

Firstsource Solutions Limited

Q3 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

- **Q3 FY2012 Highlights**

- Financial Performance
- Business Outlook



Q3 FY2012 Highlights (1/5)

Q3 FY2012 Performance Analysis

■ Operating Revenue

- Q3 Revenues at Rs 5,771 million
- Q-o-Q growth of 8.3% in INR terms and 1.0% in constant currency terms; largely on account of
 - Favorable currency
 - Ramps in Telecom and Media segment, partially offset by softness in BFSI Collections segment
- Y-o-Y growth of 12.1% in INR terms and 3.3% in constant currency terms



■ Operating EBIT

- Q3 FY12 operating EBIT margins at 3.5%, lower by 90 bps compared to Q2FY12; largely on account of:
 - Investments and cost of growth towards recently won large deals
 - Partially mitigated by favorable currency and cost rationalization initiatives

Q3 FY2012 Highlights (2/5)

New Client Wins

- **Closed all three Telecom and Media deals aggregating to over \$160 million in Total Contract Value (TCV)**
 - Entry in to Europe with an Onshore lift-out deal
 - Gone live in December 2011
 - 3-year deal with Total Contract Value (TCV) of ~\$65 million
 - Secured significant expansion with an existing customer
 - Ramp to commence in Q4 FY12
 - Incremental Total Contract Value (TCV) of ~\$85 million, 3 year deal
 - Added second Australian customer with offshore delivery
 - Gone live in Q3 FY12
 - TCV of ~\$12 million, 2 year deal



Q3 FY2012 Highlights (3/5)



Debt and Cash Position

- **FCCB** - Bought back USD 21.6 million face value of FCCBs during the quarter. Outstanding FCCBs are down to USD 169.8 million face value
- **Cash and cash equivalents** of Rs. 6,537 million as of Dec 31, 2011 (USD 130 million at current exchange) as compared to Rs 9,027 million in previous quarter
 - Cash outflow of close to Rs. 2,000 million on FCCB buyback during the quarter
 - Q3 closing cash position impacted by higher unbilled revenues and lower revenue receipts due to holiday season (Q-o-Q receivables and unbilled revenues higher by Rs 716 million)



Employee Strength

- **30,121 employees as on December 31, 2011**
 - 22,139 employees based in India and 7,982 employees based outside of India
 - Net addition of 830 employees in Q3 FY12 compared to net addition of 1,759 employees in Q3 FY11 and net reduction of 373 in Q2 FY12



Attrition

- **Offshore (India and Philippines)** – 56.4% compared to 48.8 % in Q2 FY12
- **Onshore (US and Europe)** – 37.7% compared to 40.9 % in Q2 FY12
- **Domestic (India and Sri Lanka)** – 88.8% compared to 74.7 % in Q2 FY12

Q3 FY2012 Highlights (4/5)



Seat Capacity And Utilization

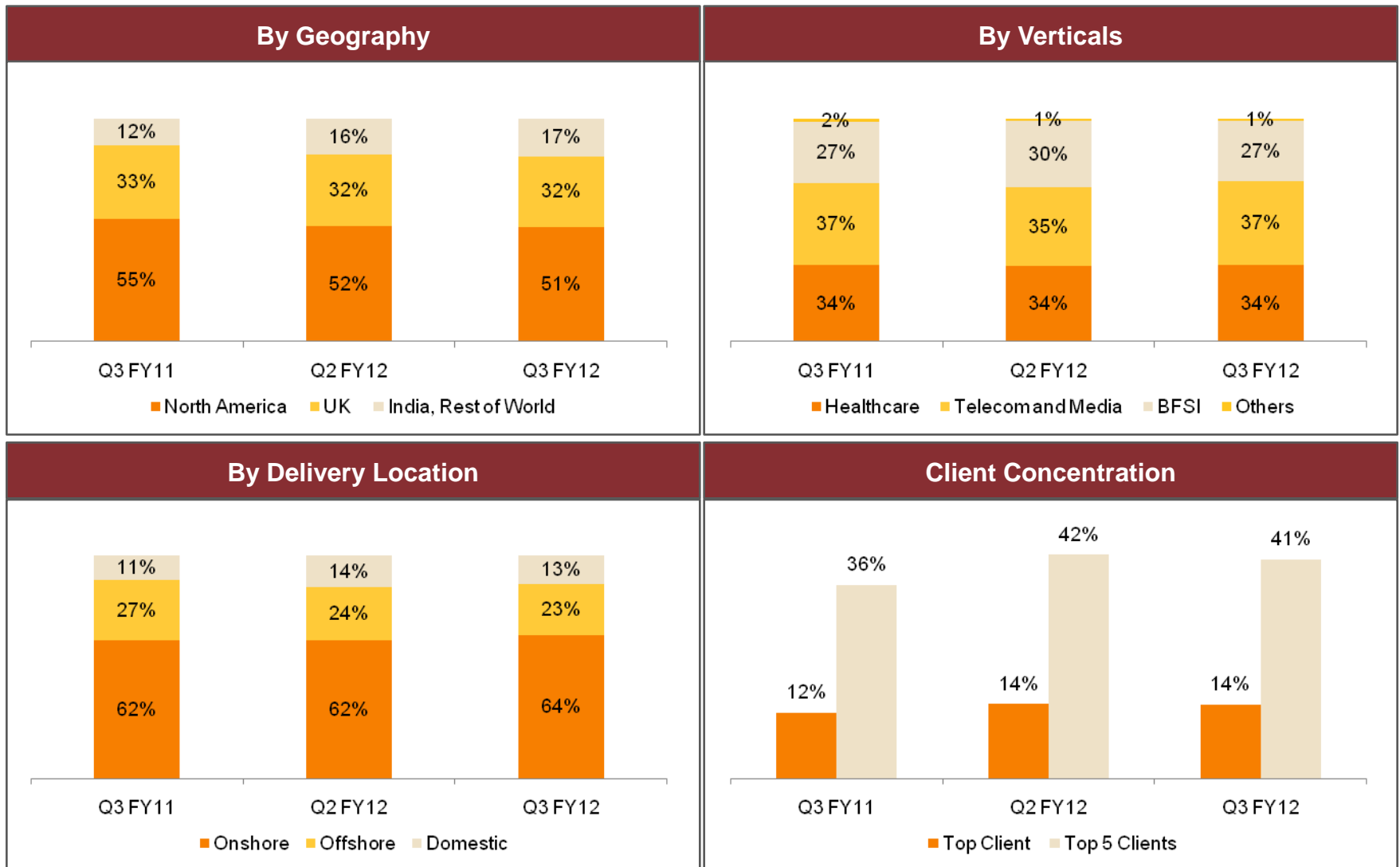
- **Seat capacity of 23,587 seats worldwide**
 - Added 1,068 seats during the quarter
 - 48 delivery centers as on December 31, 2011, compared to 45 as on September 30, 2011
 - Addition of two centers in India and one center in Philippines
 - Seat fill factor at 75% as on December 31, 2011, compared to 78% as on September 30, 2011
 - Average seat fill factor for Q3 FY12 at 76%



Foreign Exchange Hedges (as on Jan 25, 2012)

- **Outstanding FX hedges at \$21.3 million and £39.2 million and AUD 15.4 million for USD, GBP and AUD respectively**
 - **Next 12 months:** Overall 80% coverage with covered rates for USD at Rs. 49 levels, GBP at Rs. 78 levels and AUD at Rs. 49.5 levels
 - **Next 12 – 24 months:** Overall 30% coverage with covered rates for USD rates at Rs. 51 levels, GBP at Rs. 83.7 levels and AUD at 51.4 levels

Q3 FY2012 Highlights (5/5)



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- Q3 FY2012 Highlights

- **Financial Performance**

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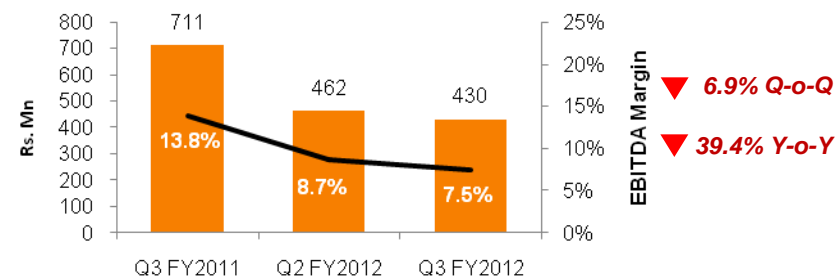
Financial Performance – Q3 FY2012

(IN INR Million)	Q3 FY 2011	Q2 FY 2012	Q3 FY 2012
Income from services	5,048	5,287	5,814
Other operating Income	98	43	(43)
Revenue from operations	5,146	5,330	5,771
Personnel and Operating Expense	4,435	4,868	5,340
Operating EBITDA	711	462	430
Operating EBITDA %	13.8%	8.7%	7.5%
Depreciation / amortization	232	225	230
Operating EBIT	479	237	201
Operating EBIT %	9.3%	4.4%	3.5%
Extraordinary (expense)	(64)	-	-
Other Income / (expense)	112	51	6
Interest Income / (expense), net	(55)	(21)	(7)
Amortized (cost) on fair value of FCCB	(32)	(36)	(35)
Exchange gain / (loss) on Foreign currency loan	1	26	0
Gain / (loss) on FCCB Buyback	-	4	(71)
PBT	441	261	94
PBT (% of total income)	8.4%	4.8%	1.6%
Taxes and Minority Interest	92	46	25
PAT	350	215	69
PAT (% of total income)	6.6%	4.0%	1.2%
Reported Basic EPS (INR)	0.81	0.50	0.16
Reported Diluted EPS (INR)	0.73	0.48	0.16

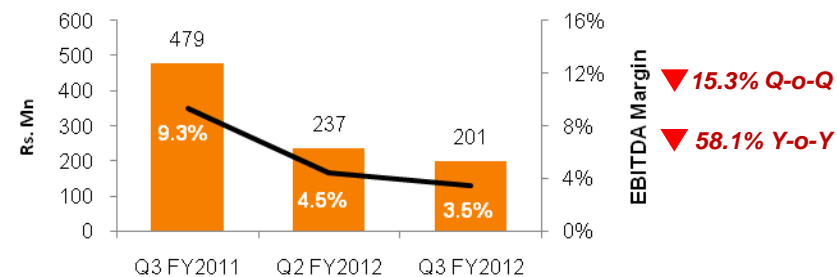
Revenue From Operations



Operating EBITDA



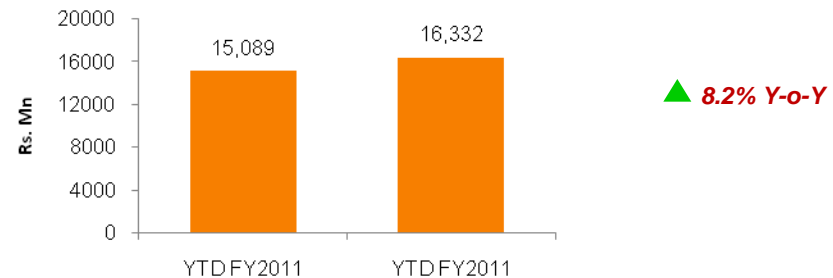
Operating EBIT



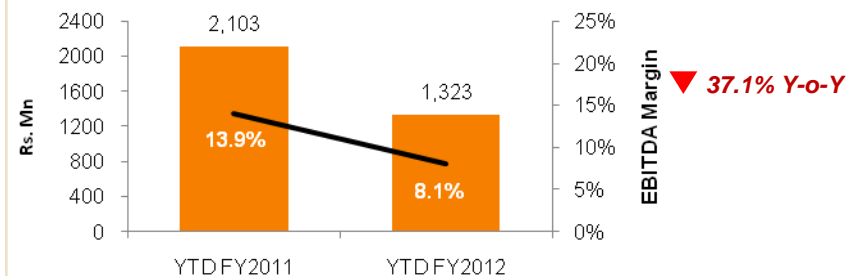
Financial Performance – YTD FY2012

(IN INR Million)	For Nine Months	
	YTD FY2011	YTD FY2012
Income from services	14,707	16,290
Other operating Income	382	42
Revenue from operations	15,089	16,332
Personnel and Operating Expense	12,985	15,009
Operating EBITDA	2,103	1,323
<i>Operating EBITDA %</i>	<i>13.9%</i>	<i>8.1%</i>
Depreciation / amortization	657	674
Operating EBIT	1,446	648
<i>Operating EBIT %</i>	<i>9.6%</i>	<i>4.0%</i>
Extraordinary (expense)	(64)	-
Other Income / (expense)	138	71
Interest Income / (expense), net	(165)	(62)
Amortized (cost) on fair value of FCCB	(94)	(107)
Exchange gain / (loss) on Foreign currency loan	2	26
Gain / (loss) on FCCB Buyback	-	(68)
PBT	1,263	508
<i>PBT (% of total income)</i>	<i>8.3%</i>	<i>3.1%</i>
Taxes and Minority Interest	261	119
PAT	1,002	390
<i>PAT (% of total income)</i>	<i>6.6%</i>	<i>2.4%</i>
Reported Basic EPS (INR)	2.33	0.90
Reported Diluted EPS (INR)	2.11	0.90

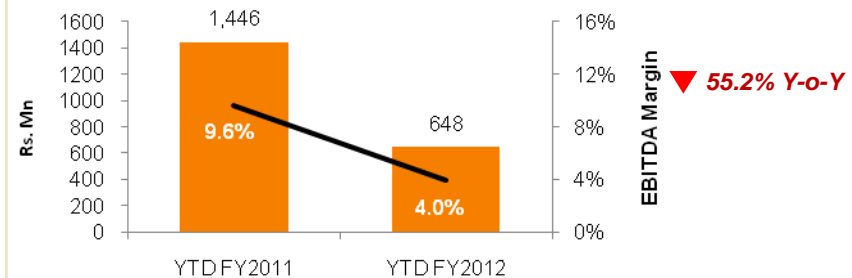
Revenue From Operations



Operating EBITDA



Operating EBIT



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■ Business Outlook



Business Outlook

■ Moving into Q4 FY12

- Positive revenue momentum to continue; largely driven by

- Recent wins and Ramps in Telecom and Media segment

- Full quarter impact of deals gone live in Q3

- Improved Collections performance on account of tax seasonality

- However, seasonal uplift this quarter will be subdued due to low charge-off rates on lower card debt resulting in significant volume decline y-o-y

- Seasonal uptick in Healthcare Provider segment

- Positive movement in profitability on the back of

- Additional revenues contributing to margins

- New Telecom and Media wins, Collections, Healthcare Provider

- Cost rationalization initiatives starting to yield efficiencies and savings

- Partially offset by ongoing investments and costs towards ramping recently won large deals



THANK YOU

Firstsource (NSE: FSL, BSE: 532809, Reuters: FISO.BO, Bloomberg: FSOL@IN) is a global provider of customised BPO (business process outsourcing) services to the Banking & Financial Services, Telecom & Media and Healthcare sectors. Its clients include FTSE 100, Fortune 500 and Nifty 50 companies. Firstsource has a “rightshore” delivery model with operations in India, US, UK, Philippines and Sri Lanka. (www.firstsource.com)

