

# **Firstsource Solutions Limited**

**Q1 FY 2007-08 Earnings Update**

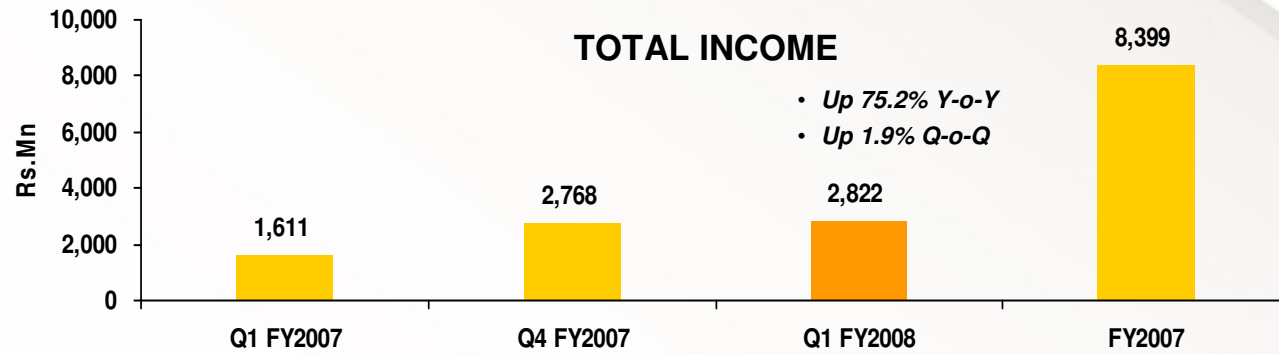


## **Disclaimer**

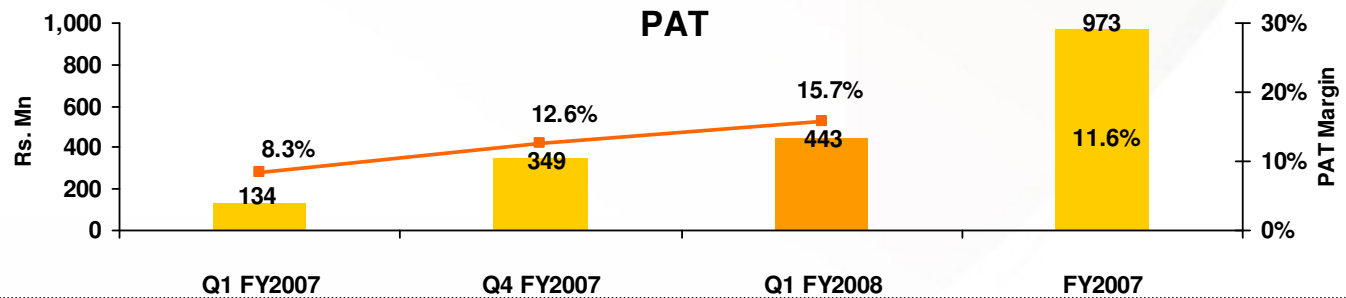
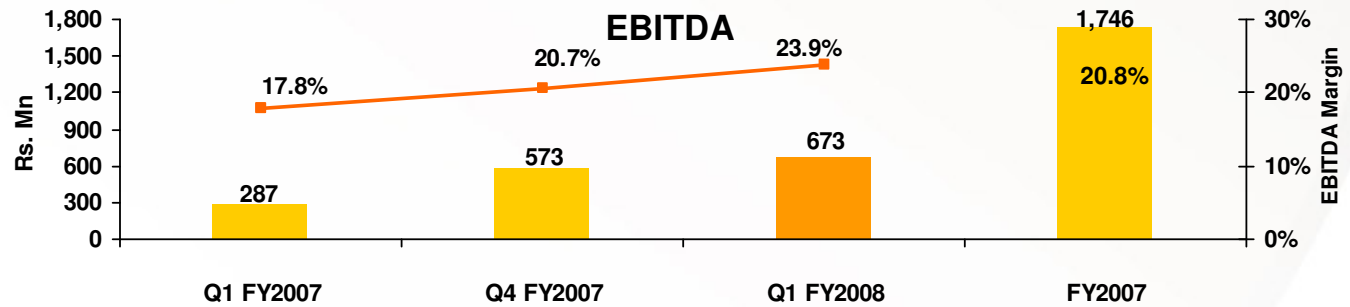
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Certain statements in this presentation concerning our future growth prospects are forward-looking statements, which involve a number of risks, and uncertainties that could cause actual results to differ materially from those in such forward-looking 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 fixed-price, fixed-time frame 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.

# Performance overview



**Strong revenue and profitability growth**



## Financial summary - Q1 FY 2008

Particulars (In Rs. Million)			
	June 30, 2007	March 31, 2007	June 30, 2006
<b>INCOME</b>			
Income from services	2,536.9	2,683.8	1,608.7
Other Operating Income	163.3	63.2	-
<b>REVENUES FROM OPERATIONS</b>	<b>2,700.2</b>	<b>2,747.0</b>	<b>1,608.7</b>
Other Income	121.4	20.9	1.8
<b>TOTAL INCOME</b>	<b>2,821.5</b>	<b>2,768.0</b>	<b>1,610.5</b>
Personnel & Operating Exps	2,148.3	2,194.9	1,323.5
<b>EBITDA</b>	<b>673.2</b>	<b>573.1</b>	<b>286.9</b>
<b>EBITDA (% OF TOTAL INCOME)</b>	<b>23.9%</b>	<b>20.7%</b>	<b>17.8%</b>
Depreciation / amortization	188.9	199.9	131.2
<b>EBIT</b>	<b>484.3</b>	<b>373.1</b>	<b>155.7</b>
<b>EBIT (% OF TOTAL INCOME)</b>	<b>17.2%</b>	<b>13.5%</b>	<b>9.7%</b>
Interest expense, net	(19.8)	16.3	17.6
<b>PBT</b>	<b>504.0</b>	<b>356.8</b>	<b>138.2</b>
<b>PBT (% OF TOTAL INCOME)</b>	<b>17.9%</b>	<b>12.9%</b>	<b>8.6%</b>
Taxes	61.9	8.4	5.6
<b>PAT (Before Minority Interest)</b>	<b>442.2</b>	<b>348.4</b>	<b>132.6</b>
Minority Interest	(0.9)	(0.8)	(1.0)
<b>PAT</b>	<b>443.1</b>	<b>349.1</b>	<b>133.6</b>
<b>PAT (% OF TOTAL INCOME)</b>	<b>15.7%</b>	<b>12.6%</b>	<b>8.3%</b>

Particulars (In Rs. Million)			
	June 30, 2007	March 31, 2007	June 30, 2006
<b>EBITDA (excluding other income)</b>	<b>551.8</b>	<b>552.2</b>	<b>285.2</b>
<b>EBITDA (% of revenue from operations)</b>	<b>20.4%</b>	<b>20.1%</b>	<b>17.7%</b>
<b>EBIT (excluding other income)</b>	<b>362.9</b>	<b>352.2</b>	<b>153.9</b>
<b>EBIT (% of revenue from operations)</b>	<b>13.4%</b>	<b>12.8%</b>	<b>9.6%</b>
<b>Effective Tax Rate</b>	<b>12.3%</b>	<b>2.4%</b>	<b>4.0%</b>
<b>Diluted EPS (In Rs.)</b>	<b>0.99</b>	<b>0.85</b>	<b>0.37</b>

## **Highlights (1/3)**

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- **Strong financial Performance**

- Total Income at Rs 2821.5 million, up 75.2% Y-o-Y, 1.9% Q-o-Q
- EBITDA at Rs 673.2 million up 134.6% Y-o-Y, 17.5% Q-o-Q
- PAT at Rs 443.1 million up 231.8% Y-o-Y, 26.9% Q-o-Q

- **Revenue growth despite seasonality and exchange rate challenges**

- Hutch ramp transitioned to full scale operations

- **Margin expansion driven by continuing benefits from operating leverages**

- Service delivery leverage
- SG&A leverage
- Depreciation leverage

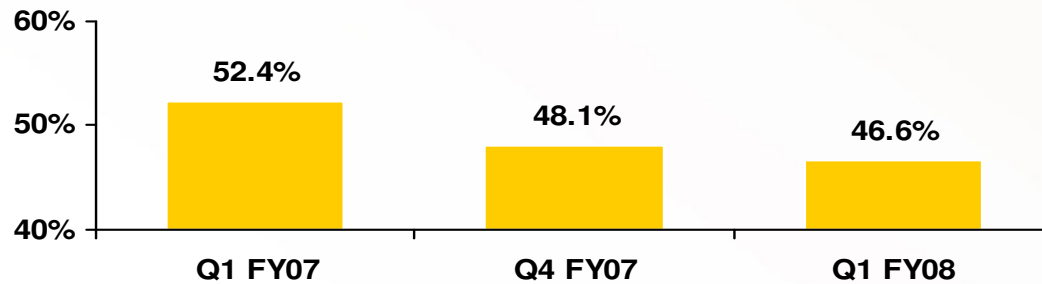
- **Diversity in business and active hedging has overall improved PAT**

- Diversity in revenues helps de-risk Fx impact; India business constituting 10.9% for the quarter
- Proactive hedging strategy largely offsets rupee appreciation impact. Forex covers of Rs 3,044 million as at June end

## Highlights (2/3)

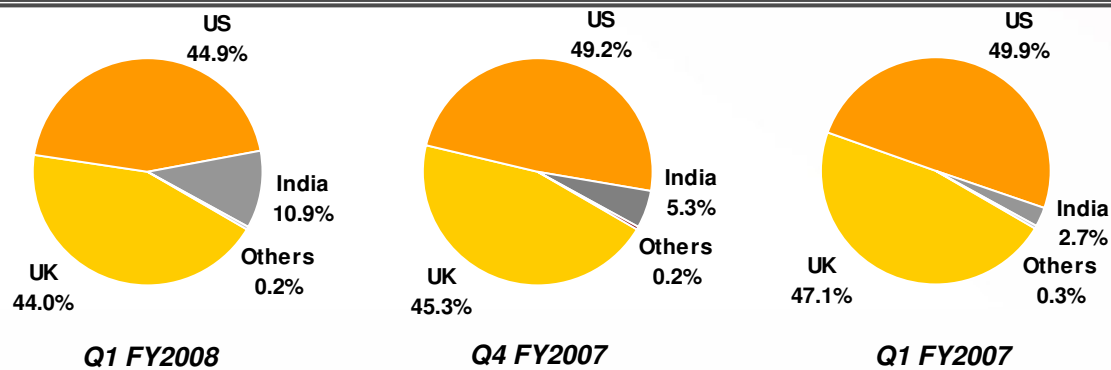
### Declining client concentration

#### Revenue from top five clients

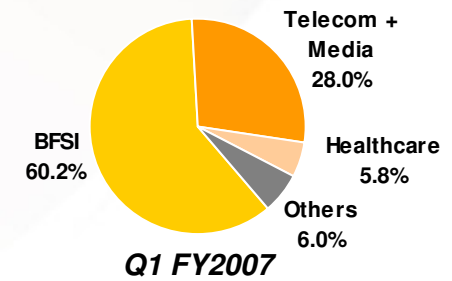
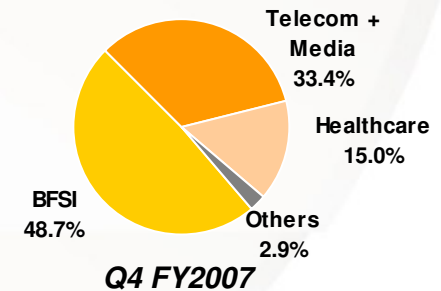
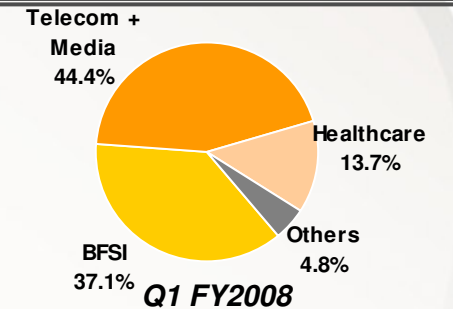


Largest client contributed 18.5% of income from services in Q1 FY2008

### Broad based geographical revenues



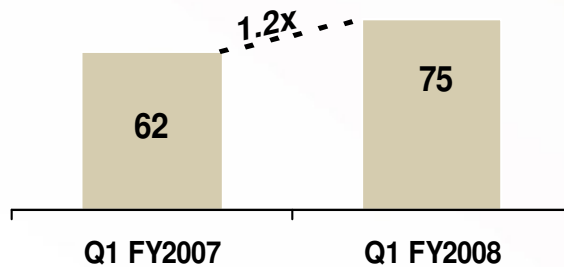
### Focus on large verticals



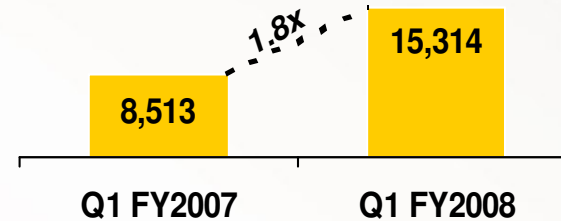
Note: Revenues considered above are Income from services

## Highlights (3/3)

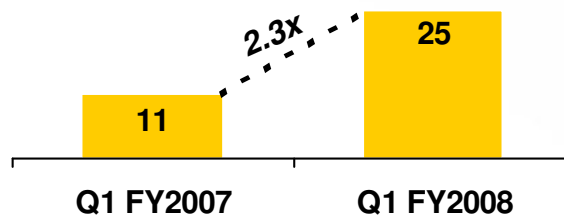
### Clients



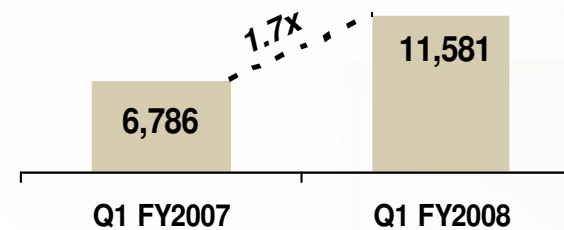
### Employees



### Centers



### Seats



## **Key challenges**

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- **Currency appreciation**

- U.S. Dollar depreciation is a concern
  - New contracts in USD being priced in line to protect margins
  - Guidance of 50% revenue growth in rupee terms holds good in current environment

- **Attrition**

- 51% compared to 42%
  - Increase is due to handling the large ramp of Hutch
  - Expect to trend downwards in Q2 as operations stabilize



## THANK YOU

Firstsource (NSE: FSL.NS, BSE: FSL.BO) is among India's leading pure-play BPO (business process outsourcing) service providers. Firstsource provides customized business process transformation to global leaders in the Banking & Financial Services, Telecom & Media and Healthcare sectors. It's 75 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 a center under development in Philippines ([www.firstsource.com](http://www.firstsource.com)).

