Whistle Blower/ Vigil mechanism.

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Board Committees and their functions

2. Nomination and Remuneration Committee

Name of the Member
Dr. Shailesh J. Mehta , Chairman
Mr. Y. H. Malegam
Mr. Charles Miller Smith
Mr. Subrata Talukdar

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- **This Committee has now the following powers, role and terms of reference.**
 1. To identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board their appointment and removal.
 2. To formulate the criteria for evaluation of Independent Directors and the Board and to carry out the evaluation of every Director's performance.

Board Committees and their functions

3. To recommend/ approve remuneration of Executive Directors and any increase therein from time to time, within the limit approved by the members of the Company.
4. To decide the overall compensation structure/ policy for the employees, senior management and Directors of the Company including ratio of fixed and performance pay, Performance parameters etc.
5. To approve rating of Company's performance for the purpose of payment of annual bonus/ performance incentive to employees and Executive Director(s) of the Company.
6. To recommend amendment to Employees Stock Option Scheme of the Company or to recommend any such new Scheme for approval of members of the Company.
7. To approve grant of stock options to Directors and employees of the Company.

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Board Committees and their functions

3. Stakeholders Relationship Committee

Name of the Member
Dr. Shailesh J. Mehta , Chairman
Mr. Y. H. Malegam
Mr. Rajesh Subramaniam

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- The Committee reviews Shareholder's/ Investors' complaints like non-allotment of shares under IPO, non-receipt/ short receipt of IPO refund, non receipt of Annual Report, physical transfer/ transmission/ transposition, split/ consolidation of share certificates, issue of duplicate share certificates etc. It also considers and resolves the grievance of all stakeholders of the Company including shareholders, debenture-holders, deposit-holders and other security holders, if any.

Board Committees and their functions

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4. Corporate Social Responsibility Committee

Name of the Member
Mr. Shashwat Goenka , Chairman
Mr. Rajesh Subramaniam
Mr. Pradip Roy
Mr. Subrata Talukdar

The Board had constituted Corporate Social Responsibility Committee on May 2, 2014 in terms of section 135 of the Companies Act, 2013.

The Committee shall have the following powers.

- a) To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013.
- b) To recommend the amount of expenditure to be incurred on the activities referred in clause (a) above and
- c) To monitor the Corporate Social Responsibility Policy of the Company from time to time.

Board Committees and their functions

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5. Other Committees of the Board

- **Financial Results Committee:** The Committee comprises of Mr. Y. H. Malegam, Chairman, Dr. Shailesh J. Mehta, Mr. Rajesh Subramaniam and Mr. Subrata Talukdar. It reviews and approves the quarterly financial statements.
- **Investment Committee:** The Committee comprises of Mr. Y. H. Malegam, Chairman, Mr. Rajesh Subramaniam and Mr. Subrata Talukdar. It reviews the investment decisions made by the Management, ensures adherence to the 'Investment Policy' of the Company and approves modifications to the Investment Policy as may be required from time to time.
- **Strategy Committee:** The Committee comprises of Dr. Shailesh J. Mehta, Mr. Rajesh Subramaniam, Mr. Donald W. Layden Jr., Mr. Shashwat Goenka and Mr. Subrata Talukdar. It deliberates on various strategic initiatives from time to time.

Policies/ Code applicable to the Directors

1. Code of conduct for Non-executive and Independent Directors Policy
2. Firstsource Solutions Code of Conduct for Prevention of Insider Trading
3. Code for Independent Directors
4. Whistle Blower Policy
5. Related Party transactions Policy

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Roles, responsibilities, duties and rights as a Directors

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- **Role and functions:**

The independent directors shall:

- (1) help in bringing an independent judgement to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct.
- (2) bring an objective view in the evaluation of the performance of board and management.
- (3) scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.
- (4) satisfy themselves on the integrity of financial information and that financial control and the systems of risk management are robust and defensible.
- (5) help in bringing an independent judgment to bear on

Roles, responsibilities, duties and rights as a Directors

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- (6) safeguard the interests of all stakeholders, particularly the minority shareholders.
- (7) balance the conflicting interest of the stakeholders.
- (8) determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive directors, key managerial personnel and senior management.
- (9) moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

Roles, responsibilities, duties and rights as a Directors

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- **Duties**

The independent directors shall:

- (1) undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
- (2) seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company;
- (3) strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
- (4) participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- (5) strive to attend the general meetings of the company;
- (6) where they have concerns about the running of the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting.
- (7) keep themselves well informed about the company and the external environment in which it operates.

Roles, responsibilities, duties and rights as a Directors

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- (8) not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board.
- (9) pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company.
- (10) ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use.
- (11) report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy.
- (12) acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees.
- (13) not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

Shareholding Pattern as on December 31, 2014

	Category	No. of Shareholders	%	No of Shares	%
1	Spn Liq Private Limited	1	0.00	373,976,673	56.23
2	Promoters Group Companies	-	0.00	-	0.00
3	Government Financial Institutions	-	0.00	-	0.00
4	Nationalised Banks	2	0.00	100,000	0.02
5	Other Banks	3	0.00	32,667,090	4.91
6	Foreign Institutional Investors(FIIs)	52	0.04	54,883,634	8.25
7	Overseas Bodies Corporates	-	0.00	-	0.00
8	Foreign Companies	-	0.00	-	0.00
9	Foreign Venture Capital Investors	-	0.00	-	0.00
10	Domestic Pvt Sector Insurance Companies	-	0.00	-	0.00

Shareholding Pattern as on December 31, 2014

	Category	No. of Share holders	%	No of Shares	%
11	Non-Resident	1,332	0.91	6,988,133	1.05
12	NRI- Repatriation-Director	1	0.00	725,000	0.11
13	Mutual Funds	13	0.01	15,662,681	2.35
14	Bodies Corporates	1597	1.09	27,775,115	4.18
15	Resident Indians	142,916	97.94	152,361,608	22.90
	Total	145,917	100.00	665,139,934	100.00

An Overview (1/2)

Leading Scale Player

- Ranked 7th among the “Top 10 BPO Companies 2013” by NASSCOM, India

Founded

- In December 2001 by ICICI Ltd.

Major Shareholders

- Spen Liq Private Limited (56.2%), Public and Others (43.8%)

Service Offerings

- Full range of business process management services across the customer life cycle delivered through transaction processing, CRM, collections and receivables mgmt.

Our client base includes 21 Fortune 500 and 9 FTSE 100 companies.

- Healthcare:** 5 of the top 10 Health insurance / managed care companies in the US and over 730+ hospitals in the US
- Telecom & Media:** 2 of the Top 10 U.S. telecom companies, 1 of the top 3 mobile service providers in the U.K., largest pay TV operator in the U.K., Leading European telecom service provider, largest pay TV operator in Australia, 3 of the Top 5 mobile service providers in India, Largest telecom company in Sri Lanka, 3 of the world’s largest trade publishers
- BFSI:** 6 of the top 10 U.S. banks, 2 of the leading consumer finance companies in the U.S., largest retail bank and mortgage lender in the U.K., 1 of the Top 3 motor issuers in the U.K, A leading Irish Bank, one of the top 5 private banks of India and a leading private life insurer

Clients

An Overview (2/2)

Client Revenue Contribution	Largest client – 24%, Top 5 clients – 44%
Employees / Seats (Dec 2014)	26,621 / 23,698
Best in Class Delivery	Multi-shore delivery model across four countries (India, US, UK , Philippines and Sri Lanka) with 47 delivery locations

Current Business Structure

	Healthcare		BFSI	T&M
	Payer	Provider		
Customer Management	✓		✓	✓
Collections		✓	✓	✓
Transaction Processing	✓	✓	✓	✓
Delivery Geos	US/India	US	US/India/UK/ Philippines	UK/India/ Philippines/ Sri Lanka

- Healthcare vertical focused primarily in the US market
- T&M vertical has clients in UK, India, Sri Lanka; has significantly scaled up its client base in US while continues to retain small presence in Australia
- BFSI vertical has clients in US, UK & India geographies in the Customer Management business, while BFSI Collections is focused on the US market

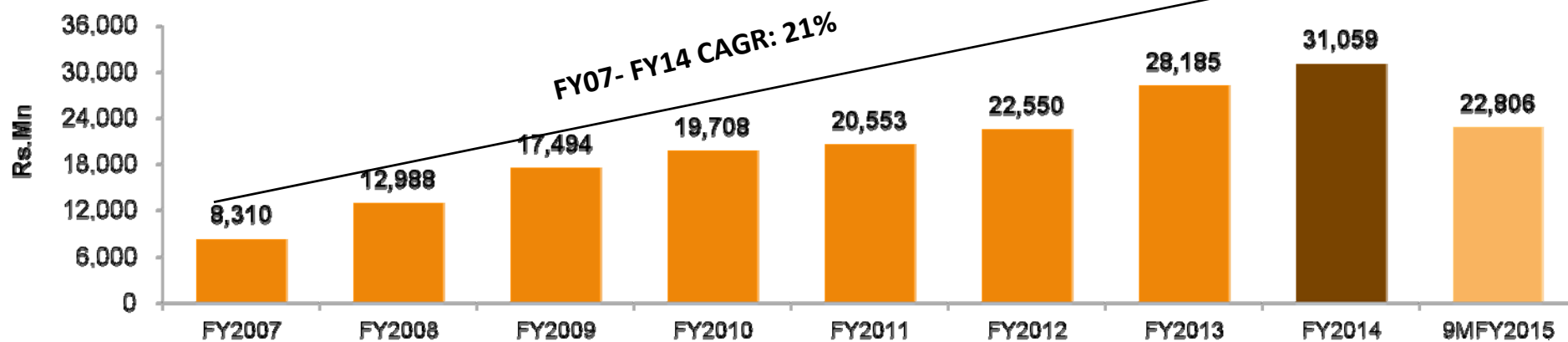
Financial Summary

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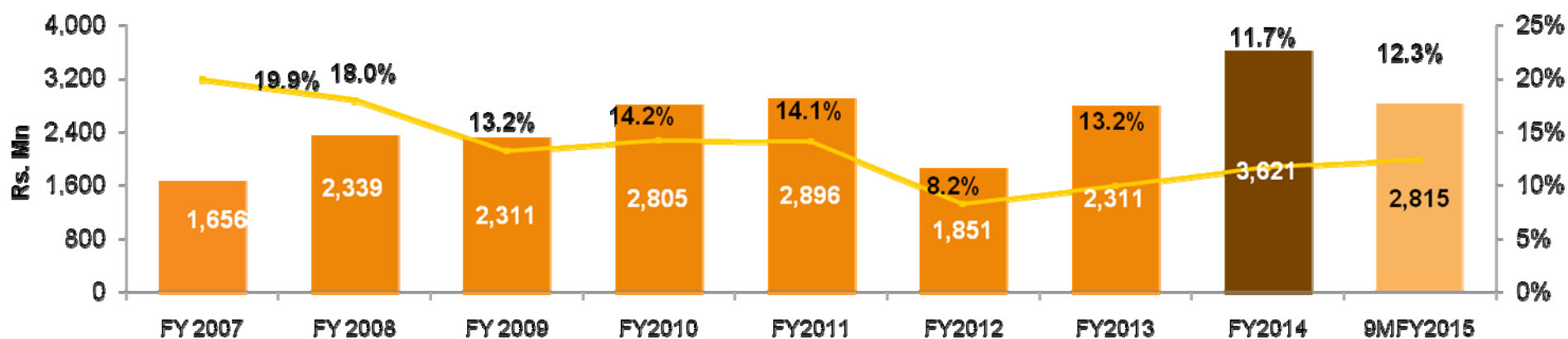
Financial Performance Highlights (1/2)



Operating Revenues



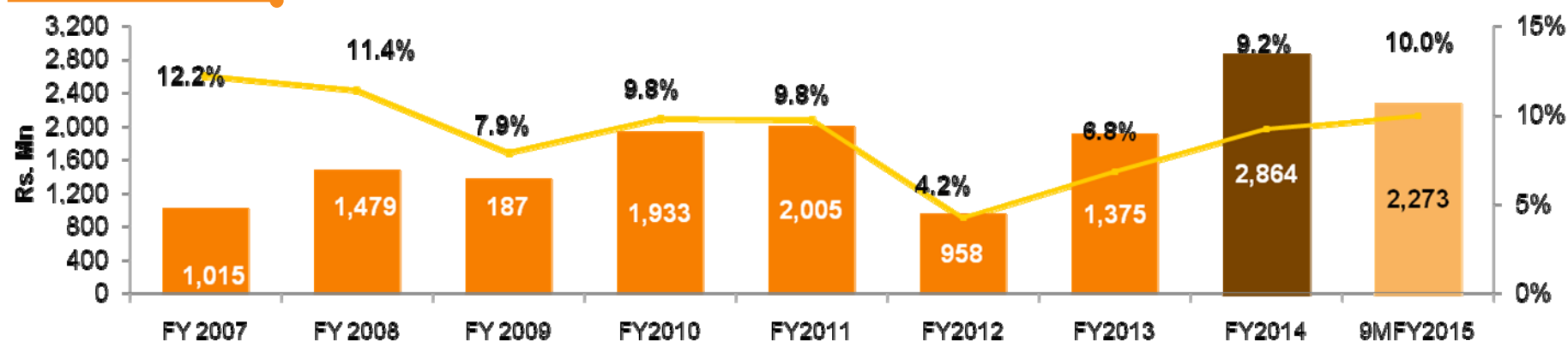
Operating EBITDA



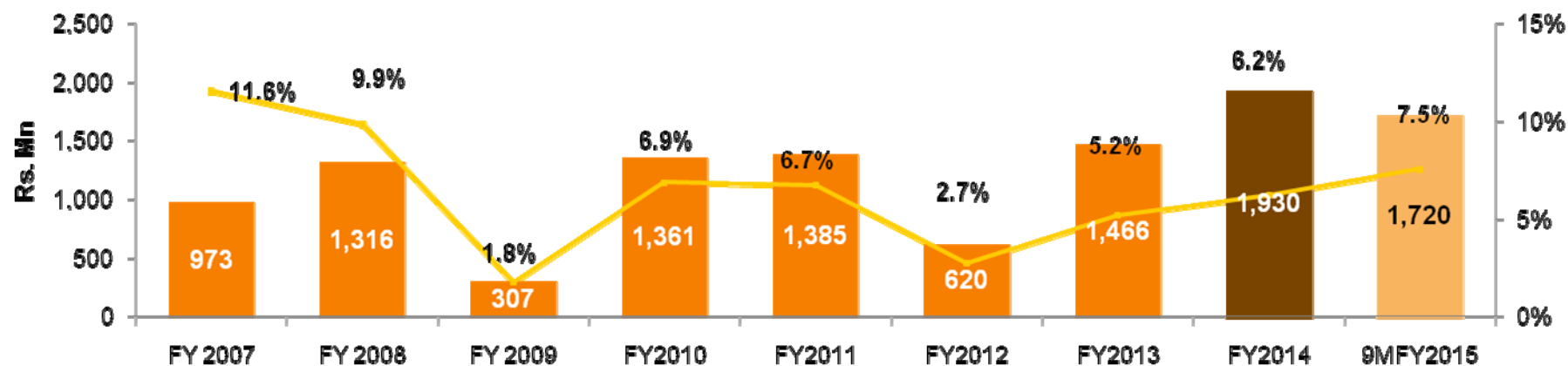
Financial Performance Highlights (2/2)



Operating EBIT



Profit After Tax (PAT) – Excluding exchange variation, amortisation and gain on FCCB



Financial Performance – Last Five Quarters

(In INR Million)	Q2 FY14	Q3 FY14	Q4 FY14	FY2014	Q1 FY15	Q2 FY15	Q3 FY15
Revenue from Services	7,979	7,994	8,063	31,270	7,619	7,698	7,373
Other operating Income	(71)	4	(101)	(211)	(63)	42	138
Revenue from operations	7,908	7,998	7,962	31,059	7,556	7,740	7,510
Personnel & Operating Expense	7,013	7,066	6,973	27,438	6,626	6,791	6,575
Operating EBITDA	895	931	989	3,621	930	949	936
Operating EBITDA %	11.3%	11.6%	12.4%	11.7%	12.3%	12.3%	12.5%
Depreciation / amortization	205	190	181	757	175	17fa7	189
Operating EBIT	691	742	808	2,864	755	771	746
Operating EBIT %	8.7%	9.3%	10.1%	9.2%	10.0%	10.0%	9.9%
Other Income / (expense)	9	(4)	(17)	(8)	(17)	40	(5)
Interest Income / (expense), net	(229)	(205)	(191)	(824)	(177)	(174)	(143)
PBT	471	532	600	2,033	561	638	598
PBT (% of total income)	5.9%	6.7%	7.6%	6.5%	7.4%	8.2%	8.0%
Taxes and Minority Interest	23	49	12	103	29	26	23
PAT	448	483	588	1,930	532	612	575
PAT (% of total income)	5.7%	6.0%	7.4%	6.2%	7.0%	7.9%	7.7%
Reported Basic EPS (Rs.)	0.68	0.73	0.89	2.93	0.81	0.93	0.87
Reported Diluted EPS (Rs.)	0.67	0.71	0.86	2.82	0.77	0.87	0.81

Q3 FY2015 Highlights (1/2)

Q3 FY2015 Performance Analysis

•Operating revenue

- Q3 FY15 Revenues at INR 7,510 million compared to INR 7,998 million in Q3 FY14 and INR 7,740 million in Q2 FY15
- Q-o-Q de-growth of 3.0% in INR terms and de-growth 1.8% in constant currency terms
- Y-o-Y de-growth of 6.1% in INR terms and de-growth 5.9% in constant currency terms

•Operating EBIT

- Q3 FY15 operating EBIT at INR 746 million compared to INR 742 million in Q3 FY14 and INR 771 million in Q2 FY15
- Q-o-Q de-growth of 3.3% while margins flat QoQ
- Y-o-Y growth of 0.6%, margin expansion by 60 bps from 9.3% to 9.9%

•PAT

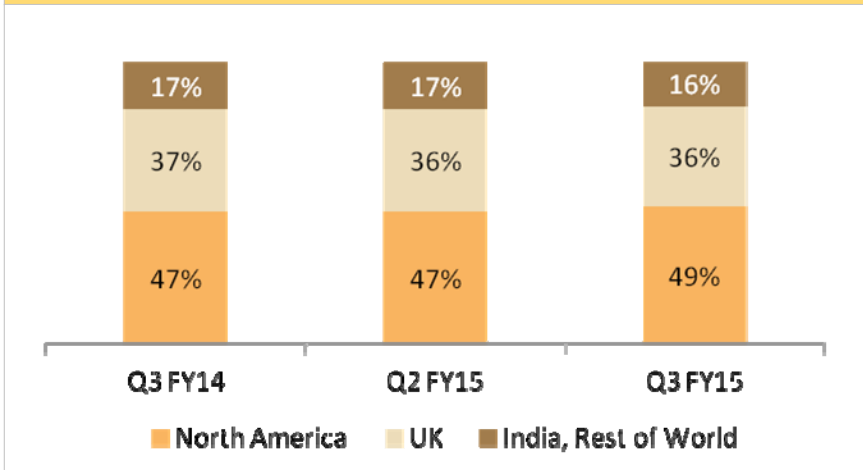
- Q3 FY15 PAT at INR 575 million compared to INR 483 million in Q3 FY14 and INR 612 million in Q2 FY15
- Q-o-Q de-growth of 6.1%, margin contraction by 20 bps from 7.9% to 7.7%
- Y-o-Y growth of 19.0%, margin expansion by 170 bps, from 6.0% to 7.7%



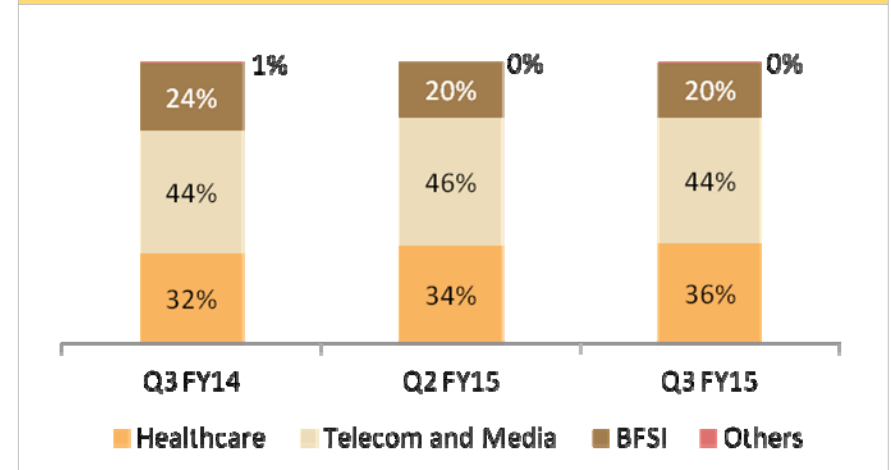
Q3 FY2015 Highlights (2/2)



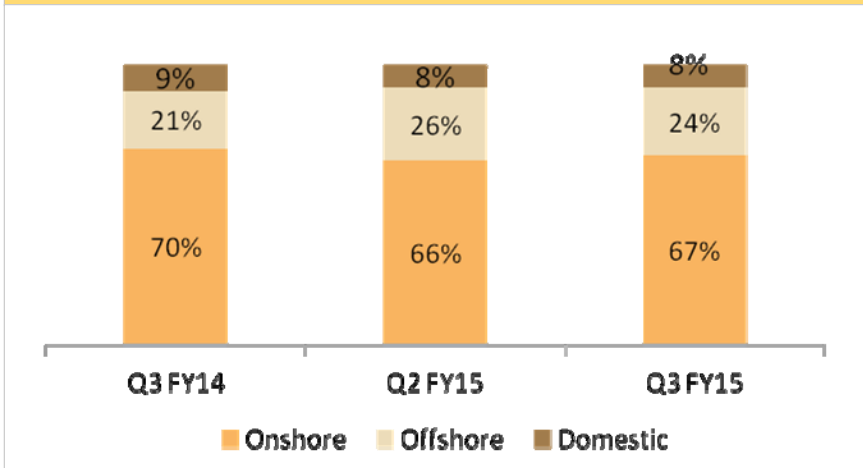
Revenue By Geography



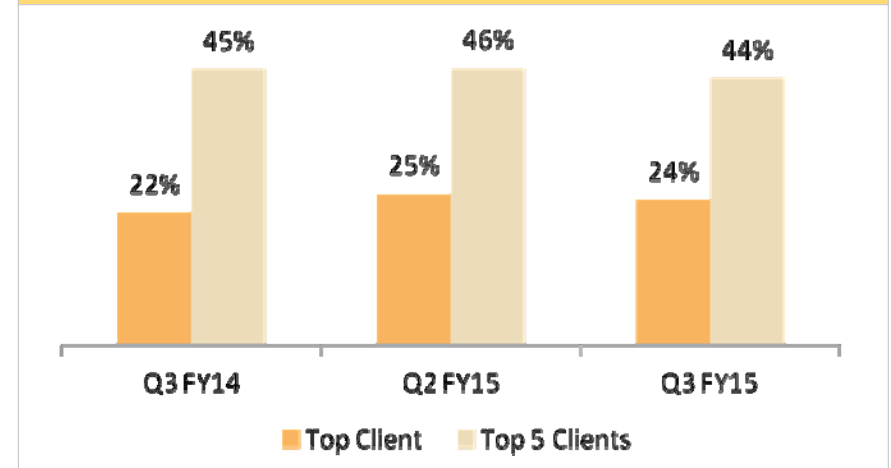
Revenue By Verticals



Revenue By Delivery Location



Revenue By Client Concentration



Consolidated Balance Sheet



INR million	March 2014	December 2014
Equity And Liabilities		
Share Capital	6,597	6,660
Reserves & Surplus	14,317	17,229
Minority Interest	15	18
Long-term borrowings	6,642	4,882
Other non-current liabilities	718	629
Current liabilities	8,606	9,066
Total	36,895	38,484
Assets		
Goodwill on consolidation	25,940	27,253
Fixed assets	1,368	1,223
Other non-current assets	2,105	2,310
Current investments	26	27
Cash and cash equivalents	1,863	1,373
Other current assets	5,592	6,298
Total	36,895	38,484

Business Outlook

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Business Outlook

- Demand environment continues to be robust, with strong pipeline build-up across Healthcare and Customer Management
- Q4 will be sequentially strong quarter due to seasonality in collections business and revenue realisation of wins from earlier quarters
- FY15 revenue growth muted on account of :
 - Delays in go-live due to several factors
 - Full quarter impact of the earlier reported loss of the Irish telecom client
 - Delays in decision making leading to longer than anticipated sales cycle
- Growth momentum from Q4 to continue into FY16, visibility of 7 – 8% growth currently, with upward bias
- Margins will continue to expand, and will achieve 100 – 120 bps for the full fiscal
- Debt repayment continues as per plan

THANK YOU

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