

Firstsource Solutions Limited

Q2 FY2012 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 FY2012 Highlights

- Financial Performance
- Business Realignment
- Business Outlook

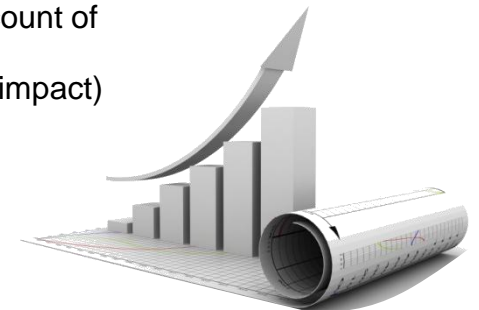


Q2 FY2012 Highlights (1/4)

Q2 FY2012 Performance Analysis

■ Operating Revenue

- Q2 Revenues at Rs 5,330 million
- Y-o-Y growth of 5.8% in INR terms and 7.5% in constant currency terms
- Q-o-Q growth of 1.9% in INR terms and 0.4% in constant currency terms; largely on account of
 - Strong revenue momentum in Asia Business unit and favorable currency (translation impact)
 - Partially offset by softness in BFSI Collections and Healthcare business



■ Operating EBIT

- Q2 FY12 operating EBIT margins at 4.4%, higher by 40 bps compared to Q1FY12; largely on account of
 - Improved financial performance in Asia Business unit on the back of revenue momentum and operational improvements
 - Partially offset by softness in BFSI business, largely driven by drop in volumes in collections business impacting financial performance

Q2 FY2012 Highlights (2/4)



Debt and Cash Position

- Concluded and drawn down USD 180 million Syndicated Term Loan facility
- Bought back USD 21 million face value of FCCBs during the quarter. Outstanding FCCBs are down to USD 191.4 million face value
- Cash and cash equivalents of USD 184 million as of Sep 30, 2011



Employee Strength

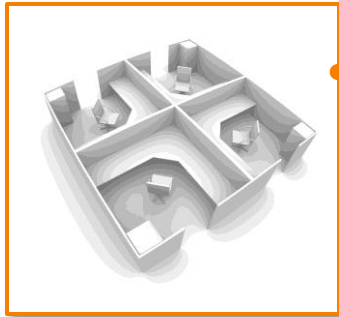
- **29,291 employees as on September 30, 2011**
 - 22,097 employees based in India and 7,194 employees based outside of India
 - Net reduction of 373 employees in Q2 FY12 compared to net addition of 212 employees in Q2 FY11 and net addition of 3,251 in Q1 FY12



Attrition

- **Offshore (India and Philippines)** – 48.8% compared to 58.7 % in Q1 FY12
- **Onshore (US and UK)** – 40.9% compared to 32.8 % in Q1 FY12
- **Domestic (India and Sri Lanka)** – 74.7% compared to 81.6 % in Q1 FY12

Q2 FY2012 Highlights (3/4)



Seat Capacity And Utilization

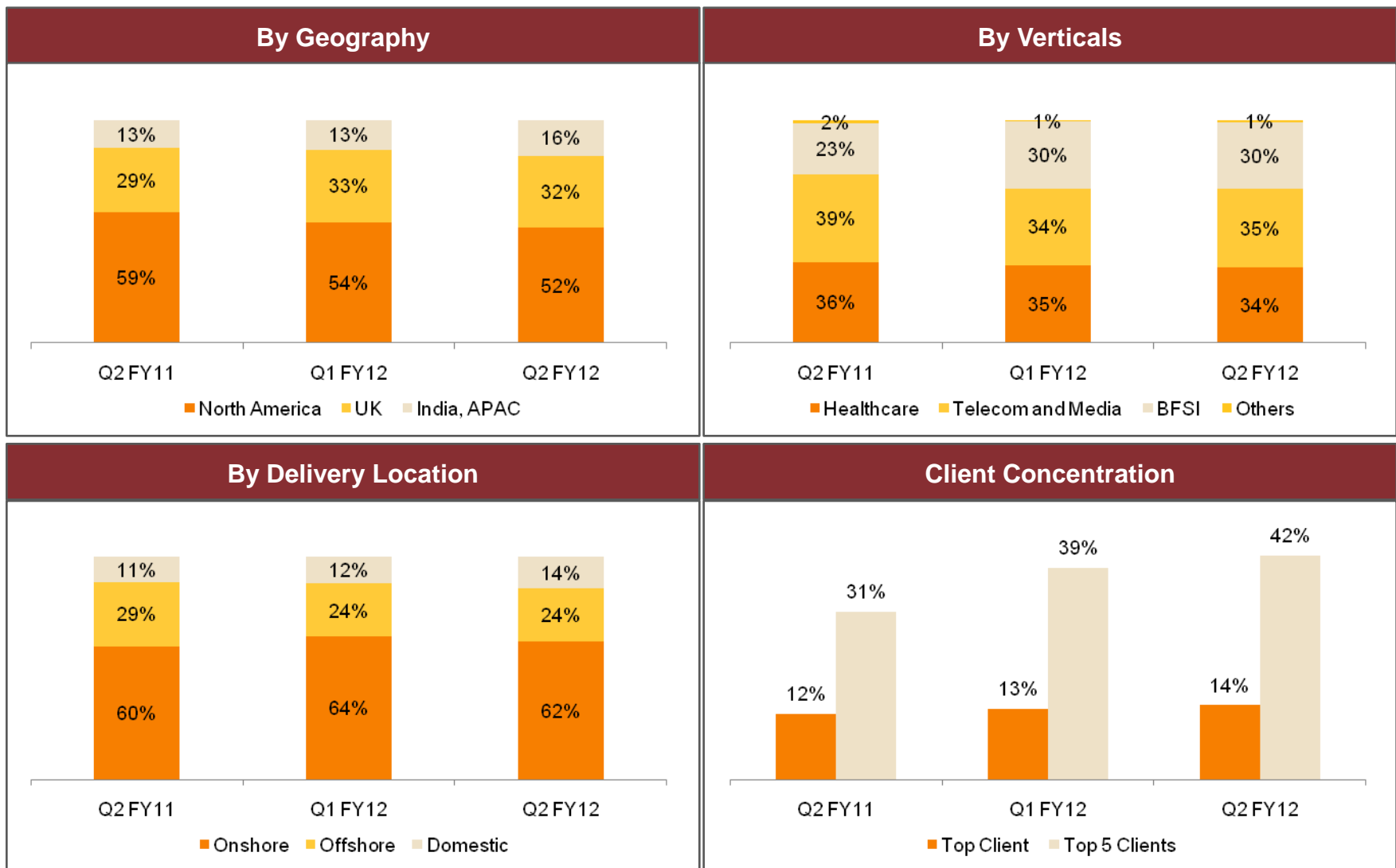
- **Seat capacity of 22,519 seats worldwide**
 - Reduced 823 seats during the quarter
 - 45 delivery centers as on September 30, 2011, compared to 43 as on June 30, 2011
 - Addition of two centers in UK
 - Seat fill factor at 78% as on September 30, 2011, compared to 74% as on June 30, 2011
 - Average seat fill factor for Q2 FY12 at 75%



Foreign Exchange Hedges (as on Sep 30, 2011)

- **Outstanding FX hedges at \$35.9 million and £32.9 million and AUD 0.8 million for USD, GBP and AUD respectively**
 - **FY12:** 88% USD coverage at Rs. 47.3 levels, 98% GBP coverage at Rs. 75 levels and 21% AUD coverage at Rs. 49 levels
 - **FY13 :** 24% USD coverage at Rs. 48.5 levels and 35% GBP coverage at Rs 77 levels

Q2 FY2012 Highlights (4/4)



Agenda

- Q2 FY2012 Highlights

- **Financial Performance**

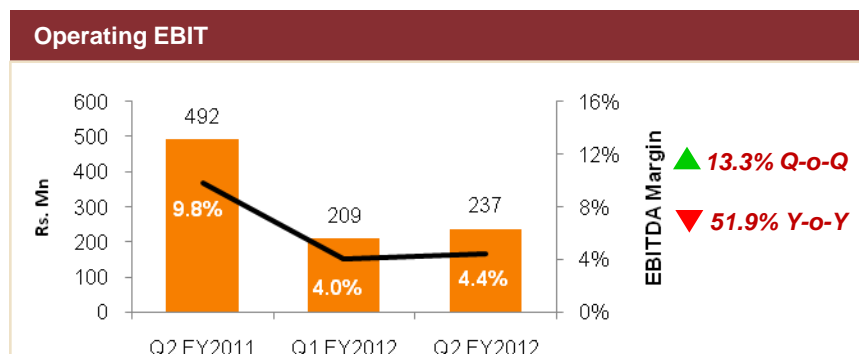
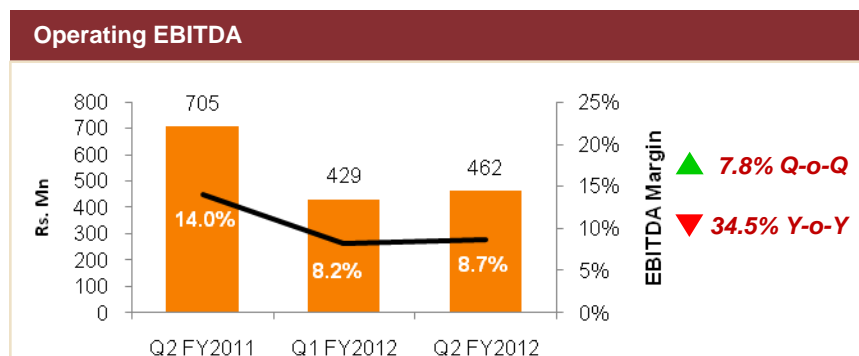
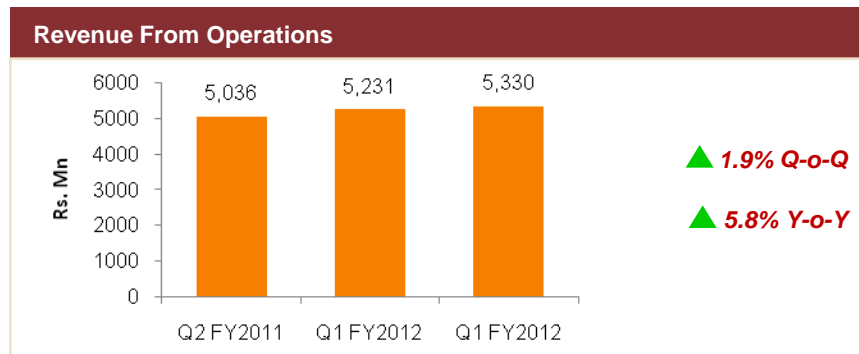
- Business Realignment

- Business Outlook



Financial Performance – Q2 FY2012

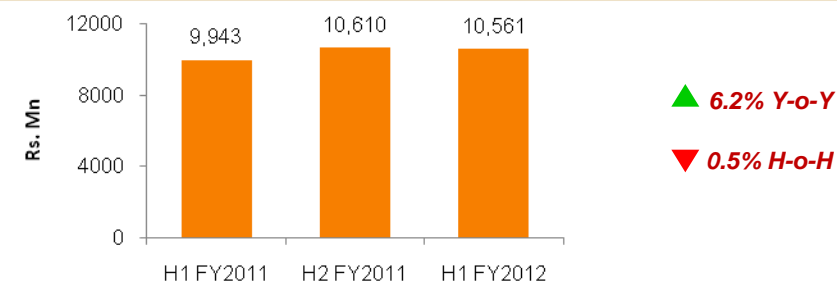
(IN INR Million)	Q2 FY 2011	Q1 FY 2012	Q2 FY 2012
Income from services	4,900	5,189	5,287
Other operating Income	136	42	43
Revenue from operations	5,036	5,231	5,330
Personnel and Operating Expense	4,330	4,802	4,868
Operating EBITDA	705	429	462
Operating EBITDA %	14.0%	8.2%	8.7%
Depreciation / amortization	213	220	225
Operating EBIT	492	209	237
Operating EBIT %	9.8%	4.0%	4.4%
Other Income / (expense)	9	15	51
Interest Income / (expense), net	(53)	(34)	(21)
Amortized (cost) on fair value of FCCB	(31)	(35)	(36)
Exchange gain / (loss) on Foreign currency loan	(1)	(1)	26
Gain on FCCB Buyback	-	-	4
PBT	415	154	261
PBT (% of total income)	8.2%	2.9%	4.8%
Taxes and Minority Interest	83	47	46
PAT	332	106	215
PAT (% of total income)	6.6%	2.0%	4.0%
Reported Basic EPS (INR)	0.77	0.25	0.50
Reported Diluted EPS (INR)	0.70	0.25	0.48



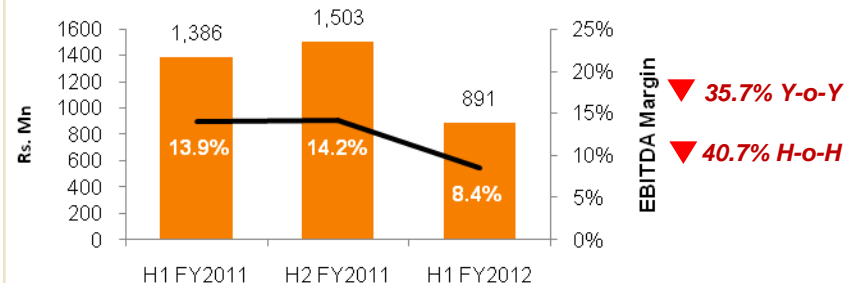
Financial Performance – H1 FY2012

(IN INR Million)	H1 FY 2011	H2 FY 2011	H1 FY 2012
Income from services	9,659	10,451	10,476
Other operating Income	284	159	85
Revenue from operations	9,943	10,610	10,561
Personnel and Operating Expense	8,557	9,108	9,670
Operating EBITDA	1,386	1,502	891
Operating EBITDA %	13.9%	14.2%	8.4%
Depreciation / amortization	426	465	445
Operating EBIT	960	1,037	446
Operating EBIT %	9.7%	9.8%	4.2%
Extraordinary (expense)	-	(64)	-
Other Income / (expense)	32	(117)	66
Interest Income / (expense), net	(110)	(98)	(56)
Amortized (cost) on fair value of FCCB	(62)	(67)	(71)
Exchange gain / (loss) on Foreign currency loan	2	6	26
Gain on FCCB Buyback	-	-	4
PBT	822	931	414
PBT (% of total income)	8.2%	8.8%	3.9%
Taxes and Minority Interest	169	199	93
PAT	653	732	321
PAT (% of total income)	6.5%	6.9%	3.0%
Reported Basic EPS (INR)	1.52	1.70	0.75
Reported Diluted EPS (INR)	1.37	1.54	0.75

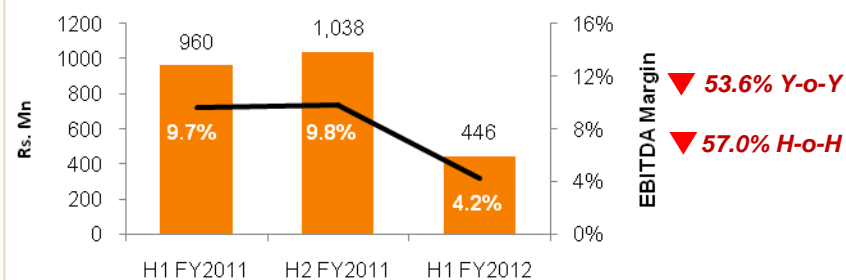
Revenue From Operations



Operating EBITDA



Operating EBIT



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- **Business Realignment**
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Business Realignment (1/2)

- **We have aligned our business structure taking into account three dimensions of**
 - Vertical markets
 - Horizontal service lines
 - Geographies
- **Our vertical focus is highly relevant particularly from a market facing perspective**
 - Sales, client management, marketing and solutioning
- **Creation of distinct service lines as horizontal delivery units**
- **This structure will enable greater operational efficiencies and yield superior service assurance**
 - Commonalities from standardized processes and efficiencies gained through scale



Business Realignment (2/2)

- **Moving forward in realigned business structure:**
 - Verticalisation continues at the level of Sales, Solutioning and Marketing
 - We have created 'Customer Management' and 'Collections' as distinct horizontals
 - Currently, Customer Management spans across T&M and BFSI verticals
 - Collections spans across BFSI and Healthcare verticals as of today
 - We intend to cross-sell these horizontal capabilities in to other existing industry verticals
 - We have realigned Customer Management delivery along two broad dimensions:
 - Asia (Asia Business Unit along with India and Philippines delivery for international clients)
 - Onshore Europe & North America
 - Healthcare (Payer and Provider) will continue to operate as a vertical unit



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- Business Realignment

■ Business Outlook



Business Outlook (1/2)



Healthcare

- Significant growth in Provider segment pipeline with increased interest from Premier Partnership Program (P3) prospects
- Strong interest from Insurers continue resulting in an active and strong payer pipeline
- Overall, expect consistent growth with favorable financial performance



Telecom & Media

- Two recent wins have started to ramp-up
- Pipeline continues to be extremely strong:
 - In hot pursuit of two new 3-year deals worth USD 85 Mn TCV, expected to close in next 3-months
 - Finalizing significant expansion with an existing customer, incremental TCV of USD 75 Mn (3-year deal), expected decision in next 3-months
- Overall, very strong pipeline momentum and growth visibility



BFSI

- Overall market continues to be soft with lower volumes across the industry
- Experiencing lower volumes in UK mortgage business
- In credit card collections business volumes continue to decline impacting financial performance
- Overall, pipeline remain soft and lower volumes across existing businesses is impacting BFSI financial performance



Asia Business Unit

- Increasing footprint with existing telecom customers, through addition of new lines of business / geographies
- Next wave of growth in Telecom expected through 3G and VAS
- Flurry of activity in the Govt/PSU segment in India.
- Pursuing opportunities in the South East Asia
- Strong focus on operational improvements continues driving improved financial performance

Business Outlook (2/2)

■ Revenue momentum to improve in H2

- Ramp-up of two recent wins in T&M business
- Expecting conversion of strong T&M pipeline and commencement of revenues from these deals

■ Continue to encounter few industry specific uncertainties and headwinds

- Declining volumes in BFSI Collections segment
- Softness in overall BFSI business across US and UK

■ Moving into Q3 FY12

- In spite of Q3 being a seasonally weaker quarter, expect to see modest sequential constant currency revenue growth on the back of ramp up of two recent wins in T&M business
- Expect pressure on margins to continue largely driven by seasonal factors, ramp ups leading to cost of growth, and weakness in BFSI collections business



THANK YOU

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