Firstsource Solutions Limited

Q1 FY2010 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

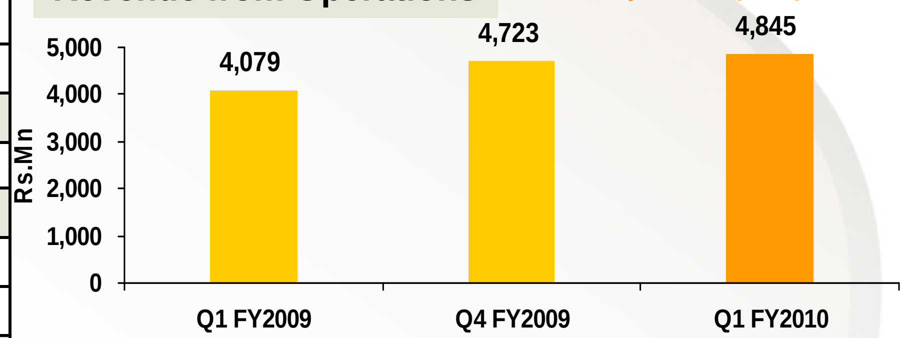
- **Q1 FY2010 - Financial Performance**
- **Business Outlook**

Financial Performance – Q1 FY2010

(IN INR Million)	Q1 FY 2009	Q4 FY 2009	Q1 FY 2010
Income from services	4,016	4,746	4,807
Other operating Income	63	(23)	37
Revenue from operations	**4,079**	**4,723**	**4,845**
Personnel & Operating Expense	3,474	4,117	4,148
Operating EBITDA	**605**	**606**	**696**
Operating EBITDA %	***14.8%***	***12.8%***	***14.4%***
Depreciation / amortization	223	246	227
Operating EBIT	**382**	**360**	**469**
Operating EBIT %	***9.4%***	***7.6%***	***9.7%***
Other Income / (expense)	17	(297)	118
Interest Income / (expense), net	(16)	(86)	(44)
Gain/(loss) due to exchange var. and amortized (cost) on fair value of FCCB	(802)	(33)	(29)
Exchange gain/ (loss) on Foreign currency loan	(7)	(13)	(56)
Extraordinary (expenses)	-	(138)	(84)
Gain on FCCB Buy back	-	635	74
PBT	**(426)**	**428**	**448**
PBT (% of total income)	***-10.4%***	***9.7%***	***9.0%***
Taxes	74	19	65
Minority Interest	0	(0)	3
PAT	**(501)**	**409**	**380**
PAT (% of total income)	***-12.2%***	***9.2%***	***7.7%***
Reported Diluted EPS (Rs.)	**(1.17)**	**0.95**	**0.78**

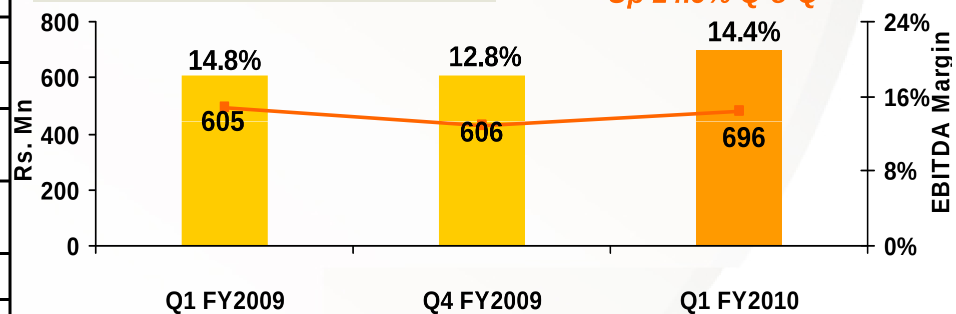
Revenue from Operations

- *Up 18.8% Y-o-Y*
- *Up 2.6% Q-o-Q*



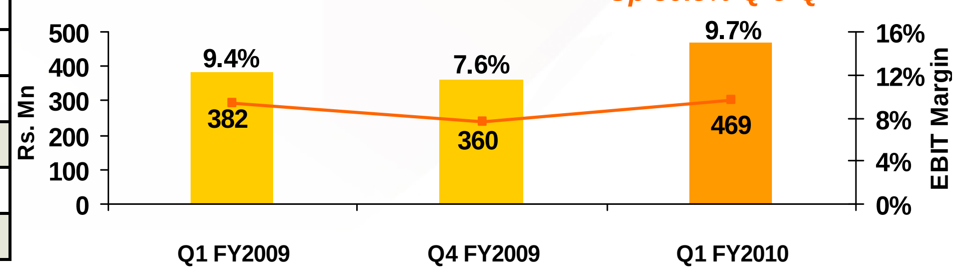
Operating EBITDA

- *Up 15.1% Y-o-Y*
- *Up 14.9% Q-o-Q*



Operating EBIT

- *Up 22.9% Y-o-Y*
- *Up 30.5% Q-o-Q*



Q1 FY2010 Highlights (1/4)

Q1 FY2010 Performance Analysis

- **Operating Revenue growth**
  - Q-o-Q growth of 2.6% in INR terms and 4.6% growth in USD terms (excluding cross currency movements growth is 3.1%)
  - Y-o-Y growth of 18.8% in INR terms and 8.9% growth in constant currency terms (excluding cross currency movements)
- **Operating EBIT**
  - While Q1FY10 forecast was for a lower profitability compared to Q4 FY09, actual operating EBIT margin came in higher by 210 bps largely on account of :
    - Strong performance from Healthcare vertical due to catch up in payment delays and larger approval of high dollar claims
    - Higher contribution from Telecom & Media and BFSI on the back of improvement in productivity and efficiencies
    - Impact of business seasonality in Q1 in the BFSI collections business not as pronounced and also mitigated by improved productivity
    - Favorable exchange rate
- **Extraordinary Items**
  - Rs. 118 million of other income, largely on account of gains on cancellation of undesignated hedges
  - Onetime expenses of Rs. 84 million related to movement of an existing program from Argentina to Philippines
  - Gain of Rs. 74 million on buy back of $12.9 million face value, net of foreign exchange impact

FCCB Buyback

- **Bought back USD 12.9 million face value of FCCBs during Q1 FY10**
- **Outstanding FCCBs is now at USD 212.4 million compared to original issue of USD 275 million**

Q1 FY2010 Highlights (2/4)

Clients

- **Stable relationships with existing clients**
  - Volumes from top 10 clients have remained largely stable

Foreign Exchange Hedges

- **Outstanding FX hedges at $41 million and £38 million for USD and GBP respectively**
  - **FY10 -** 100% USD coverage at Rs. 45 levels and 85% GBP coverage at Rs. 80 levels
  - **FY11** - 100% USD coverage at Rs. 46 levels and 35% GBP coverage at Rs. 80 levels

Employee Strength

- **23,355 employees as on June 30, 2009**
  - 18,416 employees based in India and 4,939 employees based outside of India
  - Net addition of 1,785 employees in Q1 FY10 compared to net reduction of 950 employees in Q4 FY09 and net addition of 984 in Q1 FY09
    - 1,557 employees added in India, 228 outside India

Attrition

- **Q1 FY10 annualized attrition (post 180 days)**
  - Offshore (India, Argentina and Philippines) – 31.3% compared to 35.8% in Q4 FY09
  - Onshore (US and UK) – 33.0% compared to 38.4% in Q4FY09
  - Domestic – 86.6% compared to 74.1% in Q4FY09

Q1 FY2010 Highlights (3/4)

Seat Capacity and Utilization

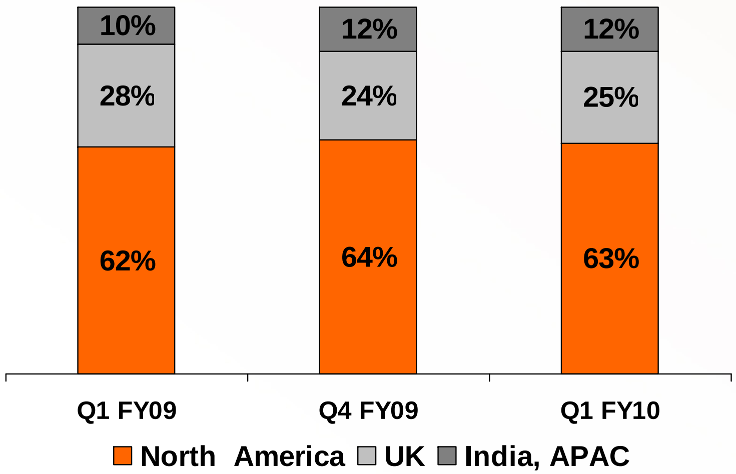
- **Seat capacity of 19,587 seats worldwide**
  - Added a new delivery center in Bhopal, India
  - Seat fill factor at 73% as on June 30, 2009 compared to 70% as on March 31, 2009
    - Average seat fill factor for Q1 FY10 at 72%

Significant awards and recognition

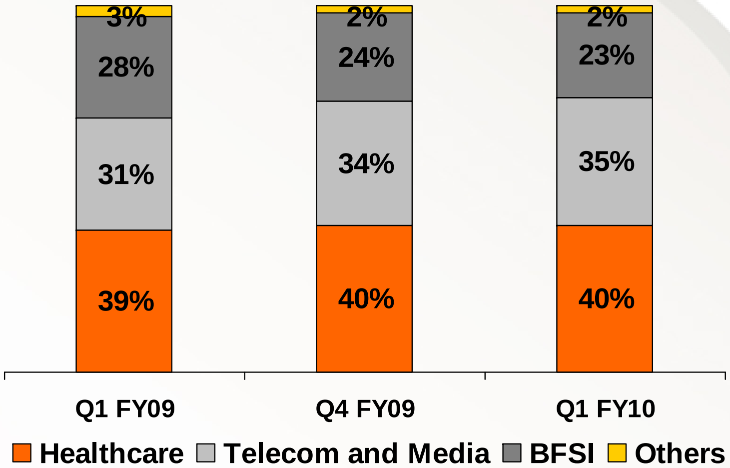
- **Recognized as one of the top 100 companies in the world by *CIO* magazine for innovative use of IT**

Q1 FY2010 Highlights (4/4)

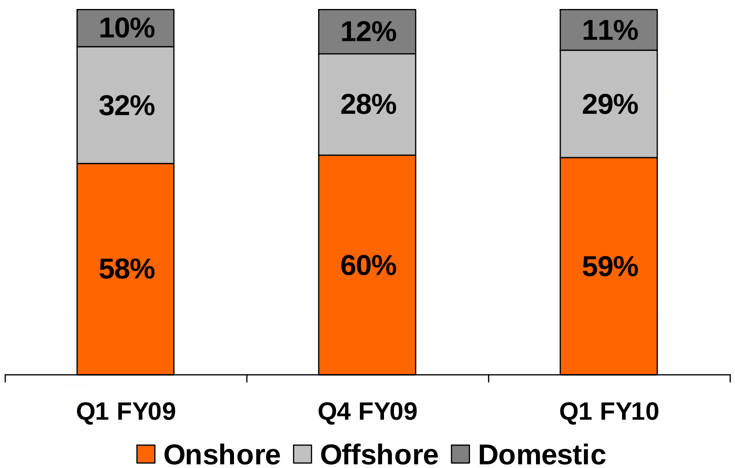
By Geography



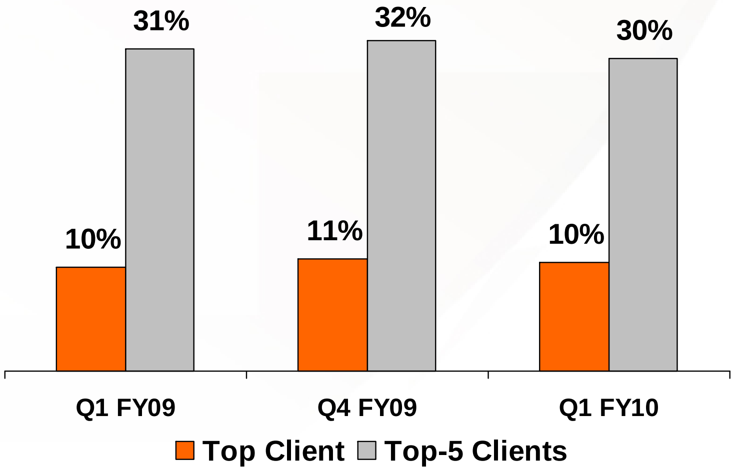
By Verticals



By Delivery Location



Client Concentration



Agenda

- **Q1 FY2010 - Financial Performance**
- **Business Outlook**

Healthcare

Headed by	Market geography	Key segments	Revenue contribution	Employees	Capacity and Utilization	Delivery geography
 President, Healthcare/ CEO, North America Mike Shea		 Payer  Provider	**41%** of income from services (Q1 FY10)	**2,813** as on June 30, 2009	**3,130 Seats** as on June 30, 2009 **81% Seat fill factor**	 

Industry trends

- **Economic recession and an increasing unemployment rate provide imperative for sustained change to US health care system**
    - Congressional lawmakers continue to work toward finalizing reform legislation in advance of August recess
    - The Obama Administration has renewed calls for enacting health care reform in 2009
- **Increased reliance on Federal and State programs for payment (e.g. Medicare and Medicaid) resulting in revenue shifts and protracted payment cycles**
- **Rising unemployment continues to fuel an increase in the uninsured; for hospitals, some volume shifts are occurring as patients opt to defer needed healthcare**

Business outlook

- **Eligibility services and receivable management to be impacted favorably in the short & intermediate term as increased enrollment and cash acceleration needs persist**
- **Reductions in employer-sponsored healthcare coverage result in lower claims processing volume in payer segment**
- **Provider margin pressures, and increased complexities related to the response to reform, suggest significant business opportunities**
- **Positioned well to respond to reform given core competencies in payer and provider segments**
- **Positive growth and performance continues, in spite of challenging external environment**

Expect moderately higher growth in FY10 compared to FY09

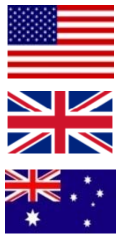
Telecommunications & Media

Headed by

President, BFSI & T&M/ MD, Europe
Matthew Vallance

EVP T&M
Santanu Nandi

Market geography



Key segments

DTH /Satellite Television

Wireless and Mobile

Broadband / Narrowband

Fixed line

Revenue contribution

24% of income from services (Q1 FY10)

Employees

5,589 as on June 30, 2009

Capacity and Utilization

4,223 Seats as on June 30, 2009

71% Seat fill factor

Delivery geography

Industry trends

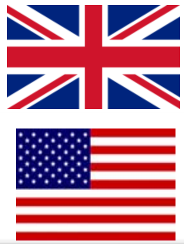
- **Mobile / Wireless**
  - Increase in smart-phone usage & mobile broadband
  - Continuing focus on consolidation and cost- cutting
- **Broadband / High speed internet**
  - M&A in the UK
  - Subdued UK housing market impacting churn
- **Fixed / Wireline**
  - Economy is affecting enterprise & residential markets
  - Some amount of consolidation in North America
- **DTH / Pay TV**
  - Bundled packages / triple play continuing to gain consumer acceptance
  - Customer usage of complex technologies such as PVR/ DVR (Personal or Digital Video Recorder) , VoD (Video on Demand) and HD TV increasing

Business outlook

- **Mobile / Wireless**
  - Seeing increases in technical support demand
  - Need for commercial flexibility
- **Broadband / High speed internet**
  - Potential growth opportunities arising from M&A activity in the industry as Firstsource works for the leading players in UK
- **Fixed / Wireline**
  - Revenues from this segment might see a marginal decline
- **DTH / Pay TV**
  - Volumes showing positive trend as Firstsource expects to be a net beneficiary of triple-play
  - Key Firstsource client is both the market leader and an innovator in these technologies – positive volume trends

Expect to have positive growth in FY10

BFSI

Headed by	Market geography	Key segments	Revenue contribution	Employees	Capacity and Utilization	Delivery geography
 President, BFSI & T&M/ MD, Europe Matthew Vallance  EVP BFSI Sanjeev Sinha		 Credit Cards  Retail Banking  Mortgage  General and Life Insurance	**23%** of income from services (Q1 FY10)	**3,310** as on June 30, 2009	**3,138 Seats** as on June 30, 2009 **78% Seat fill factor**	

Industry trends

- **Credit cards**
  - Collections work seeing stable liquidation rates and volume increases
  - Credit Card Accountability Responsibility and Disclosure Act of 2009 will create revenue and margin pressure on the industry
- **Retail banking**
  - Large-scale restructuring, political and regulatory pressure due to government ownership
- **Mortgages**
  - Gross mortgage lending continues to remain low, but is not falling Q-o-Q
- **General insurance**
  - Aggregators / price comparison sites continue to gain market-share due to tough economic environment

Business outlook

- **Credit cards**
  - Better than expected performance
  - Working with clients to mitigate impact of Act while exploring opportunities to grow business
- **Retail banking**
  - No scale offshoring opportunities, potential for innovative onshore outsourcing deals being explored
- **Mortgages**
  - Origination and servicing volumes continue to be subdued
- **General insurance**
  - Working for a direct insurer + owner of Top 3 UK price comparison site shields us better

Expect to see flat to slightly negative growth in FY10

Asia Business Unit (ABU)

Headed by

EVP, Asia BU
Chandra Iyer

Market geography

Key segments

BFSI

Telecom & Media

Revenue contribution

11% of income from services (Q1 FY10)

Employees

11,161 as on June 30, 2009

Capacity and Utilization

8,546 Seats as on June 30, 2009

68% Seat fill factor

Delivery geography

Industry trends

- **Telecom & Media**
  - Established players increasing presence in new circles
  - New players entering market
  - Higher subscriber acquisition in rural areas is impacting ARPUs
  - Existing clients looking at end to end solutions with variable pricing models
  - Upcoming new services / features like 3G and mobile number portability presents interesting opportunities
- **BFSI**
  - Private banks not yet open to major discussions
  - Insurance Market beginning to open up

Business outlook

- Telecom & Media continues to be primary growth driver, BFSI is still in initial stages of opening up
- Existing customers and new entrants in telecom & media sector present growth opportunities at circle and pan India level
- Continue to assess new areas of opportunities (New telecom players, 3G, number portability etc.)
- Fine tuning existing delivery model to support low cost delivery expected from clients towards reducing overall costs

Expect ABU to continue strong positive growth

Business Outlook

- **Signs of stabilization**
  - Economic conditions in our key markets of US & UK have shown signs of stabilization but significant uncertainty still remains on time of actual recovery
- **Maintain outlook of overall positive revenue growth and improved profitability in FY10 compared to FY09**
  - Expect some quarter on quarter volatility to continue due to higher than normal volume fluctuations on account of the economic environment and ramp costs in certain parts of the business
- **Moving into Q2 FY10**
  - BFSI, Healthcare and ABU will have cost of growth in Q2
    - Expanding BFSI delivery in US and Manila, ramp in Healthcare provider business and some ramps in ABU for existing clients
  - Healthcare delayed payment catch up in Q1 will not recur
  - Expect to see flat to slightly negative revenue growth and lower profitability in Q2 on account of these factors
- **Remain optimistic on medium term prospects of BPO business and is directionally on track to achieve steady state performance levels**

THANK YOU

Firstsource (NSE: FSL, BSE: 532809, Reuters: FISO.BO, Bloomberg: FSOL@IN) is a global provider of BPO (business process outsourcing) services headquartered in India. Firstsource provides customized business process management to global leaders in the Banking & Financial Services, Telecom & Media and Healthcare sectors. Its clients include Fortune 500 Financial Services, Telecommunications and Healthcare companies. Firstsource has a global delivery model with operations in India, US, UK, Argentina and Philippines. (www.firstsource.com)