

Firstsource Solutions Limited

Q2 FY2013 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

- **Preferential Allotment of Equity Shares**
- Q2 FY2013 Highlights
- Financial Performance
- Business Outlook



Preferential Allotment of Equity Shares

- **Preferential Allotment of 226,897,444 equity shares of the Company of face value Rs. 10 to Spen Liq Private Limited, a wholly owned subsidiary of CESC Limited (an RP-Sanjiv Goenka Group Company)**
 - Issue price of Rs. 12.10
 - Allotment constitutes 34.5% of post issue paid up capital of the Company
 - Proceeds from the issue ~INR 2,745 million
 - Bolsters all stakeholders' confidence in the Company
 - Provides strong platform for accelerating growth
- **FCCB Redemption**
 - Redemption liability of USD 237 million due on December 4, 2012 to be met through
 - Equity infusion of ~USD 51 million through preferential allotment of shares
 - Additional ~USD 50 million to be funded through mix of loan facilities
 - Balance of ~USD 135 million from existing cash reserves

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Q2 FY2013 Highlights (1/4)

Q2 FY2013 Performance Analysis

■ Operating Revenue

- Q2 Revenues at INR 7,176 million
- Q-o-Q growth of 6.3% in INR terms and 5.4% in constant currency terms; largely on account of
 - Higher volumes across Customer Management (onshore and ACM) and Payer business
 - Offset by volume contraction in BFSI Collections and payment delays in Healthcare Provider business
- Y-o-Y growth of 34.6% in INR terms and 18.2% in constant currency terms



■ Operating EBIT

- Q2 FY13 operating EBIT margins at 6.3%, higher by 130bps compared to Q1 FY13; largely on account of:
 - Ramp-up of an existing account along with price increase from existing customers in ACM domestic business
 - Operational efficiency gains and cost related savings
 - Offset by cost of growth associated with ramping up new accounts in Onshore CM
- Y-o-Y operating margin expansion by 190 bps

Q2 FY2013 Highlights (2/4)



Cash Position

- **Cash and cash equivalents** of Rs 7,778 million as of September 30, 2012 (USD 147 million) as compared to Rs 7,507 million in previous quarter primarily driven by strong operating cash flows during the quarter



Employee Strength

- **32,365 employees as on September 30, 2012**
 - 22,177 employees based in India and 10,188 employees based outside of India
 - Net reduction of 188 employees in Q2 FY13 compared to net reduction of 373 employees in Q2 FY12 and net addition of 2,467 in Q1 FY13



Attrition

- **Offshore (India and Philippines)** – 55.9% compared to 63.9% in Q1 FY13
- **Onshore (US and Europe)** – 45.2% compared to 38.9% in Q1 FY13
- **Domestic (India and Sri Lanka)** – 89.7% compared to 97.0% in Q1 FY13

Q2 FY2013 Highlights (3/4)



Seat Capacity And Utilization

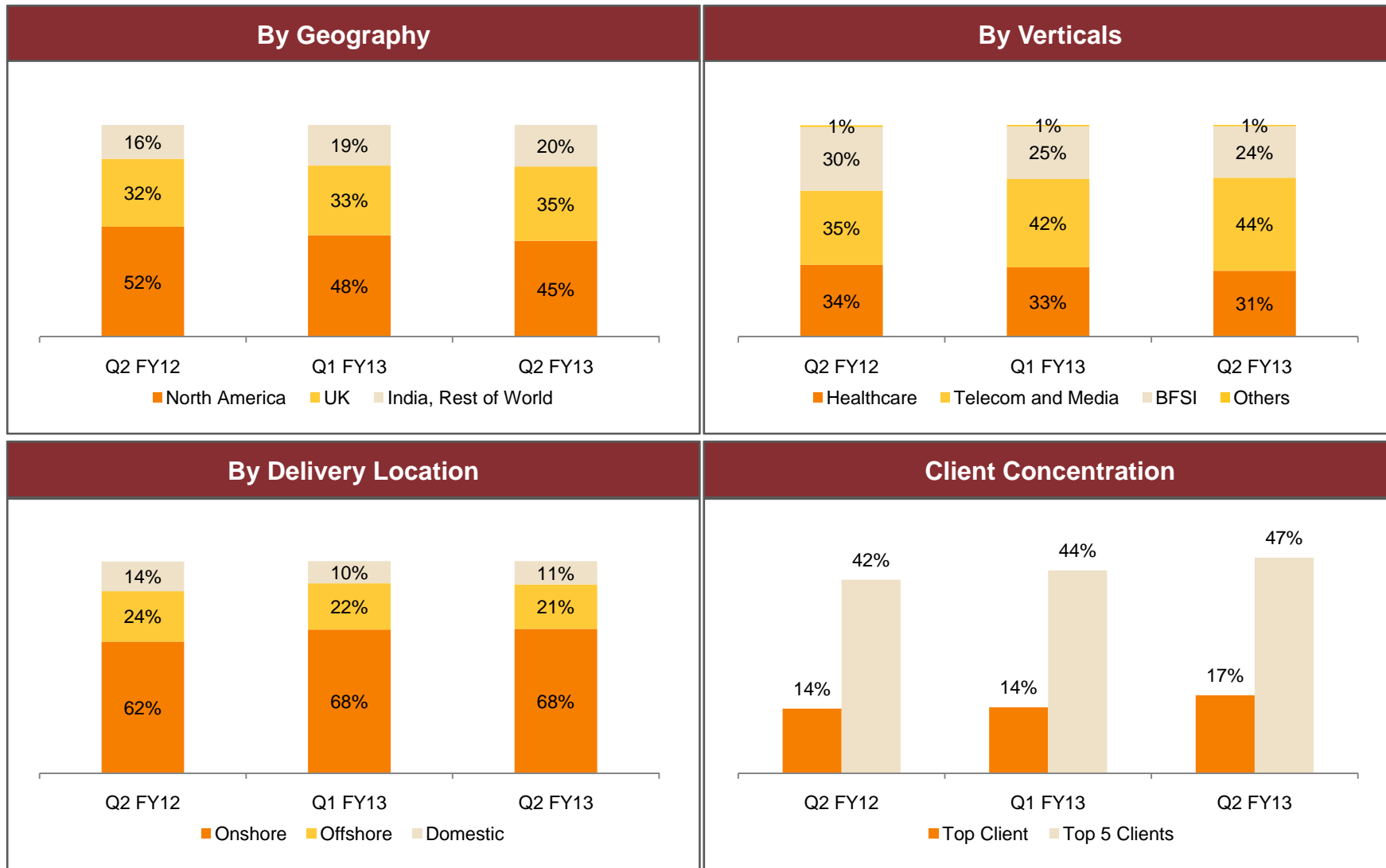
- **Seat capacity of 24,358 seats worldwide**
 - Reduced 588 seats during the quarter
 - 48 delivery centers as on September 30, 2012, same as on June 30, 2012
 - Addition of one center in Patna, India and reduction of one center in Mumbai
 - Seat fill factor at 80% as on September 30, 2012, compared to 77% as on June 30, 2012
 - Average seat fill factor for Q2 FY13 at 78%



Foreign Exchange Hedges

- **Outstanding FX hedges at \$25 million, £33 million and AUD 10 million for USD, GBP and AUD respectively**
 - **Next 12 months:** Overall 85% coverage with covered rates for USD at Rs. 53 levels, GBP at Rs. 83 levels and AUD at Rs. 51 levels
 - **Next 12 – 24 months:** Overall 38% coverage with covered rates for USD rates at Rs. 56 levels, GBP at Rs. 89 levels and AUD at 53 levels

Q2 FY2013 Highlights (4/4)



Agenda

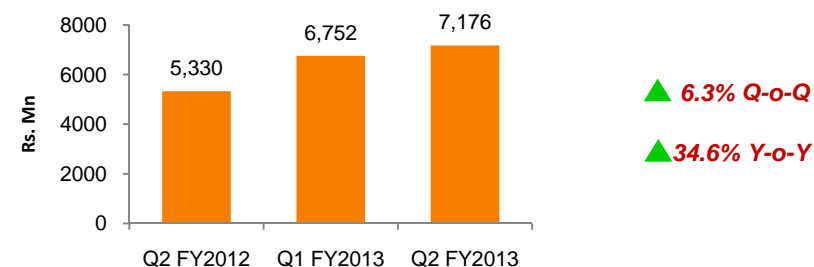
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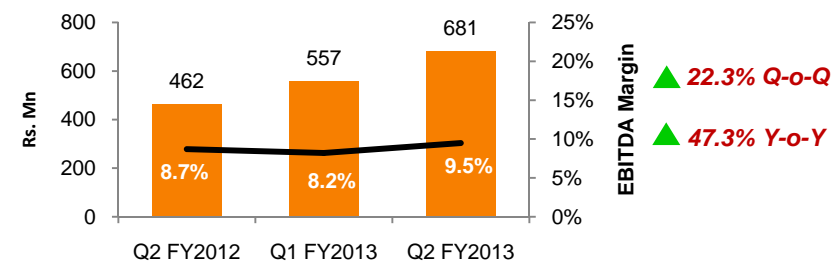
Financial Performance – Q2 FY2013

(IN INR Million)	Q2 FY 2012	Q1 FY 2013	Q2 FY 2013
Income from services	5,287	6,852	7,255
Other operating Income	43	(101)	(79)
Revenue from operations	5,330	6,752	7,176
Personnel and Operating Expense	4,868	6,195	6,496
Operating EBITDA	462	557	681
<i>Operating EBITDA %</i>	<i>8.7%</i>	<i>8.2%</i>	<i>9.5%</i>
Depreciation / amortization	225	222	229
Operating EBIT	237	334	452
<i>Operating EBIT %</i>	<i>4.4%</i>	<i>5.0%</i>	<i>6.3%</i>
Other Income / (expense)	51	12	(9)
Interest Income / (expense), net	(21)	27	16
Amortized (cost) on fair value of FCCB	(36)	(39)	(40)
Exchange gain / (loss) on Foreign currency loan	26	3	(6)
Gain / (loss) on FCCB Buyback	4	-	-
PBT	261	338	412
<i>PBT (% of total income)</i>	<i>4.8%</i>	<i>5.0%</i>	<i>5.8%</i>
Taxes and Minority Interest	46	48	53
PAT	215	290	359
<i>PAT (% of total income)</i>	<i>4.0%</i>	<i>4.3%</i>	<i>5.0%</i>
Reported Basic EPS (INR)	0.50	0.67	0.83
Reported Diluted EPS (INR)	0.48	0.65	0.76

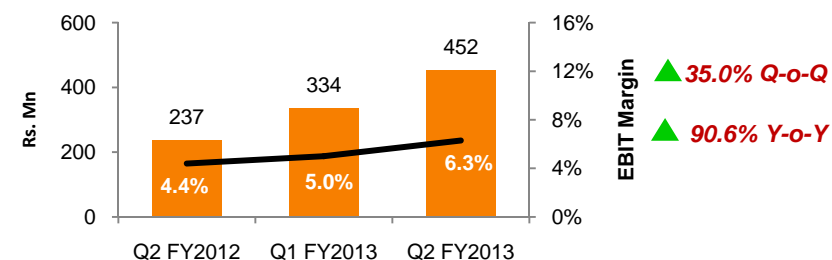
Revenue From Operations



Operating EBITDA



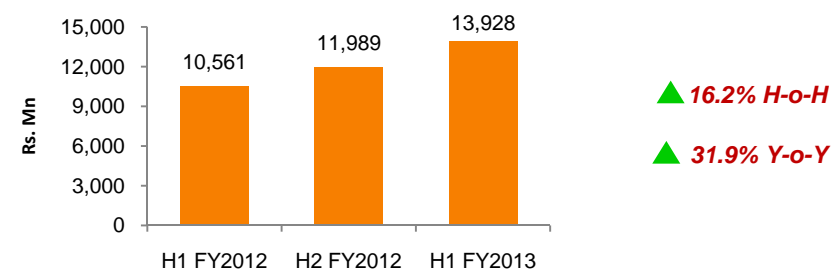
Operating EBIT



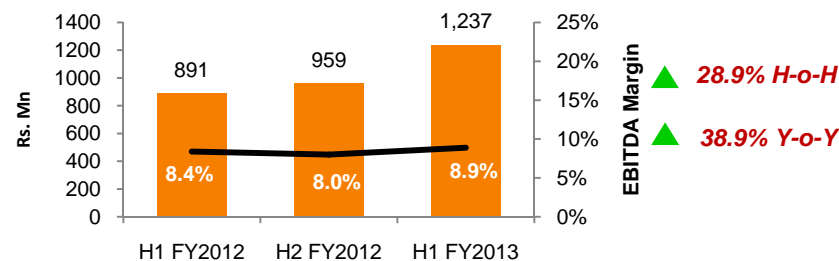
Financial Performance – H1 FY2013

(IN INR Million)	H1 FY 2012	H2 FY 2012	H1 FY 2013
Income from services	10,476	12,072	14,108
Other operating Income	85	(84)	(180)
Revenue from operations	10,561	11,989	13,928
Personnel and Operating Expense	9,670	11,030	12,691
Operating EBITDA	891	959	1237
Operating EBITDA %	8.4%	8.0%	8.9%
Depreciation / amortization	445	448	451
Operating EBIT	446	511	786
Operating EBIT %	4.2%	4.3%	5.6%
Extraordinary (expense)	-	-	-
Other Income / (expense)	66	(3)	3.5
Interest Income / (expense), net	(56)	(20)	43.8
Amortized (cost) on fair value of FCCB	(71)	(72)	(80)
Exchange gain / (loss) on Foreign currency loan	26	1	(4)
Gain on FCCB Buyback	4	(71)	-
PBT	414	345	750
PBT (% of total income)	3.9%	2.9%	5.4%
Taxes and Minority Interest	93	46	101
PAT	321	299	649
PAT (% of total income)	3.0%	2.5%	4.7%
Reported Basic EPS (INR)	0.75	0.69	1.51
Reported Diluted EPS (INR)	0.75	0.69	1.41

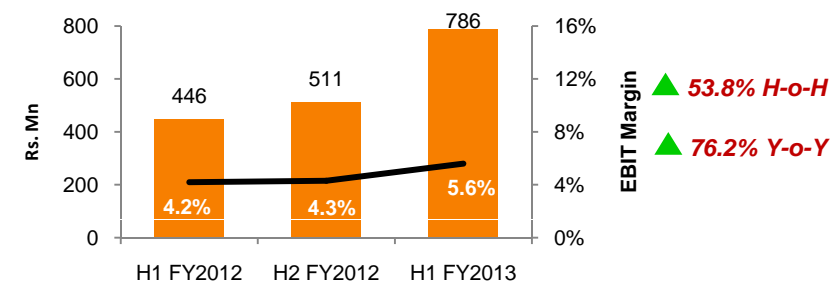
Revenue From Operations



Operating EBITDA



Operating EBIT



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Business Outlook

Revenue

- **Growth momentum to continue in Customer Management**
 - Continuing ramp-ups in T&M
 - Rising volumes from existing clients
- **Steady growth in Healthcare**
 - Stable growth in the Provider segment
 - Witnessing higher traction due to new business wins in Payer segment
- **Continue to see challenging environment in BFSI collections business**

Operating Margin

- **Meaningful margin improvement over FY12 on track**
 - Additional revenues contributing to margins
 - Cost rationalization savings
 - Higher rate on foreign exchange hedges as opposed to FY12

- **Moving into Q3 FY13**

- Flat revenue growth in spite of seasonally weaker quarter, margin expansion to continue

THANK YOU

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