Firstsource Solutions Limited

Q4 and FY2009 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

- *FY2009 Highlights*
- **Financial Performance**
  - **Q4 FY2009**
  - **FY2009**
- **Business Outlook**

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FY2009 Highlights (1/2)

Financial performance

- **Operating revenue growth**
  - Y-o-Y growth of 34.7% in INR terms and 17.6% growth in USD terms (excluding cross currency movement USD terms growth is 25.0%)
  - Y-o-Y organic growth of 16.1% in INR terms and 1.6% organic growth in USD terms (excluding cross currency movement USD terms organic growth is 10.6%)
- **Operating EBIT**
  - FY09 Operating EBIT at Rs. 1,375 million (7.9% margin) as compared to Rs. 1,479 million (11.4% margin) in FY08

Continued expansion of delivery footprint

- **Delivery centers**
  - 43 centers as on March 31, 2009 compared to 36 as on March 31, 2008
  - Added eight delivery centers in India during the year, one center shut down in North America – Reno, NV
- **Seat capacity**
  - Seat capacity of 18,932 seats worldwide as on March 31, 2009, added 3,943 seats during the year

Continue to scale operations

- **Employees**
  - 21,570 employees as on Mar 31, 2009, added 4,201 employees during the year
    - 3,700 employees added in India, 501 additions outside India
- **Clients**
  - Expanding relationships with existing clients
    - Of the top 10 clients, 7 clients have grown during the year
  - Added marquee client logos those have significant growth potential
    - Leading Australian, UK and Indian telecom service providers; new wins in Healthcare (provider) and BFSI (Collections)

FY2009 Highlights (2/2)

Organizational restructuring

- **Getting vertically aligned**
  - Reorganized into four independent business units - Healthcare industry vertical, Telecoms & Media industry vertical, Banking, Financial Services & Insurance (BFSI) industry vertical, and Asia Business Unit (ABU) effective March 2009
  - The new organisation structure is expected to further strengthen our domain expertise and facilitate development of a business strategy that mirrors industry opportunities and dynamics

FCCB Buyback

- Bought back USD 49.7 million face value of FCCBs, outstanding FCCB is now at USD 225.3 million compared to original issue of USD 275 million
- Opportunistic buy back, funded through fresh ECB
  - Buyback executed at attractive discount
  - Repayment obligation is spread over a longer time frame

Significant awards and recognition

- Everest Group Outsourcing Excellence Award 2008 for Most Flexible Partnership with Lloyds TSB
- Winners in Transaction & Services category at IQPC Six Sigma excellence awards, London (Transactional services category)
- IQPC, US summit - Finalists in “MBB of the year” and “Best startup program”
- WFMI Excellence Award, Amsterdam - Won in two categories – “Single site process improvement” and “Multi site best practice”
- Recognized amongst the Top 3 companies globally at the ERE 2009 Recruiting Excellence Awards in the “Best Recruiting Department of the Year” category
- Winners in the “Professional Excellence of the Year” at Indiatimes BPO 2008 awards

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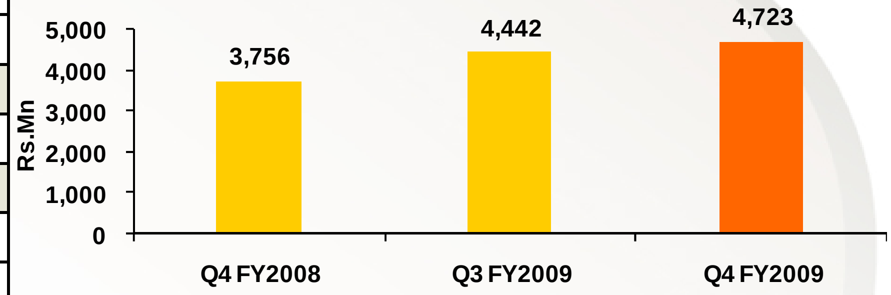
Financial Performance – Q4 FY2009

(IN INR Million)	Q4 FY 2008	Q3 FY 2009	Q4 FY 2009
Income from services	3,692	4,473	4,746
Other operating Income	64	(31)	(23)
Revenue from operations	**3,756**	**4,442**	**4,723**
Personnel & Operating Expense	3,134	3,987	4,117
Operating EBITDA	**622**	**455**	**606**
Operating EBITDA %	***16.6%***	***10.3%***	***12.8%***
Depreciation / amortization	227	255	246
Operating EBIT	**396**	**201**	**360**
Operating EBIT %	***10.5%***	***4.5%***	***7.6%***
Other Income / (expense)	36	(11)	(297)
Interest expense/ (Income), net	19	9	99
Loss/(gain) due to exchange variation and amortized cost on fair value of FCCB	194	30	33
Extraordinary expenses	-	-	138
Gain on FCCB Buy back	-	-	635
PBT	**219**	**151**	**428**
PBT (% of total income)	***5.8%***	***3.4%***	***9.7%***
Taxes	13	33	19
Minority Interest	(4)	2	(0)
PAT	**210**	**116**	**409**
PAT (% of total income)	***5.5%***	***2.6%***	***9.2%***
Reported Diluted EPS (Rs.)	**0.38**	**0.21**	**0.75**

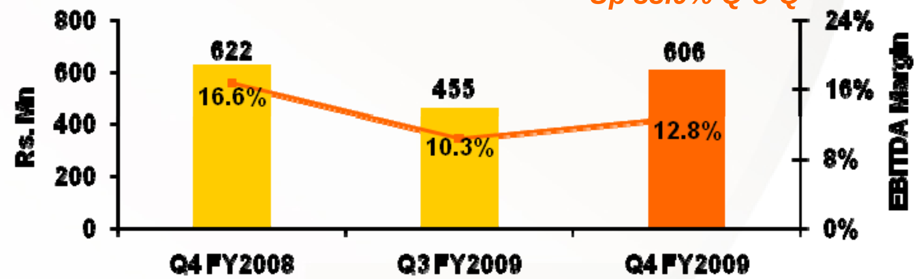
Revenue from Operations

- *Up 25.7% Y-o-Y*
- *Up 6.3% Q-o-Q*



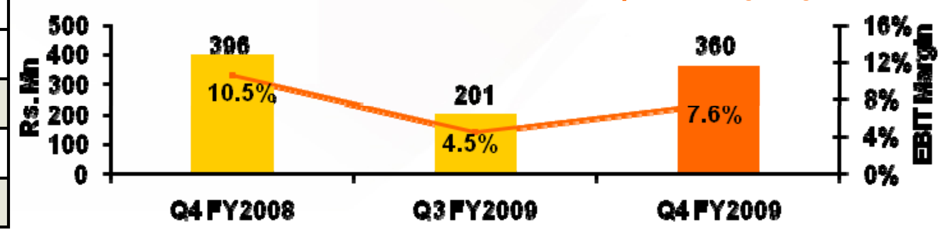
Operating EBITDA

- *Down 2.7% Y-o-Y*
- *Up 33.0% Q-o-Q*



Operating EBIT

- *Down 9.0% Y-o-Y*
- *Up 79.4% Q-o-Q*



Q4 FY2009 Highlights (1 of 3)

Q4 FY2009 Performance Analysis

- **Operating Revenue growth**
  - Q-o-Q growth of 6.3% in INR terms and 4.6% growth in USD terms (excluding cross currency movement USD terms growth is 7.1%)
  - Y-o-Y growth of 25.7% in INR terms and 14.4% growth in constant USD terms (excluding cross currency movement)
- **Operating EBIT**
  - Q4 Operating EBIT margin at Rs. 360 million (7.6% margin) as compared to Rs. 201 million (4.5% margin) in Q3; an increase of Rs. 159 million largely on account of :
    - Stabilisation of ramp in domestic business
    - Seasonality in collections due to tax refunds in the US
- **Extraordinary Items**
  - Gain of Rs 635 million on buy back of $49.7 million face value, net of foreign exchange MTM impact
  - Provision of Rs. 138 million towards rationalization of delivery center and related restructuring
  - MTM loss of Rs. 236 million on account of excess forex covers

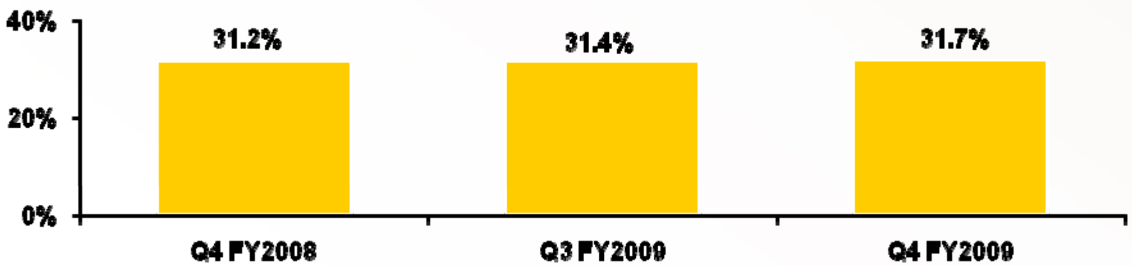
Q4 FY2009 Highlights (2 of 3)

- **Foreign Exchange Hedges**
  - Outstanding FX hedges at $82 million (USD and GBP covers)
    - 100% USD coverage and 50% GBP coverage for FY10
    - 100% USD coverage and no GBP coverage for FY11
- **21,570 employees as on March 31, 2009**
  - 16,859 employees based in India and 4,711 employees based outside of India
  - Net reduction of 950 employees in Q4 FY09 compared to net addition of 2,944 employees in Q3 FY09 and net addition of 279 in Q4 FY08
    - Reduction in headcount in Q4 is due to large ramp in previous quarter getting in to production mode and headcount stabilizing
- **Attrition**
  - Q4 annualized attrition (post 180 days)
    - Offshore (India, Argentina and Philippines) – 35.8% compared to 35.8% in Q3
    - Onshore (US and UK) – 38.4% compared to 38.8% in Q3
    - Domestic – 74.1% compared to 68.8% in Q3
- **Seat capacity of 18,932 seats worldwide**
  - Added two new delivery centers in India at Coimbatore and Bangalore, shut down one center in North America
  - Seat fill factor at 70% as on March 31, 2009 compared to 74% as on December 31, 2008
    - Average seat fill factor for Q4 FY09 at 73%

Q4 FY2009 Highlights (3 of 3)

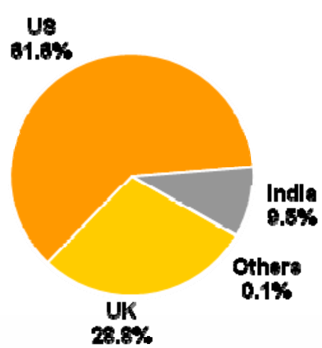
Client concentration

Revenue from top five clients

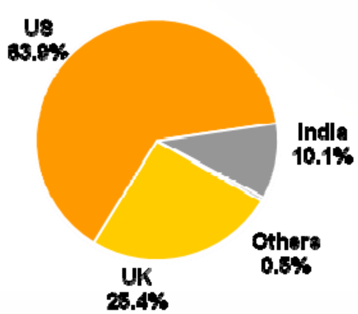


Note: Largest client contributed 10.7% of income from services in Q4 FY2009

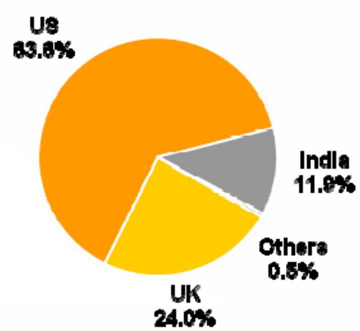
Revenues by geography



Q4 FY2008

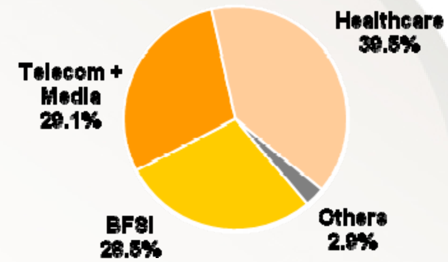


Q3 FY2009

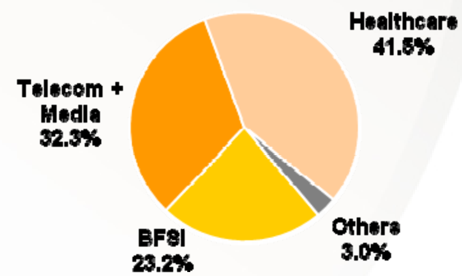


Q4 FY2009

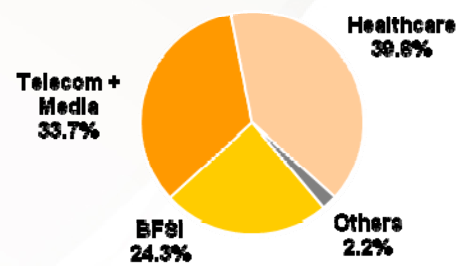
Revenues by vertical



Q4 FY2008



Q3 FY2009



Q4 FY2009

Note: Revenues considered above are Income from services

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Financial Performance – FY2009

(IN INR Million)	FY2008	Q1 FY2009	Q2 FY2009	Q3 FY2009	Q4 FY2009	FY2009
Income from services	12,406	4,016	4,290	4,473	4,746	17,525
Other operating Income	582	63	(40)	(31)	(23)	(32)
Revenue from operations	**12,988**	**4,079**	**4,250**	**4,442**	**4,723**	**17,494**
Personnel & Operating Expense	10,649	3,474	3,605	3,987	4,117	15,183
Operating EBITDA	**2,339**	**605**	**645**	**455**	**606**	**2,311**
Operating EBITDA %	***18.0%***	***14.8%***	***15.2%***	***10.3%***	***12.8%***	***13.2%***
Depreciation / amortization	861	223	212	255	246	936
Operating EBIT	**1,479**	**382**	**433**	**201**	**360**	**1,375**
Operating EBIT %	***11.4%***	***9.4%***	***10.2%***	***4.5%***	***7.6%***	***7.9%***
Other Income / (expense)	349	17	(45)	(11)	(297)	(337)
Interest expense/ (Income), net	174	23	5	9	99	136
Loss/(gain) due to exchange variation and amortized cost on fair value of FCCB	193	802	28	30	33	892
Extraordinary expenses	30	-	-	-	138	138
Gain on FCCB Buy back	-	-	-	-	635	635
PBT	**1,432**	**(426)**	**355**	**151**	**428**	**507**
PBT (% of total income)	***10.7%***	***-10.4%***	***8.4%***	***3.4%***	***9.7%***	***3.0%***
Taxes	126	74	73	33	19	199
Minority Interest	(10)	0	(1)	2	(0)	1
PAT	**1,316**	**(501)**	**283**	**116**	**409**	**307**
PAT (% of total income)	***9.9%***	***-12.2%***	***6.7%***	***2.6%***	***9.2%***	***1.8%***
Reported Diluted EPS (Rs.)	**2.83**					**0.56**

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Healthcare

Headed by

President, Healthcare/
CEO, North America
Mike Shea

Market geography

Key segments

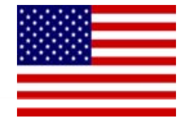
Payer

Provider

Revenue contribution

41% of income from services (Q4 FY09)

Delivery geography



Industry trends

- **US healthcare reforms is a key priority for the new US administration**
    - Cost of healthcare is a concern shared by government, consumers and businesses, the latter of which is now faced with loss of competitiveness as healthcare consumes more of the profits.
    - Although a number of healthcare reform models are under discussion, there is little debate that some type of change must occur
- **State governments continues to be under budgetary pressures**
    - Payment cycles has increased
- **Higher unemployment rate to result in higher underinsured and uninsured population**

Business outlook

- **Eligibility services and receivable management to be impacted due to US state budgetary pressures**
- **Healthcare collections, though not as vulnerable as BFSI collections, may get impacted**
- **Lower volume in healthcare payer segment due to increasing underinsured and uninsured population**
- **Stimulus package by new administration expected to provide some mitigation**
- **Healthcare reforms should present huge opportunity in the medium/ long term**
- **Making significant investments in sales and marketing, both for provider and payer markets**

Expect moderately higher growth in FY10 compared to FY09

Telecommunications & Media

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Headed by

President, BFSI & T&M/
MD, Europe
Matthew Vallance

EVP
Telecom & Media
Santanu Nandi

Market geography

Key segments

- DTH /Satellite Television
- Wireless
- Mobile
- Broadband / Narrowband
- Fixed line

Revenue contribution

23% of income from services (Q4 FY09)

Delivery geography

Industry trends

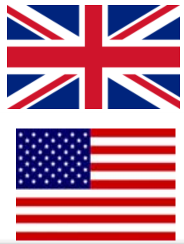
- **Mobile / Wireless**
  - Top-line growth and ARPU tapering off, greater focus on consolidation and costs
- **Broadband / High speed internet**
  - With new customer additions having slowed down, time for land-grab is over
  - ISPs focusing on margin expansion
- **Fixed / Wireline**
  - Enterprise revenue showing some decline in line with current economic environment
- **DTH / Pay TV**
  - Subscription based business unaffected by fall in advertising revenues
  - Gaining importance as customers cut back on going out and stay at home
  - Bundled packages / triple play

Business outlook

- **Mobile / Wireless**
  - Outsourcing / right-shoring finding increased interest
  - Consolidation of service providers is benefitting Firstsource
- **Broadband / High speed internet**
  - Growth via market growth has slowed down
  - Seeing growth coming from margin expansion initiatives
- **Fixed / Wireline**
  - Revenues from US enterprise clients to remain steady
- **DTH / Pay TV**
  - Relatively immune to recession
  - Volumes showing positive trend

Expect to have positive growth in FY10

BFSI

Headed by	Market geography	Key segments	Revenue contribution	Delivery geography
 President, BFSI & T&M/ MD, Europe Matthew Vallance  SVP BFSI Sanjeev Sinha		 Credit Cards  Retail Banking  Mortgage  General and Life Insurance	24% of income from services (Q4 FY09)	

Industry trends

- **Credit cards**
  - Increasing level of unemployment and pressure on US salaries
  - Business volumes in collections continue to go up
  - Liquidation rates continue to remain soft
- **Retail banking**
  - Radical restructuring of the banking marketplace – lesser number of larger banks
- **Mortgages**
  - Gross mortgage landing has fallen 2/3rd over last 6 quarters in our key market – UK
  - Fewer lenders taking bulk of market share
- **General insurance**
  - Aggregators / price comparison sites increasingly becoming dominant
  - Slowdown in new car sales

Business outlook

- **Credit cards**
  - Collections margins likely to remain depressed
  - Margins in other credit card business such as customer service will improve due to right shoring
- **Retail banking**
  - Lesser target companies but larger opportunities
- **Mortgages**
  - Origination work will continue to be low
- **General insurance**
  - More opportunities as insurers try to reduce operating costs to remain competitive
  - Slowdown in new business volumes

Expect to see flat to slightly negative growth in FY10

Asia Business Unit (ABU)

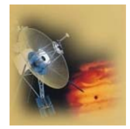
Headed by

EVP, Asia SBU
Chandra Iyer

Market geography

Key segments

BFSI



Telecom & Media

Revenue contribution

12% of income from services (Q4 FY09)

Delivery geography

Industry trends

- India showing positive growth despite global slow down with telecom and BFSI maintaining growth trajectory
- Emerging industry – a gradual shift from cost focus to value based service from tier-1 service providers
- Focus on innovative outcome based pricing models as opposed to input based pricing
- Segments of industry yet to start outsourcing presents a large and nascent market opportunity
- Clients deepening reach to tier II cities and beyond

Business outlook

- Expect to mine existing customers in telecom & media sector and ride the growth
- Opportunities in other sectors like banks, insurance and government expected to open up
- Focus on unique products/service offerings to manage large, scattered volume thus enhancing the client’s market reach at low cost

Expect ABU to continue strong positive growth

FY2010 Business Outlook

- **Expect overall positive revenue growth**
  - Uncertain economic conditions makes it difficult to quantify the growth
- **Expect to improve profitability**
  - Expect to improve margins moving forward due to:
    - Better capacity utilization
    - Continued focus on productivity / cost savings
    - Large ramps in FY09 expected to stabilize
- **However, moving into Q1 FY10**
  - Fall off in Collections seasonality will result in slightly lower revenues and profitability

THANK YOU

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