

Firstsource Solutions Limited

Q4 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.

Agenda

- **Financial Performance**
 - FY 2008
 - Q4 FY2008
- **Update on MedAssist**
- **Update on Collections Business**
- **FY2009 Guidance**

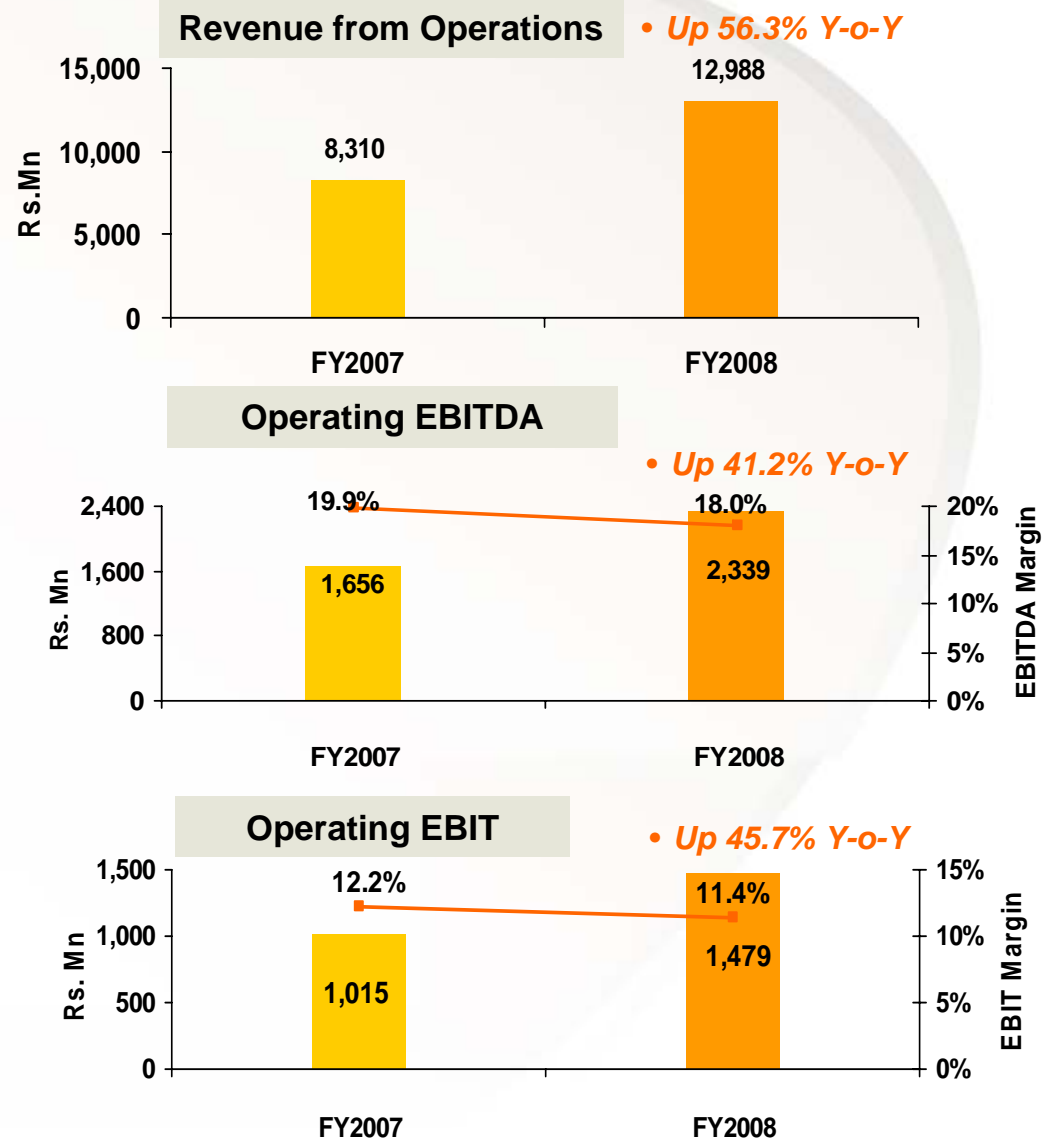


FY2008 Highlights

- **Financial Performance**
 - Total Income growth of 59.1%
 - Operating EBIT growth of 45.7%
 - PAT growth of 35.3%
- **Acquisition of MedAssist Holding Inc.**
 - Enhances the value proposition and deepens the domain in the healthcare vertical
 - Financed by an FCCB issue of \$ 275 million
- **Continued expansion of global delivery footprint**
 - Two new centers in the US – Salt Lake City, Utah and Colorado Springs, Colorado
 - Three new delivery centers in India – Indore, Hubli, and Vashi, Mumbai
 - Commencement of delivery from Manila, Philippines
- **Employee strength is 17,369; added 2973 employees during the year**
- **Significant awards and recognition**
 - Telecommunications Outsourcing Project of the Year for its work with a leading telecom company in UK from the National Outsourcing Association (NOA), UK.
 - Won five awards for Six Sigma Excellence from the International Quality & Productivity Center (IQPC) during the year.
 - Runners up trophy in the DMAIC services category in six sigma excellence awards organized by Symbiosis Institute for its work with a FTSE 250 telecom company in UK .
 - 'Offshore Agency of the Year' Award from a leading financial services client in the U.S in the collections area. Beats seven other agencies to win this award.

Financial Summary FY2008

(IN INR Million)	FY 2007	FY 2008
Income from services	8,168	12,406
Other operating Income	142	582
Revenue from operations	8,310	12,988
Personnel & Operating Exps	6,654	10,649
Operating EBITDA	1,656	2,339
Operating EBITDA %	19.9%	18.0%
Depreciation / amortization	642	861
Operating EBIT	1,015	1,479
Operating EBIT %	12.2%	11.4%
Other Income / (expense)	72	349
Extraordinary expense	-	30
Fin. charges, Interest exp.	78	216
Fin. charges, mark to mkt. loss / (gain)	(17)	150
PBT	1,026	1,432
PBT (% of total income)	12.2%	10.7%
Taxes	60	127
PAT (Before Minority Interest)	966	1,305
Minority Interest	(6)	(10)
PAT	973	1,316
PAT (% of total income)	11.6%	9.9%
Basic EPS (Rs.)	3.67	3.09
Diluted EPS (Rs.)	2.50	2.83



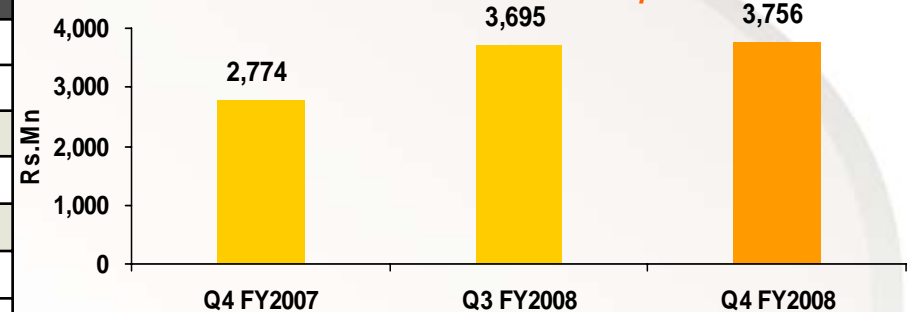
Financial Summary Q4 FY2008

(IN INR Million)	Q4 FY 2007	Q3 FY 2008	Q4 FY 2008
Income from services	2,684	3,589	3,692
Other operating Income	90	106	64
Revenue from operations	2,774	3,695	3,756
Personnel & Operating Exps	2,195	3,150	3,134
Operating EBITDA	579	545	623
Operating EBITDA %	20.9%	14.8%	16.6%
Depreciation / amortization	200	231	227
Operating EBIT	379	314	396
Operating EBIT %	13.7%	8.5%	10.5%
Other Income / (expense)	(15)	75	36
Fin. charges, Interest exp.	19	195	17
Fin. charges, mark to mkt. loss / (gain)	(12)	(45)	196
PBT	357	239	219
PBT (% of total income)	12.9%	6.3%	5.8%
Taxes	8	37	13
PAT (Before Minority Interest)	348	202	206
Minority Interest	(1)	(4)	(4)
PAT	349	206	210
PAT (% of total income)	12.7%	5.5%	5.5%
Basic EPS* (Rs.)	0.89	0.48	0.49
Diluted EPS* (Rs.)	0.84	0.44	0.38

* Not Annualized

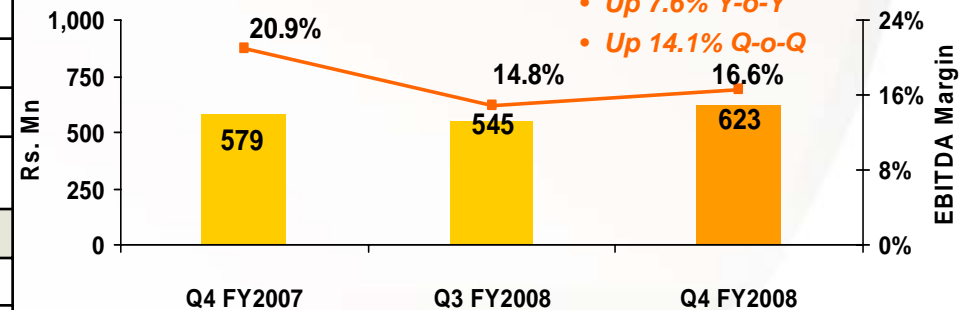
Revenue from Operations

- Up 37.4% Y-o-Y
- Up 1.6% Q-o-Q



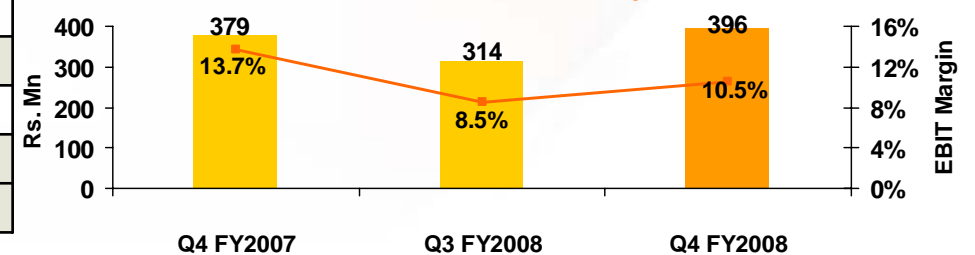
Operating EBITDA

- Up 7.6% Y-o-Y
- Up 14.1% Q-o-Q



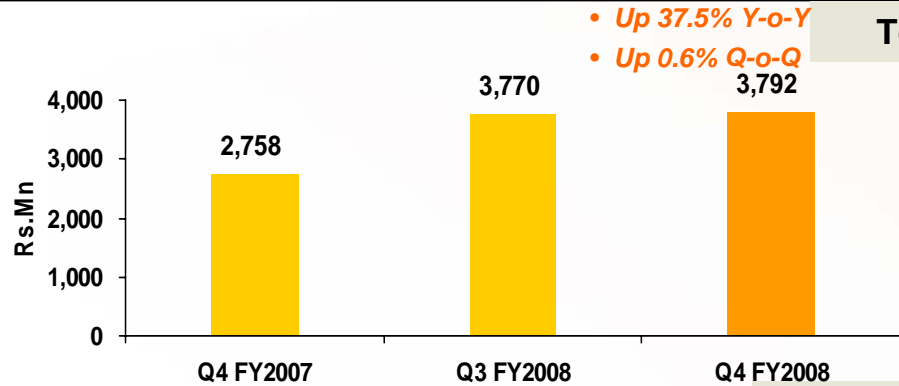
Operating EBIT

- Up 4.4% Y-o-Y
- Up 25.8% Q-o-Q

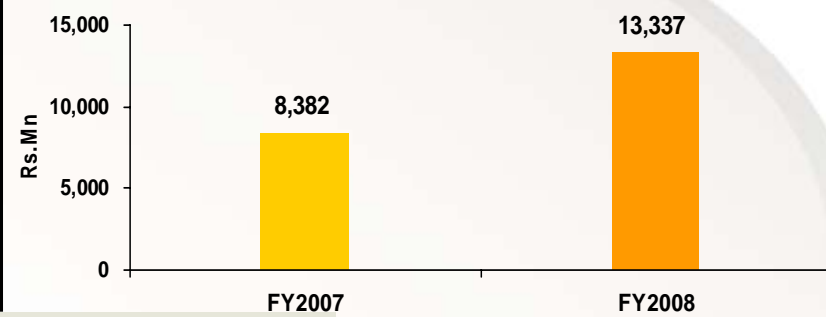


Performance Overview on Total Income Basis

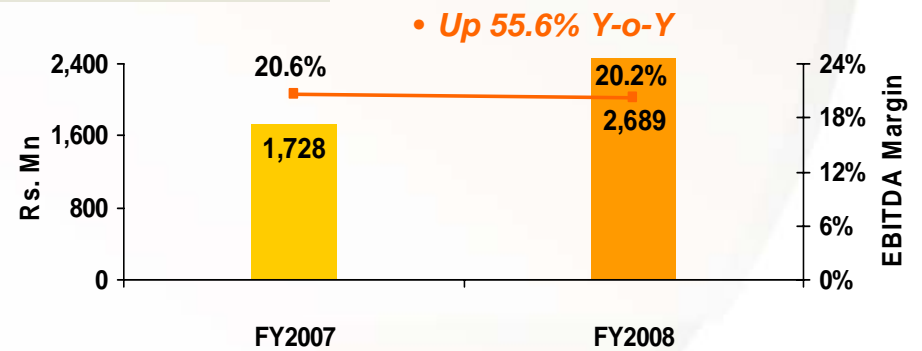
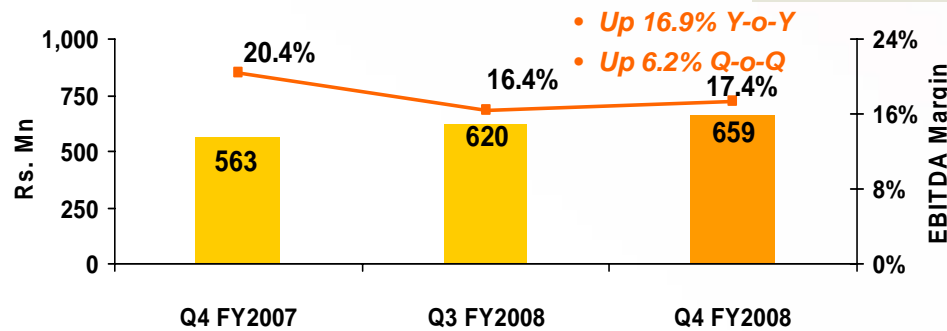
Total Income



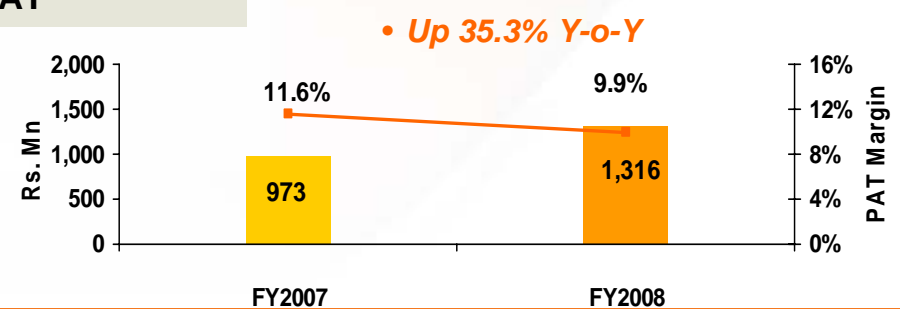
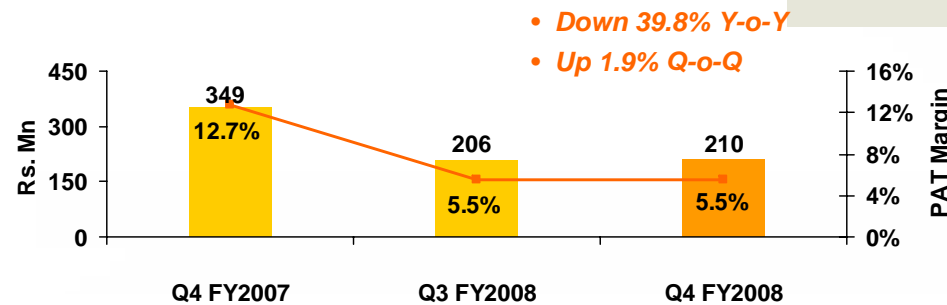
• Up 59.1% Y-o-Y



EBITDA



PAT



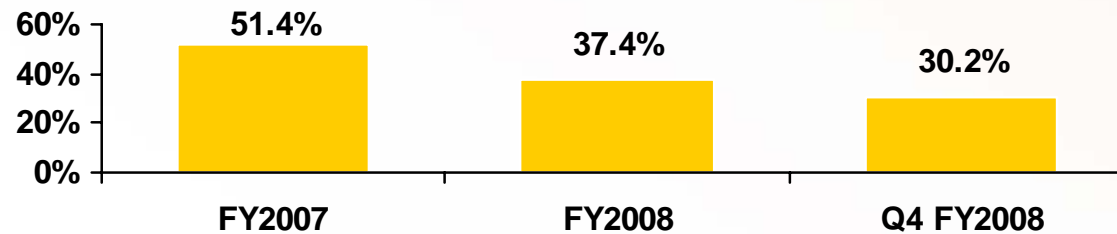
Q4 FY2008 Highlights (1/2)

- **Barclays Deal**
 - Colorado Springs center transitioned to Firstsource beginning March 2008, 5-year contract for \$80 million
- **Total employee strength of 17,369, up by 279 from end Dec-07**
 - India based - 13,159
 - Outside India based - 4,210
- **Attrition**
 - Post 180 days – 38.9% annualized in Q4 compared to 34.3% in Q3
- **Operations commencement in new locations**
 - Vashi, Mumbai
 - Colorado Springs for Barclays
- **Seat capacity of 14,989, up by 1,104 from end Dec-07**
 - Seat fill factor – 73%

Q4 FY2008 Highlights (2/2)

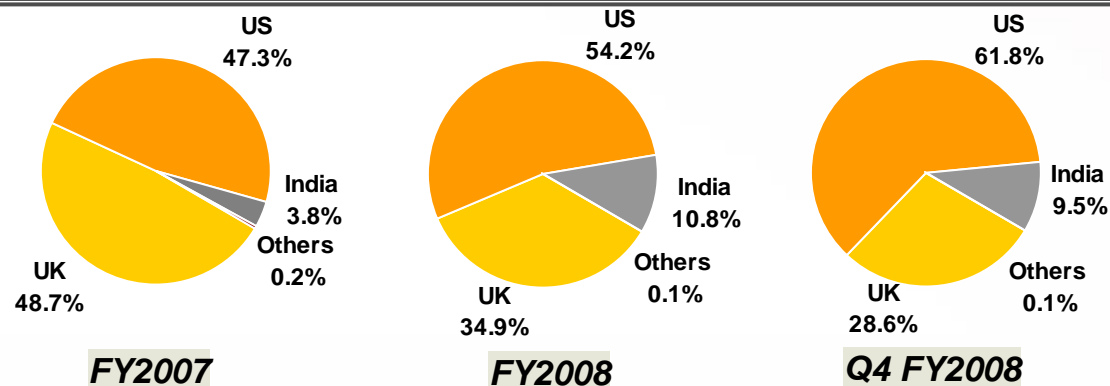
Client concentration

Revenue from top five clients



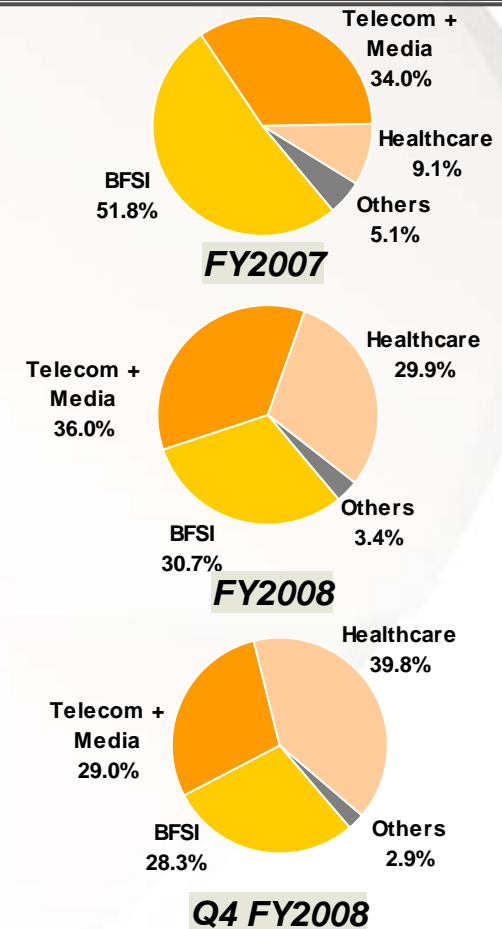
Note: Largest client contributed 10.9% of income from services in Q4 FY2008

Revenues by geography



Note: Revenues considered above are Income from services

Revenues by vertical



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MedAssist at a Glance

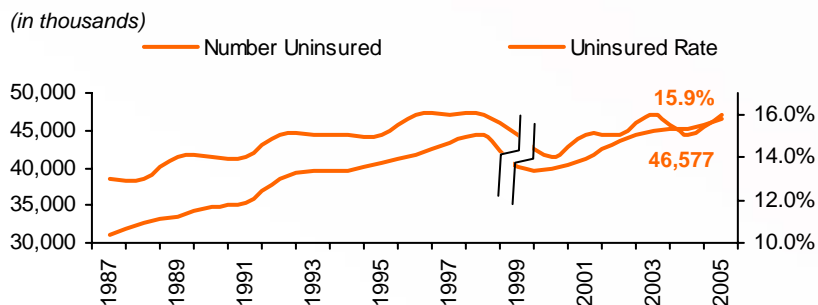
- **Strong market position built over 19 years in attractive hospital revenue cycle segment**
 - Market leader in Eligibility Service
 - Top 5 in Receivable Management Service
 - Top 10 in Hospital Collection Service
 - Economically stable market
- **Large and diverse client base of blue-chip hospitals and health systems across the US**
 - Long standing relationships with strong retention rates.
 - In excess of 800 hospitals clients
 - Over 250 physician groups
- **Recognized by US national organizations; HFMA and VHA**
 - HFMA Peer Review Approved - structured process that validates the accuracy, effectiveness, marketplace acceptance, and value of products and services
 - VHA sole sourced eligibility provider. Consistent top performer in VHA vendor surveys
- **National scope in a highly fragmented sector**
 - Over 25 facilities that span the US
 - Uniquely positioned to service the larger national chains
- **Strong financial profile and cash flow characteristics**
 - Industry leading metrics in GP and cash performance
- **Strong and seasoned management team**



MedAssist Favorable Market Trends / Significant Share Upside

- Healthcare expenditures in the United States are growing much faster than GDP
- Providers face significant revenue and cost pressures as the self-pay population increases
- Providers are increasingly outsourcing multiple elements of their revenue cycle

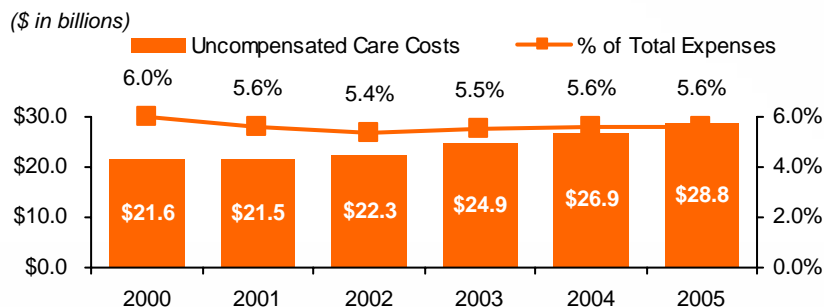
Uninsured Americans



Source: U.S. Census Bureau, Current Population Survey and 1988 to 2006 Annual Social and Economic Supplements.

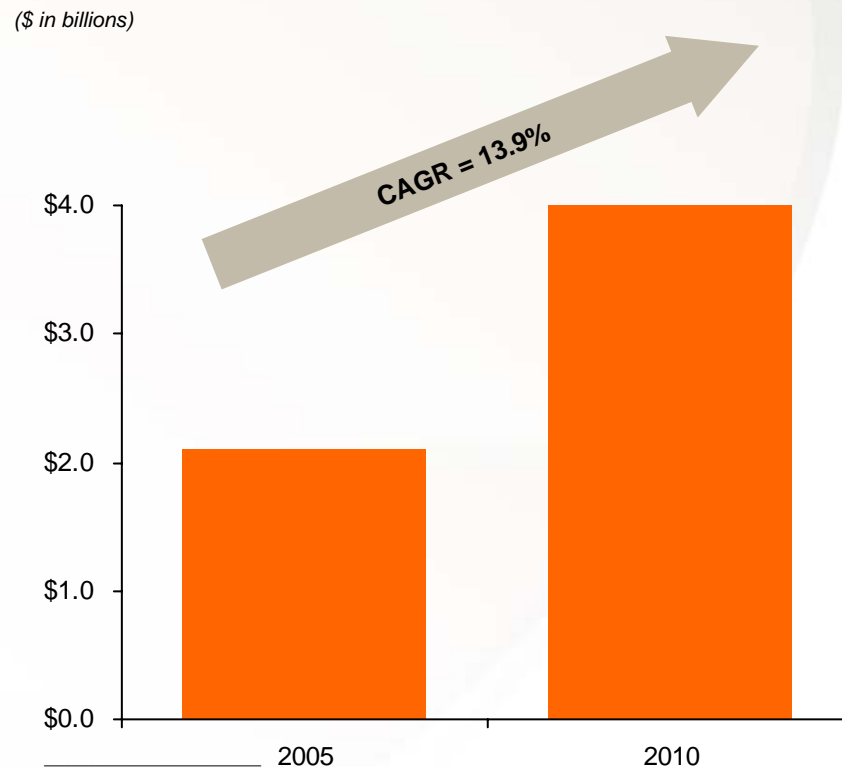
Note: Data for 1999 reflect implementation of follow-up verification questions.

National Uncompensated Care



Source: Health Forum and AHA Annual Survey Data.

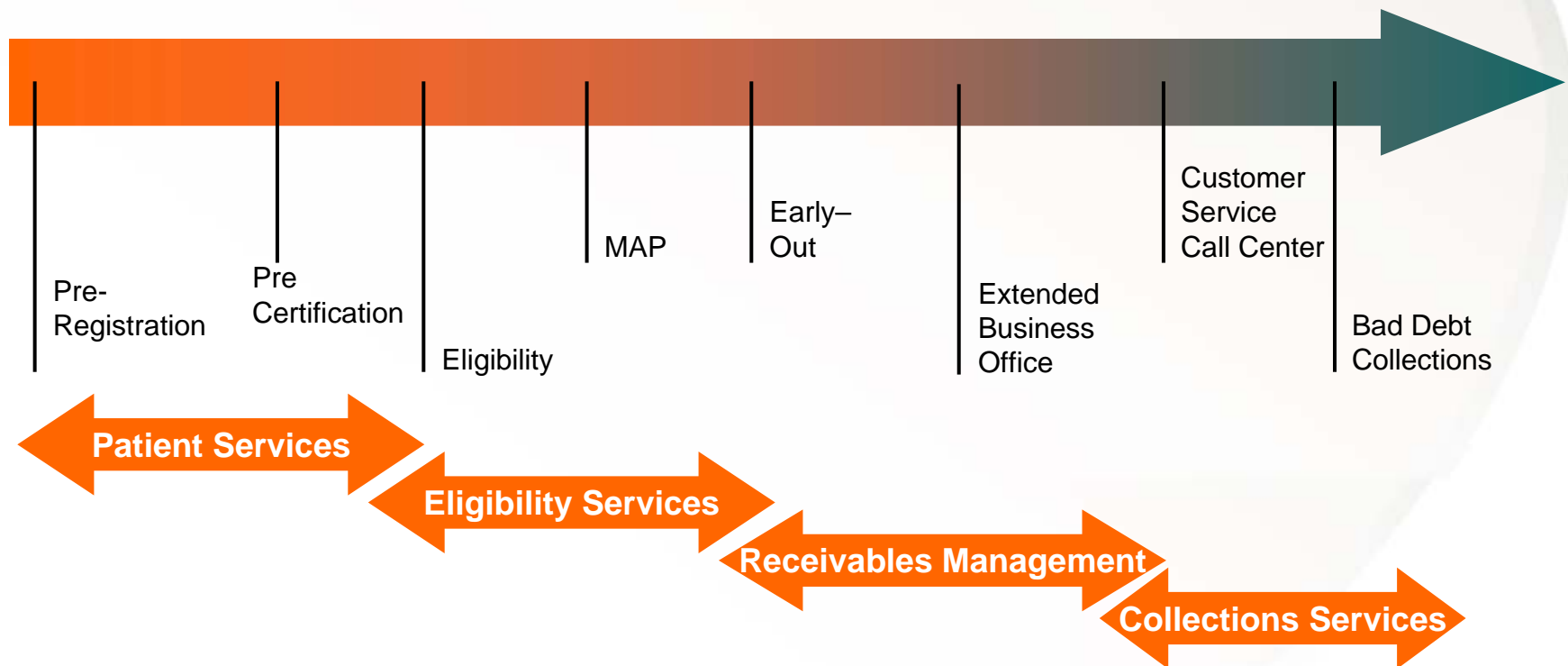
U.S. Healthcare Spending on BPO Services



Source: IDC Market Research.

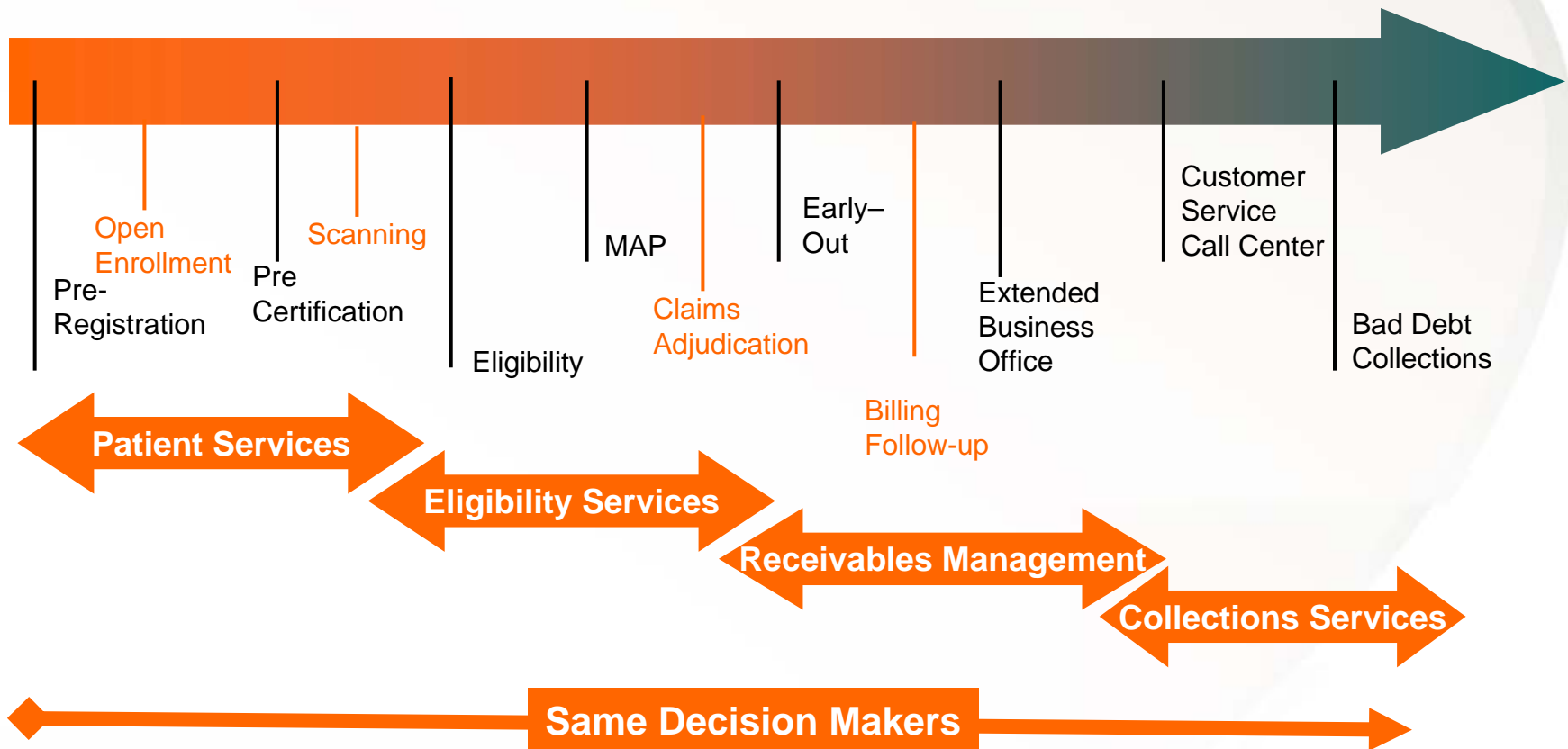
MedAssist's Comprehensive Revenue Cycle Offering

- MedAssist's services address multiple critical points along the revenue cycle, from pre-visit screening to self-pay eligibility to past-due receivables management and collections



Firstsource Leverage

- **Combined Service Offering**



Integration Synergies and Opportunities

- **Revenue Synergies**
 - Cross sell opportunities e.g. claims denial management, electronic patient records, charge capture
- **Low Cost Sourcing**
 - 'Near Shore' and 'Off Shore' opportunities in back office production staff.
 - EDI and help desk functions
- **Consolidation of US Functional Staff; Eliminating Redundancy**
 - One US based functional structure; accounting, HR, Purchasing and IT structure
 - Leverage of employees across Firstsource (IT, Operations, Accounting)
- **Optimizing Sales and Operation Center Structure**
 - US sales organization and product offering (go to market & value proposition)
 - US operating center rationalization and consolidation
- **Leveraging Existing Infrastructure**
 - IT redundancy / disaster recovery / equipment utilization
- **Optimizing Vendor Contracts**
 - Vendor rationalization / renegotiation with incremental volumes

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Collections Performance

- **Q4 performance has been significantly better than Q3, contributed by**
 - Seasonality due to the tax refund season in the US
 - Improvement in operational parameters due to change in strategy
- **Sub-prime crisis continues to impact consumer debt in the US quite significantly**
 - All leading credit card issuers have seen sharp increases in delinquency and charge-off rates
 - Some leading players forecasting conditions to remain the same or worsen over the rest of the year
- **Liquidation rates continue to be stressed**
 - Some early signs in certain segments that debtor behaviour may be changing in favour of paying off credit card debt before mortgages in order to maintain access to liquidity
- **Early signs of adjustments in client strategies**
 - More operational flexibility being provided around settlements and payment plans
 - Some clients have started increasing commission rates
- **Clients have shown increased propensity to sell charged-off debt**
 - Impact mitigated by adding debt buyers into the client roster
 - We are seeing placements of debt of our clients that have been purchased by debt buyers

Collections Strategy

- **Anticipate continued volatility in the collections business**
 - Length and depth of recession
 - How quickly clients adjust commission rates to the new reality
 - Expect profitability outlook likely to be uncertain for at least the next 2 quarters
- **Focus continues to be on strong operational performance, both on client rankings as well as on profitability**
 - Workforce realignment to ensure the best collectors are allocated most collectible debt cases
 - Increased frequency of reviews of strategy on individual portfolios
 - Frequent interactions with clients to understand their experiences across their entire portfolio
 - Increased tactical use of India delivery capabilities to increase liquidations at the margin
- **Focusing client acquisition strategies towards**
 - Healthcare and Telecoms, which are not as severely impacted by the liquidation decline
 - Early stage collections with Financial Services clients, as these are usually on an input pricing basis.
 - Barclaycard deal gives us a strong early stage capability in the US
 - Continuing to penetrate the large debt buyers

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FY2009 Guidance

- **Revenue**

- Operating revenue growth between 33-38% in USD terms
 - Excluding MedAssist, growth would be 17-21%
 - Impact of fall off of grant in Northern Ireland is 3%
- Dollar FX rate assumption at Rs. 39.50

- **Profits**

- Expect operating EBIT % for the year to be similar to slightly below the FY 2008 levels with some quarter on quarter volatility
- .Effective tax rate will be higher at 15% in 2008-09 vs. 9%

THANK YOU

Firstsource (NSE: FSL, BSE: 532809, Reuters: FISO.BO, Bloomberg: FSOL@IN) is among India's leading BPO (business process outsourcing) service providers. Firstsource provides customized business process management to global leaders in the Banking & Financial Services, Telecom & Media and Healthcare sectors. It's clients include six "Fortune Global 500" banks, two "Fortune Global 500" telecommunications companies and three "Fortune 100" healthcare companies. Firstsource has a global delivery model with operations in India, US, UK, Argentina and Philippines. (www.firstsource.com)

