

Firstsource Solutions Limited

Q3 FY 2007-08 Earnings Update



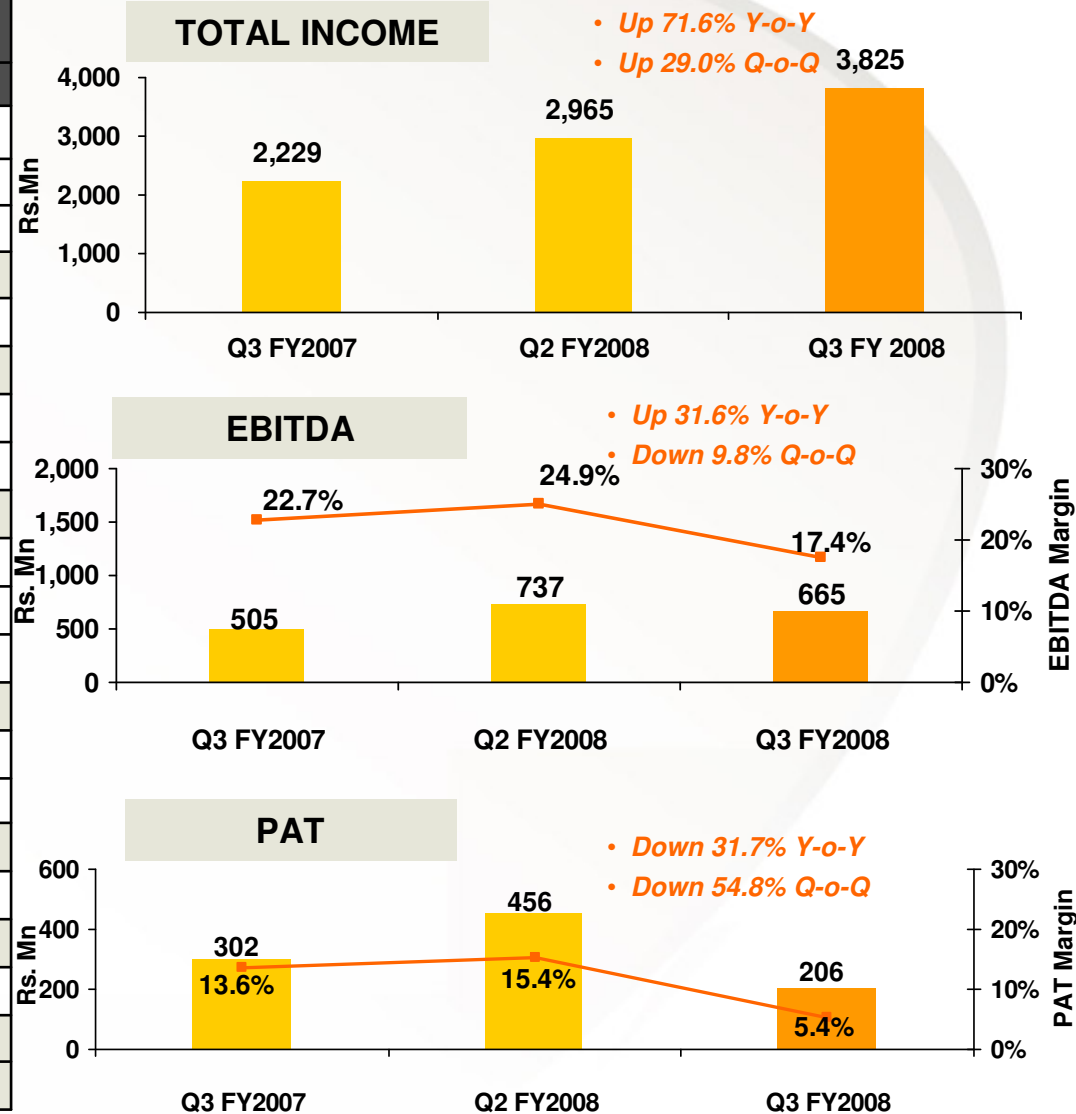
Disclaimer

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.

Financial Summary Q3 FY2008

(IN INR Million)	Q3 FY 2007	Q2 FY 2008	Q3 FY 2008
	Actuals	Actuals	Actuals
Income from services	2,082	2,587	3,589
Other operating Income	63	218	150
Other Income	84	160	86
Total Income	2,229	2,965	3,825
Personnel & Operating Exps	1,724	2,228	3160
EBITDA	505	737	665
EBITDA (% of Total Income)	22.7%	24.9%	17.4%
Depreciation / amortization	156	214	231
EBIT	349	523	434
EBIT (% of total Income)	15.7%	17.6%	11.4%
Extraordinary expense	-	30	-
Interest expense, net	18	24	195
PBT	331	469	239
PBT (% of total income)	14.9%	15.8%	6.3%
Taxes	32	14	37
PAT (Before Minority Interest)	299	455	202
Minority Interest	(3)	(1)	(4)
PAT	302	456.0	206
PAT (% of total income)	13.6%	15.4%	5.4%
Basic EPS* (Rs.)	0.85	1.07	0.48
Diluted EPS* (Rs.)	0.76	1.02	0.44

* Not Annualized

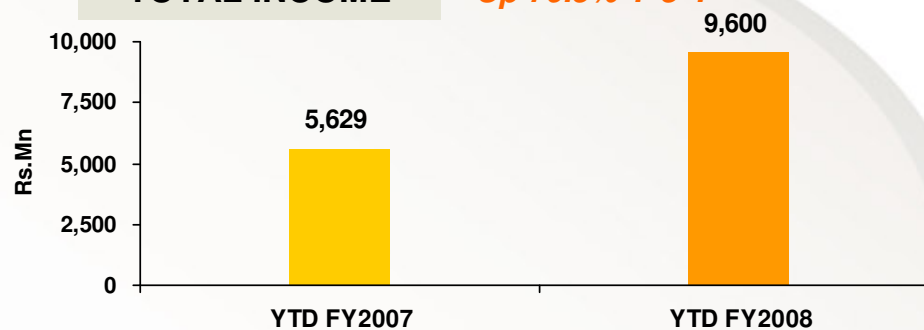


Financial Summary YTD FY2008

(IN INR Million)	YTD FY 2007	YTD FY 2008
	Nine months	Nine months
Income from services	5,485	8,714
Other operating Income	52	562
Other Income	93	324
Total Income	5,629	9,600
Personnel & Operating Exps	4,459	7,525
EBITDA	1,170	2,075
EBITDA (% of Total Income)	20.8%	21.6%
Depreciation / amortization	441	634
EBIT	729	1,441
EBIT (% of total Income)	12.9%	15.0%
Extraordinary expense	-	30
Interest expense, net	59	199
PBT	670	1,213
PBT (% of total income)	11.9%	12.6%
Taxes	52	114
PAT (Before Minority Interest)	618	1,099
Minority Interest	(5)	(6)
PAT	623	1,105
PAT (% of total income)	11.1%	11.5%
Basic EPS* (Rs.)	2.77	2.60
Diluted EPS* (Rs.)	1.65	2.52

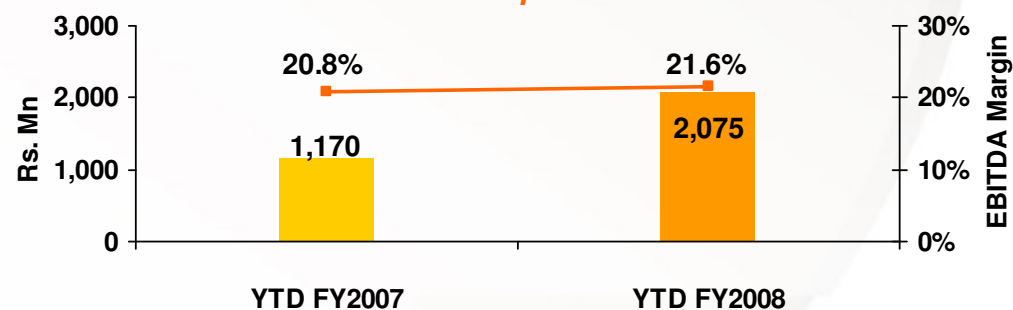
TOTAL INCOME

• Up 70.5% Y-o-Y



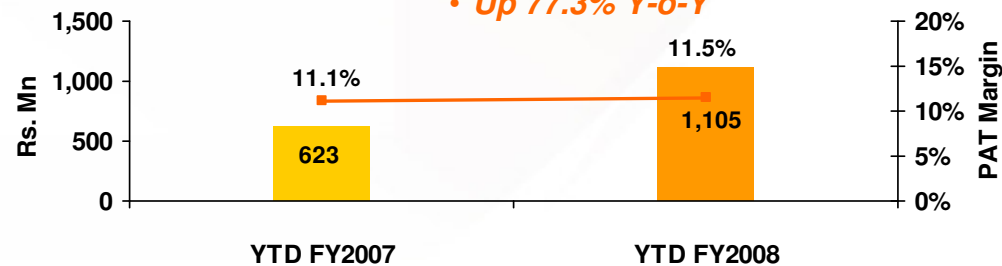
EBITDA

• Up 77.3% Y-o-Y



PAT

• Up 77.3% Y-o-Y



* Not Annualized

Highlights (1 of 7)

Performance YTD FY 2008 (Nine months)

In INR million	YTD FY07	YTD FY08	Growth (%)
Revenue from Operations	5,537	9,276	67.5%
Total Income	5,629	9,600	70.6%
EBITDA	1,170	2,075	77.3%
<i>EBITDA (% of Total Income)</i>	<i>20.8%</i>	<i>21.6%</i>	
PAT	623	1,105	77.4%
<i>PAT (% of Total Income)</i>	<i>11.1%</i>	<i>11.5%</i>	
EBIT (excluding non-predictable Forex gains)	692	1,194	72.5%
<i>EBIT (% of Income less FX gains)</i>	<i>12.4%</i>	<i>12.8%</i>	

- **Continued strong growth**
 - Total Income Growth excluding MedAssist is 49.3% in Rupee terms and 67.7% in USD terms
- **Margin maintained inspite of lower Exchange rates and Q3 challenges**

Highlights (2 of 7)

Performance Q3 FY 2008

- Q1 and Q2 PAT had come in at about Rs. 450 million at a net income margin exceeding 15% (against stated target of 11%-13%)
- Normalized for the following, the PAT would be Rs. 300 million:

Lower Grant Income than Q2 and Q1	Rs. 90 million
Fall off of forex gains largely on account of loan book	Rs. 60 million

- Actual Q3 PAT (excluding forex gains) at Rs 130 million, is lower by Rs 170 million on account of :

Collections underperformance due to deteriorating credit environment in US	Rs. 70 million
Salt Lake City, USA center stabilization and volume fluctuations	Rs. 50 million
Unamortizable expenses relating to FCCB and other one time charges	Rs. 50 million

Highlights (3 of 7)

Performance Q3 FY 2008

- **Grant Income**

- Grant from INI is to defray initial setup / training / stabilization cost for Northern Ireland center
- Grant is paid based on predetermined milestones
- Overall grant income expected to be Rs. 550 million for FY2008, of which 66% has been realized in the first half of FY2008.
- Grant in the second half expected to be lower at an average of Rs. 100 million per quarter.

Highlights (4 of 7)

Performance Q3 FY 2008

- **Collections Underperformance**

- Sub prime crisis has led to increase in defaults on mortgages as well as credit cards and other financial assets
- Also impacted liquidation rates on existing portfolios which we collect
- This has resulted in lower collected dollars and hence lower revenue and profits
- Outlook for the industry
 - As increased delinquent debt reaches charge-off, there is likely to be sharp increase in business volume over next 2-3 quarters
 - Card issuers likely to sell more delinquent debt to smoothen earnings
 - Debt buyers likely to become a bigger customer segment
 - Profitability will adjust over time
 - Collections strategies will have to change to adjust for lower liquidation rates
 - Fee structure will change
- Our Strategy
 - See this as a big opportunity to expand business as overall delinquent debt portfolios sharply increase
 - Diversify customer base to include debt buyers
 - Currently working for 2 of the top 10 debt buyers in the US
 - Focus on maintaining and improving vendor rankings to ensure greater market share as business volume increases
 - Grow Healthcare and Telecom collections, currently 50% of total collection

Highlights (5 of 7)

- **\$275 million FCCB Issue**
 - Issue was successfully launched and closed on December 03, 2007
 - Zero Coupon, 6.75% YTM and 35% premium
 - Reference price of Rs. 68.37 and conversion price of Rs. 92.29

- **Total employee strength of 17,090, up by 500 from end Sep-07**
 - India based - 13,156
 - Outside India based - 3,934

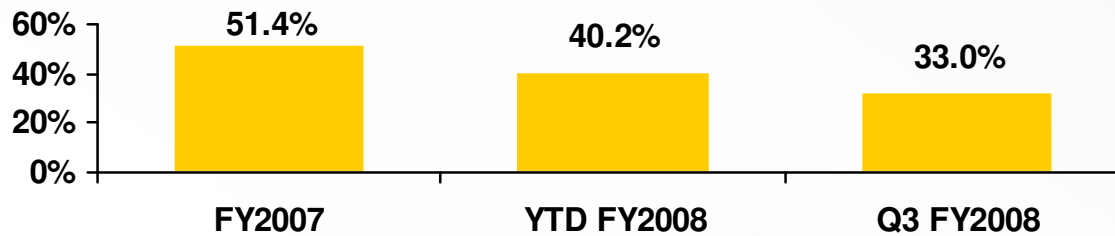
- **Attrition level lower as compared to Q2**
 - Post 180 days, - 34.4% annualized in Q3 compared to 34.8% in Q2
 - Post 90 days, - 48.8% annualized in Q3 compared to 58.4% in Q2

- **Seat capacity of 13,885, up by 340 from end Sep-07**
 - Seat fill factor – 75%

Highlights (6 of 7)

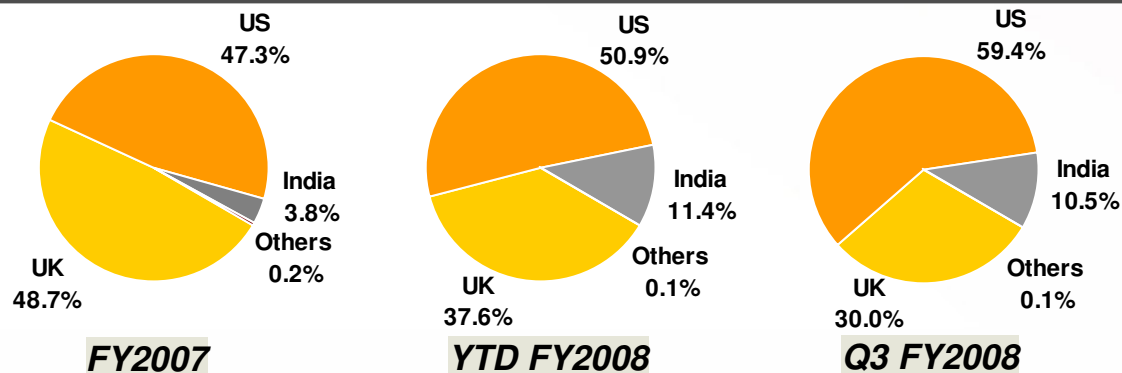
Client concentration

Revenue from top five clients



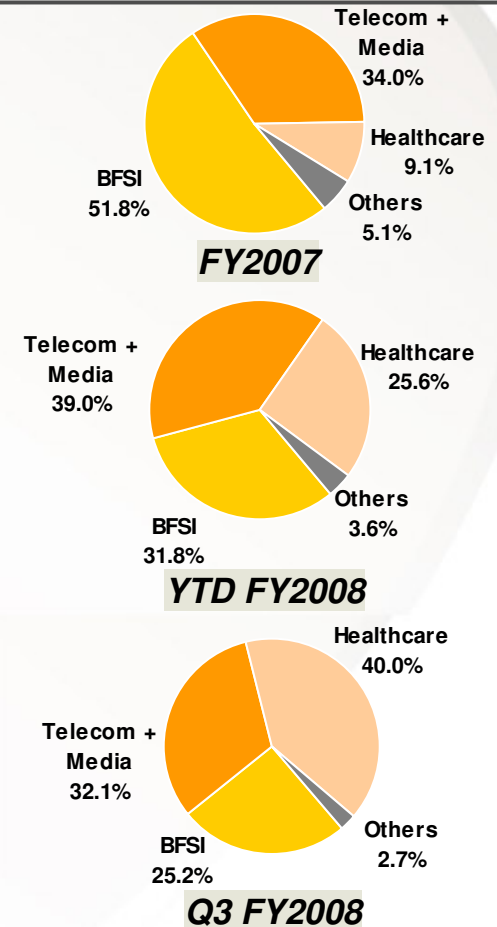
Note: Largest client contributed 13.0% of income from services in Q3 FY2008

Revenues by geography



Note: Revenues considered above are Income from services

Revenues by vertical



Highlights (7 of 7)

Outlook for Q4

- **Expected changes from Q3**
 - Collections performance should improve on account of tax seasonality
 - Salt Lake centre to complete stabilization phase
 - One time charges to fall off
- **New Business – Two major deals signed with annual contract value of \$25- 30 million**
 - Originally forecast for Q3, revenues is expected to commence in Q4
- **Revenue outlook for FY08**
 - 55-60% growth in rupee terms and 65-70% in US Dollar terms
- **Margins**
 - Forecast was 11% - 13% Net Income Margins (NIM)
 - YTD NIM is 11.6%, inspite of significantly lower Q3 margins
 - Upside potential has been lost due to collections business challenges
 - Forecast to still come in at stated range, however at the lower end

THANK YOU

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