Firstsource Solutions Limited

Q2 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

- Q2 FY2010 - Financial Performance
- Business Outlook

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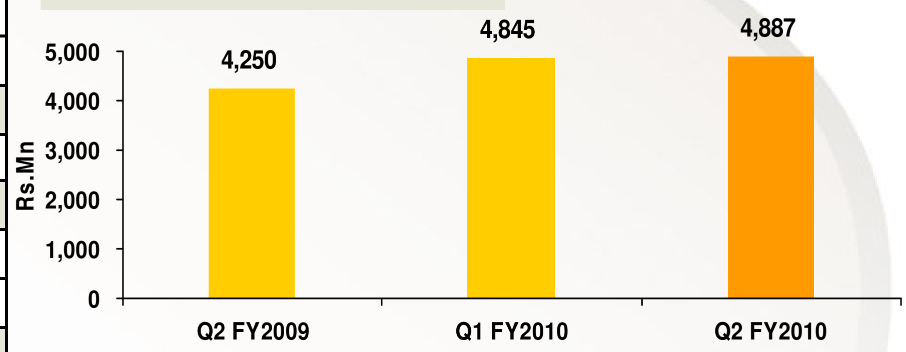
Financial Performance – Q2 FY2010

(IN INR Million)	Q2 FY 2009	Q1 FY 2010	Q2 FY 2010
Income from services	4,290	4,807	4,884
Other operating Income	(40)	37	3
Revenue from operations	**4,250**	**4,845**	**4,887**
Personnel & Operating Expense	3,605	4,148	4,173
Operating EBITDA	**645**	**696**	**715**
Operating EBITDA %	**15.2%**	**14.4%**	**14.6%**
Depreciation / amortization	212	227	226
Operating EBIT	**433**	**469**	**488**
Operating EBIT %	**10.2%**	**9.7%**	**10.0%**
Other Income / (expense)	(45)	118	(12)
Interest Income / (expense), net	(7)	(44)	(55)
Gain/(loss) due to exchange var. and amortized (cost) on fair value of FCCB	(28)	(29)	(28)
Exchange gain/ (loss) on Foreign currency loan	2	(56)	(43)
Extraordinary (expenses)	-	(84)	-
Gain on FCCB Buy back	-	74	-
PBT	**355**	**448**	**350**
PBT (% of total income)	***8.4%***	***9.0%***	***7.2%***
Taxes	73	65	58
Minority Interest	(1)	3	1
PAT	**283**	**380**	**291**
PAT (% of total income)	***6.7%***	***7.7%***	***6.0%***
Reported Diluted EPS (Rs.)	**0.61**	**0.78**	**0.61**

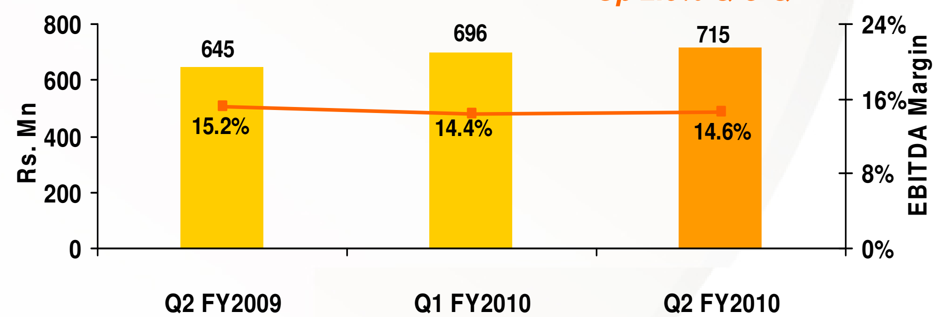
- *Up 15.0% Y-o-Y*
- *Up 0.9% Q-o-Q*

Revenue from Operations



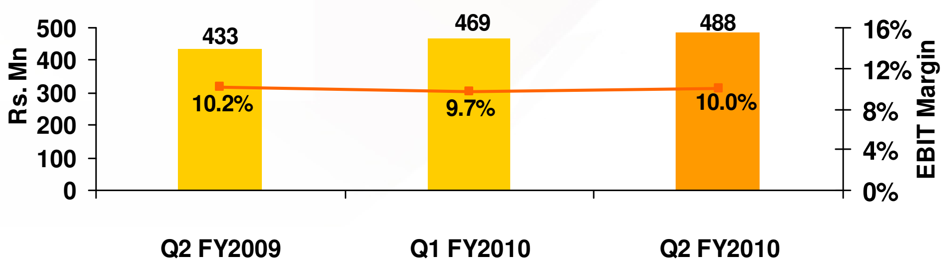
- *Up 10.9% Y-o-Y*
- *Up 2.6% Q-o-Q*

Operating EBITDA



- *Up 12.8% Y-o-Y*
- *Up 4.0% Q-o-Q*

Operating EBIT

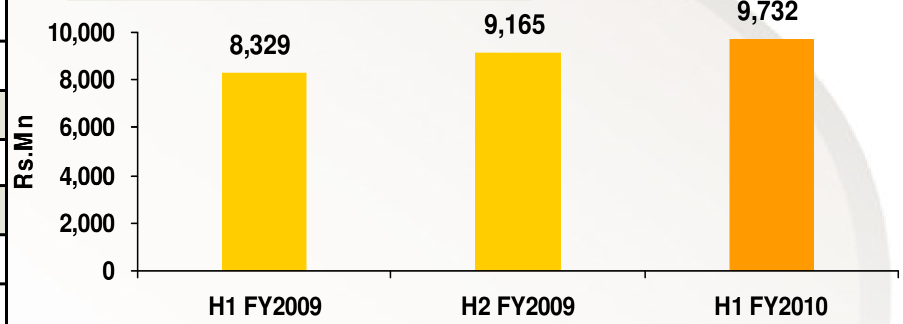


Financial Performance – H1 FY2010

(IN INR Million)	H1 FY 2009	H2 FY 2009	H1 FY 2010
Income from services	8,306	9,220	9,691
Other operating Income	23	(55)	41
Revenue from operations	**8,329**	**9,165**	**9,732**
Personnel & Operating Expense	7,079	8,104	8,321
Operating EBITDA	**1,250**	**1,061**	**1,411**
Operating EBITDA %	**15.0%**	**11.6%**	**14.5%**
Depreciation / amortization	435	501	453
Operating EBIT	**815**	**560**	**958**
Operating EBIT %	**9.8%**	**6.1%**	**9.8%**
Other Income / (expense)	(28)	(308)	106
Interest Income / (expense), net	(23)	(95)	(100)
Gain/(loss) due to exchange var. and amortized (cost) on fair value of FCCB	(830)	(62)	(57)
Exchange gain/ (loss) on Foreign currency loan	(5)	(13)	(98)
Extraordinary (expenses)	-	(138)	(84)
Gain on FCCB Buy back	-	635	74
PBT	**(72)**	**578**	**798**
PBT (% of total income)	**-0.9%**	**6.5%**	**8.1%**
Taxes	147	52	123
Minority Interest	(1)	2	4
PAT	**(218)**	**524**	**671**
PAT (% of total income)	**-2.6%**	**5.9%**	**6.8%**
Reported Diluted EPS (Rs.)	**(0.51)**	**1.23**	**1.40**

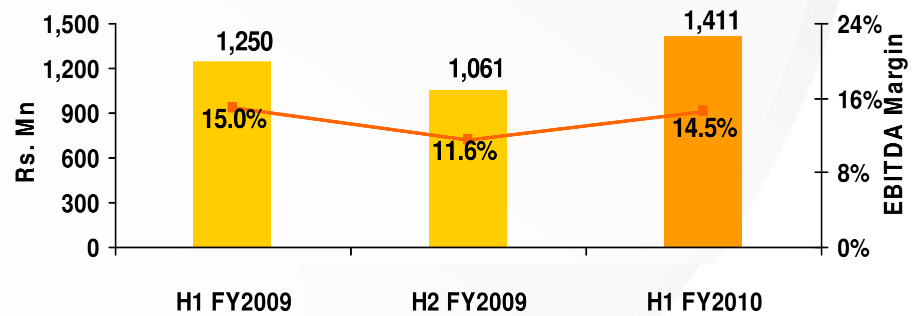
Revenue from Operations

- *Up 16.8% Y-o-Y*
- *Up 6.2% H-o-H*



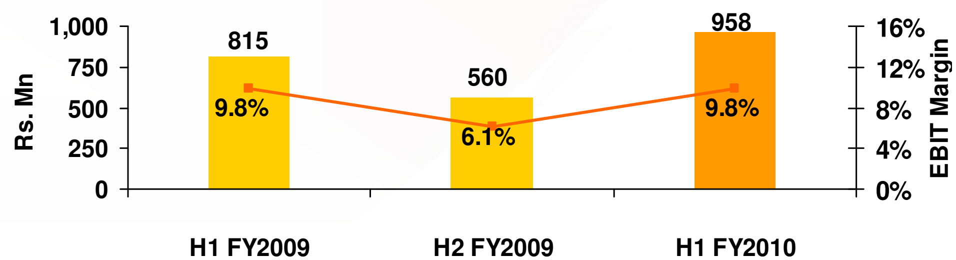
Operating EBITDA

- *Up 12.9% Y-o-Y*
- *Up 32.9% H-o-H*



Operating EBIT

- *Up 17.5% Y-o-Y*
- *Up 70.9% H-o-H*



Q2 FY2010 Highlights (1/4)

Q2 FY2010 Performance Analysis

- **Operating Revenue growth**
  - Q-o-Q growth of 0.9% both in INR and constant currency terms
  - Y-o-Y growth of 15.0% in INR terms and 9.3% growth in constant currency terms
    - Increased revenue from Telecom & Media and Asia Business Unit (ABU) from ramps in existing customers
    - Partially compensated by drop in healthcare provider business post delayed payment catch up in Q1
- **Operating EBIT**
  - Q2FY10 actual operating EBIT margin came in higher by 30 bps largely on account of :
    - Improvement in ABU margins as earlier ramps getting into stabilization mode
    - Lower SG&A cost
  - Partially compensated by:
    - Fall off of higher volumes and cost of ramps in BFSI collections and Healthcare

Q2 FY2010 Highlights (2/4)

Clients

- **Stable relationships with existing clients**
  - 6 of the top 10 clients have grown during the quarter

Foreign Exchange Hedges

- **Outstanding FX hedges at $36 million and £36 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 60% GBP coverage at Rs. 80 levels

Employee Strength

- **26,432 employees as on September 30, 2009**
  - 20,890 employees based in India and 5,542 employees based outside of India
  - Net addition of 3,077 employees in Q2 FY10 compared to net addition of 1,785 employees in Q1 FY10 and net addition of 1,223 in Q2 FY09
    - 2,474 employees added in India, 603 outside India

Attrition

- **Q2 FY10 annualized attrition (post 180 days)**
  - Offshore (India, Argentina and Philippines) – 39.1% compared to 31.3% in Q1 FY10
  - Onshore (US and UK) – 42.4% compared to 33.0% in Q1FY10
  - Domestic – 76.9% compared to 86.6% in Q1FY10

Q2 FY2010 Highlights (3/4)

Seat Capacity and Utilization

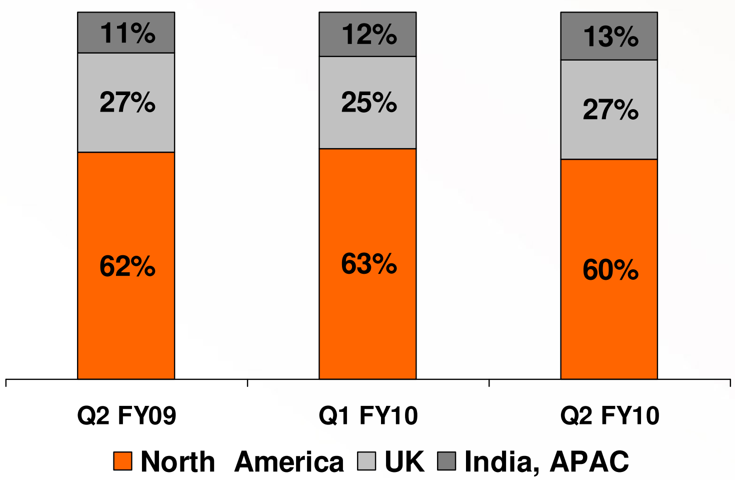
- **Seat capacity of 19,870 seats worldwide**
  - 45 delivery centers as on Sep 30, 2009 compared to 44 as on June 30, 2009
    - Migrating an existing center in Chennai to a new facility. Existing center will be fully shut down post migration. Currently operating both centers during migration
  - Seat fill factor at 76% as on September 30, 2009 compared to 73% as on June 30, 2009
    - Average seat fill factor for Q2 FY10 at 75%

Significant awards and recognition

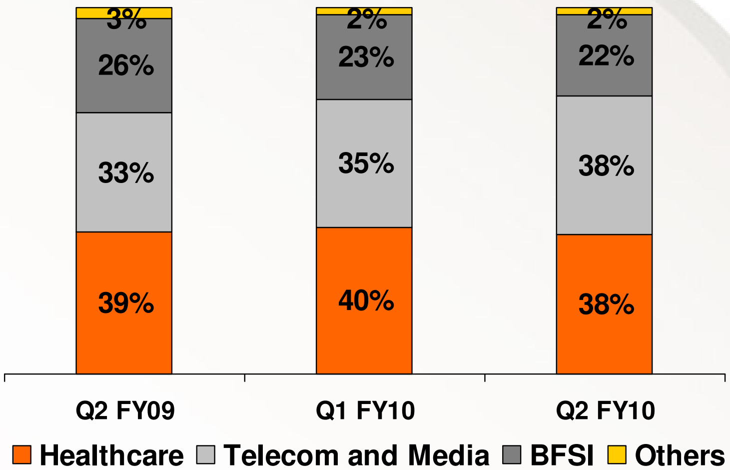
- **Won the UK Trade & Investment's (UKTI) "Investor of the Year" award**
  - Firstsource is the largest foreign investor in the UK in the contact centre & shared services sector and the largest creator of jobs in the UK during the last three years, of all the Indian companies that have invested in the UK
- **Won First place in the "DMAIC Services" category in the Lean & Six Sigma Excellence Awards 2009 in SCMHRD Pune**

Q2 FY2010 Highlights (4/4)

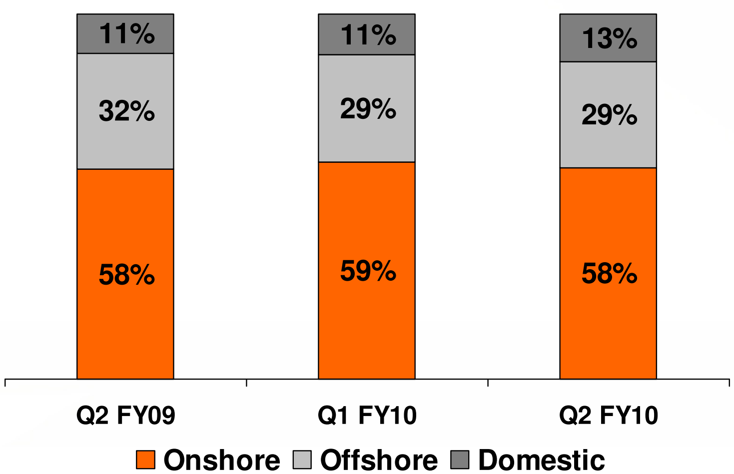
By Geography



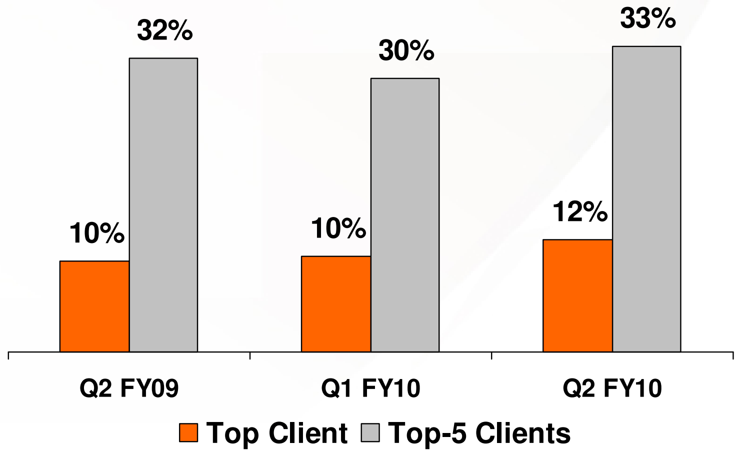
By Verticals



By Delivery Location



Client Concentration



Agenda

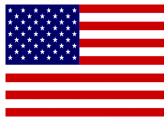
- **Q2 FY2010 - Financial Performance**
- **Business Outlook**

Healthcare

Headed by

President, Healthcare/
CEO, North America
Mike Shea

Market Geography



Key Segments

Revenue Contribution

38%

of income from services (Q2 FY10)

Employees

3,053

as on September 30, 2009

Capacity and Utilization

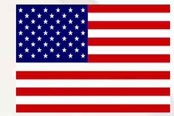
3,207 Seats

as on September 30, 2009

78%

Seat fill factor

Delivery Geography



Industry trends

- U.S. Congressional lawmakers have completed draft bills and will be working to combine these efforts into finalized health care reform by year's end
  - Reform measures will likely result in expansion of existing/key programs such as Medicaid
  - For payers, insurance reforms enacted will result in shift of regulatory balance from State to Federal oversight
- Experts predict slow U.S. economic recovery; average unemployment has risen to 9.8% and is expected to sustain into 2010
- Provider margin pressures also sustaining; payer segment focus on operational efficiencies in light of declining enrollment

Business outlook

- Rise in unemployed and uninsured continues to drive increased need for eligibility services in provider segment; employer-sponsored coverage continues to decline resulting in unfavorable impact to payer segment volumes
- Provider operating and margin pressures will persist for remainder of 2009 and have favorable impact to demand for receivables management and collection services
- Healthcare reform legislation will likely result in expansion of Medicaid and increase long-term need for enrollment services, a strong core competency
- Early reform measures suggest opportunities will abound for enhanced value proposition through utilization of outsourcing services
- Sustained, favorable growth and operating performance

Expect moderately higher growth in FY10 compared to FY09

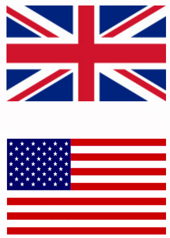
Telecommunications & Media

Headed by

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

EVP – T&M
Santanu Nandi

Market Geography



Key Segments

Cable & Satellite Television

Wireless and Mobile

Broadband / Narrowband

Fixed line

Revenue Contribution

26%

income from services (Q2 FY10)

Employees

5,979

as on September 30, 2009

Capacity and Utilization

4,304 Seats

as on September 30, 2009

74%

Seat fill factor

Delivery Geography

	Industry trends	Business outlook
Mobile / Wireless	• Orange – T-Mobile merger announced, will create UK market-leader with 37% market-share • O2 iPhone monopoly goes – Orange & Vodafone adds will create greater competition & environment for mass adoption of smart-phones	• Continue to see vendor consolidation in UK and US • Well positioned for growth in UK market as we work with market leading mobile companies
Broadband / High speed internet	• Low cost broadband offers re-enter (e.g. Orange UK) • Churn continues to be low and customer additions have picked up for clients	• Positive in UK - We work for 3 of the leading broadband companies, at least 2 of whom continue to grow market share
Fixed / Wireline	• US economy still affecting enterprise market. Residential telephony markets also under pressure with smaller players suffering	• Potential to support cost cutting initiatives for enterprise and consumer clients • Positive growth potential in the UK as fixed line is increasingly sold as part of bundle by clients
Cable & Satellite TV (Pay TV)	• Bundled packages / triple play further gain market-share/ HD TV now showing strong growth	• Firstsource well positioned in the UK market

Expect to have strong growth in FY10

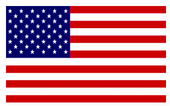
BFSI

Headed by

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

EVP - BFSI
Sanjeev Sinha

Market Geography



Key Segments

Credit Cards

Retail Banking

Mortgage

General and Life Insurance

Revenue Contribution

22%

income from services (Q2 FY10)

Employees

3,345

as on September 30, 2009

Capacity and Utilization

3,116 Seats

as on September 30, 2009

85%

Seat fill factor

Delivery Geography

	Industry trends	Business outlook
Credit Cards	• Collections work seeing stable liquidation rates and volume increases • US economy still faces challenges - consumer bankruptcies & unemployment continue to rise • Outstandings will contract in 2009 by 2% (first time since 1980)	• Seeing growth in Collections business • New credit card act is creating revenue and cost pressures on credit card issuers. Issuers are looking for cost reduction opportunities • New client win gives us entry into prepaid cards
Retail Banking	• Banks busy with strategic decisions – e.g. Large-scale restructuring, Rights issues/ Capital raising, "Good Bank-Bad Bank' structuring & reputation management	• No scale offshoring opportunities. Banks continue to focus on stabilizing their operations
Mortgages	• Gross mortgage lending in UK improved in Q3 – 18% increase to £38.9 bn from Q2 • 0.5% base rate keeping churn low	• Origination and servicing volumes continue to be subdued
General insurance	• Direct insurers continue to gain market-share due to price competition in a tough economic environment	• Working for a direct insurer + owner of Top 3 UK price comparison site shields us better

Expect revenues to remain flat in FY10

Asia Business Unit (ABU)

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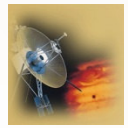
Headed by	Market Geography	Key Segments	Revenue Contribution	Employees	Capacity and Utilization	Delivery Geography
 EVP, Asia BU Chandra Iyer		 BFSI  Telecom & Media	12% of income from services (Q2 FY10)	13,583 as on September 30, 2009	8,691 Seats as on September 30, 2009; 74% Seat fill factor	

	Industry trends	Business outlook
Telecom & Media	• Established players continue to increase presence in new circles • Future growth largely from rural market • New players entering market with aggressive tariff plans • Mobile number portability (MNP) on the anvil	• Telecom & Media continues to be primary growth driver • Growth with existing customers in newer circles • Future growth opportunities fuelled by rural markets matched with low cost delivery models • New entrants in telecom sector present growth opportunities • Leverage telecom capability in complex back end services and number portability
BFSI	• Traction seen in insurance market	
Government	• Opening up to service outsourcing	

Expect ABU to continue strong positive growth

Business Outlook

- **Q3 FY10**
  - Seasonally a weaker quarter
    - Lesser number of working days on account of holidays in customer geographies
    - Historically lower liquidation rates in BFSI collections
  - Expect to see sequential constant currency revenue growth on the back of ramps from last quarter
  - Margins to be slightly lower on account of:
    - Seasonal factors
    - Ramp ups in almost all business segments leading to cost of growth
- **Q4 FY10**
  - Expect positive movement both in revenues and profitability on the back of:
    - Planned ramps in Q3
    - Positive seasonal factors in BFSI

THANK YOU

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