firstsource

Leveraging
Global Opportunities

Annual Report 2012

CONTENTS

Registered Office: 5th floor, Paradigm 'B' Wing, Mindspace, Link Road, Malad (West), Mumbai - 400 064. India. www.firstsource.com

Statutory Auditors: B S R and Co., Chartered Accountants, 1st Floor, Lodha Excelus, Apollo Mills Compound, N.M.Joshi Marg, Mahalaxmi, Mumbai - 400 011, India.

Bankers: Axis Bank Ltd., Barclays Bank Plc, Bank of Philippines, Citibank, N.A., Capital One Bank, DBS Bank Ltd., Deutsche Bank AG, HDFC Bank Ltd., ICICI Bank Ltd., Key Bank, Kotak Mahindra Bank Ltd., Standard Chartered Bank, The PNC Financial Services Group, Yes Bank Ltd., JP Morgan Bank, Bank of America, Indian Overseas Bank, GE Capital, Canara Bank.

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CORPORATE INFORMATION

Board of Directors

Standing (L-R) Rajesh Subramaniam (Managing Director & CEO), Ram V. Chary, Mohit Bhandari, Donald W. Layden Jr., Charles Miller Smith, Pravir Vohra, Y.H. Malegam, K. P. Balaraj.
Seated (L-R) Dr. Shailesh J. Mehta (Chairman), Ananda Mukerji (Vice Chairman)

Senior Management Team

Rajesh Subramaniam
Managing Director & CEO

Sanjay Venkataraman
President - Asia Customer Management

Iain Regan
EVP - Sales & Client Services

Sean Canning
EVP - Customer Management, Europe & North America

Mitzi Winters
Chief Operating Officer (Healthcare Provider)

Venkataraman K R
SVP, Operations (Healthcare Payer)

Shalabh Jain
EVP & Head, Asia Business Unit

Arjun Mitra
SVP Director of Operations

Vishwajit Negi
SVP - Operations

Dinesh Jain
Joint CFO

Deep Babur
Joint CFO

Gaurav Bahadur
EVP - Human Resources

Gayatri Anandh
Head - Technology

Smita Gaikwad
Global Head - Marketing & Corporate Communications

Board Committees

Audit Committee: Y.H. Malegam (Chairman), Dr. Shailesh J. Mehta, Ananda Mukerji, Charles Miller Smith
Compensation cum Board Governance Committee: Dr. Shailesh J. Mehta (Chairman), Y.H. Malegam, K. P. Balaraj, Charles Miller Smith, Ananda Mukerji
Shareholders'/Investors' Grievance Committee: Dr. Shailesh J. Mehta (Chairman), Rajesh Subramaniam, Mohit Bhandari
Company Secretary & Compliance Officer: Sanjay Gupta

LETTER FROM THE CHAIRMAN

The last fiscal year has been a difficult one for everyone. The global economic environment deteriorated with concerns over fiscal sustainability in Europe, and increased risk aversion around the world. Global economic conditions became fragile, and there was great uncertainty as to how markets will evolve over the medium term.

India's economic growth slowed to below 7 percent and the stock markets mirrored the weakening economic conditions. The rupee depreciated by 20 percent between August and December and inflation continues to plague the economy.

Against this backdrop, your company has delivered a 9.7 percent year-on-year growth. Number of initiatives have been taken during the year to drive growth: your company has entered new markets and forged an innovative joint venture in Sri Lanka.

The reorganization of the business structure carried out in the second half of the year has seen businesses mapped to a geography delivery model. This has delivered savings and optimization of resources. We had a management change with Rajesh Subramaniam replacing Matthew Vallance as MD & CEO, effective May 2012. I would like to thank Matthew for his guidance and leadership. I am confident that the company will continue to move on the path of progress under Rajesh's astute leadership.

I am happy to report that your company continues to deepen and widen its partnership with clients, which has been demonstrated in the extension of client contracts. Your company has also won some big logos in the year and continues to gain prominence in the outsourcing space. Deep domain knowledge and specialized skills continue to make your company an attractive partner to global clients.

Employees remain the company's asset and I want to thank each and every one of them for their dedication and support. It is gratifying to see such commitment in times of strife and I am more than convinced about the talent this company possesses. I am grateful for the outstanding individuals who serve with me on the Board of the company and the Management team. To our shareholders, I do wish to put on record my appreciation for your support.

Together we look forward to a progressive FY 13.

Regards,
Dr. Shailesh J. Mehta

MESSAGE FROM THE MANAGING DIRECTOR & CEO

Fiscal '12 has been a year of uncertainties for your company, accentuated with the global slowdown in the developed markets and compounded by significant headwinds in the overall economic environment we operate in. Despite the challenges, we managed to post a modest growth in revenues but have not been able to sustain a level of profitable performance as witnessed in the past due to cost escalations. We have posted YoY growth of 9.7% with revenue earnings of Rs. 22,550 Mn and operating margins of Rs.958 Mn.

The NASSCOM forecast for the industry in 2012-13 predicts a robust growth of 11 - 14%. This certainly will augur well for us, as we aim to aggressively add new clients to our portfolio and increase market share with our existing clients. As an exporter of services, we have benefited from the appreciation of the dollar and this has positively impacted our earnings. We have entered new markets in Sri Lanka and the Republic of Ireland and continue to explore opportunities on the back of strong client wins. Though there was a slowdown in our BFSI vertical, our Telecom & Media and Healthcare businesses have shown robust growth.

Our strength has been our ability to adapt to changing conditions and to continuously re-engineer our service capabilities. A major highlight of the year was the re-alignment of our business through consolidation of operations according to key service lines and geographical segmentation. To manage more effectively our service delivery and retain razor-sharp focus on sales and marketing, we aligned our operations to deliver on a geographic structure spanning US, UK and Asia along the horizontal service offerings in Customer Management, Collections and Data Processing. We retained the industry vertical alignment of our sales and marketing organization to our customers.

In this period, it is heartening to note that we have remained a leading generator of employment and our employee strength at the end of FY 12 was 30,086. Our clients continue to repose faith in our ability to deliver services par excellence and this, in fact, has resulted in existing contracts being renewed and addition of new contracts including a joint venture (JV) with the leading telecommunication provider in Sri Lanka. We have signed new business worth USD 160 Mn last year to be executed over the next three years.

As we strive to fulfill our FCCB bond repayment of USD 237 Mn, which falls due in December 2012, we are working on several strategies that will help us in meeting our obligation.

I take this opportunity to thank every one of our employees for their unflagging efforts and determination to give their best and deliver extraordinary results in an environment that has been challenging.

I also thank all the stakeholders, business heads and our shareholders for the unwavering support and faith which have been the mainstay of our company's success. I am positive that the challenges can be conquered and that we can look forward to exciting times and success.

Regards,
Rajesh Subramaniam

COMPANY HIGHLIGHTS & GLOBAL RECOGNITION

COMPANY HIGHLIGHTS

Business Re-alignment

- Consolidation of operations according to key service lines. Creation of Customer Management, Collections and Data Processing as horizontal service delivery units aligned to geographies. Healthcare (Payor and Provider) business continues to be a vertical unit.
- Telecom & Media (T&M) and Banking, Financial Services, Insurance (BFSI) focused Sales and Marketing organization servicing the horizontal service delivery units.

New Geography

- Launch of Sri Lanka operations through a joint venture with Dialog Axiata.

- Started operations in the Republic of Ireland.

New Business

- Firstsource signed total contract value worth USD 160 Mn of new business in the year.

Innovative Business Model

- Tied up with RuralShores to set up a 135-seat delivery center in Chand Village, Madhya Pradesh (India) to strengthen Rural BPO Services in the domestic BPO business.

GLOBAL RECOGNITION

- Ranked 6th among Top 15 BPO exportors in India, in revenue, as per NASSCOM. Ranked 13th among Top 20 IT-BPO employers in India, in employee count.

- Listed among the '25 Best Employers in India 2011' as per the Outlook Business-Aon Hewitt study for 2011.

- The International Association of Outsourcing Professionals (IAOP) Global Outsourcing 100 in US ranked Firstsource 25th in Top 100 Companies providing outsourcing globally and in Top 10 in Leaders for Healthcare, Telecommunications, Financial, Transaction Processing, CRM, Industry Specific Services and serving the geographies of India and UK services.

- Annual GS100 study conducted by Global Services listed Firstsource in the Top Global BPO Vendors and Top Contact Center and Customer Management Vendors in India.

- Ranked 5th in India's 'Top BPO Companies list 2011' by Data Quest.

FINANCIAL HIGHLIGHTS

Consolidated Financial Performance

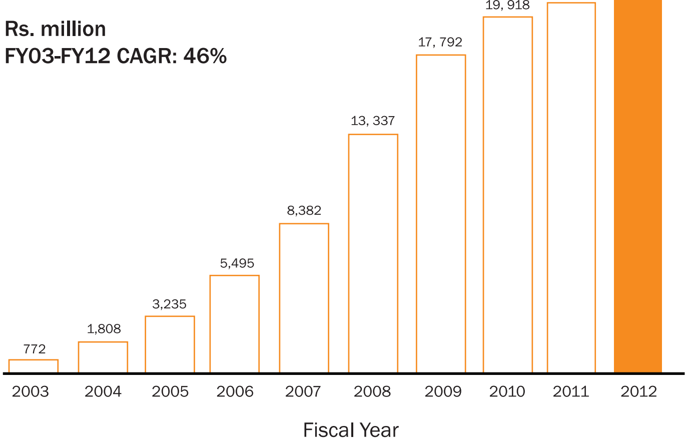
Rupees Million, Except Per Share Data	Fiscal 2012	Fiscal 2011
Revenue from Operations	22,550	20,553
Other Income	61	142
Total Income	22,611	20,695
Operating EBITDA	1,851	2,832
Operating EBIT	958	1,941
Profit before Tax	760	1,753
Profit after Tax	620	1,385
Earnings per Share (EPS) – Basic	1.44	3.22
Earnings per Share (EPS) – Diluted	1.44	2.91

Consolidated Financial Position

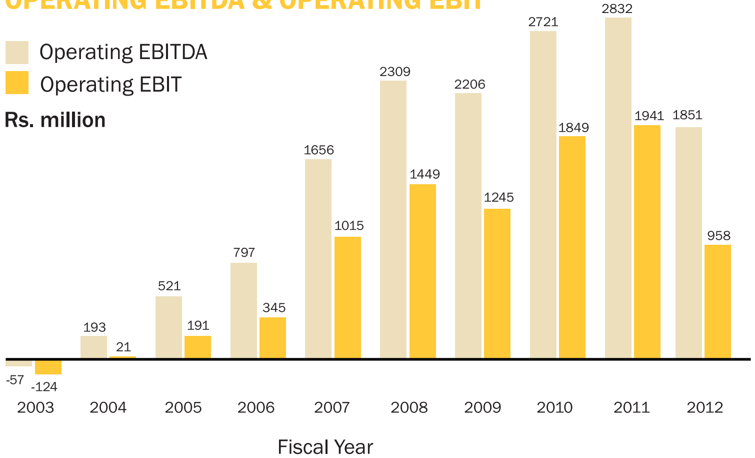
Rupees Million	Fiscal 2012	Fiscal 2011
Non-current Assets	26,685	23,913
Current Assets	12,630	8,513
Assets	**39,315**	**32,426**
Shareholders' Funds	14,299	14,227
Minority Interest	13	1
Non-current Liabilities	10,042	15,004
Current Liabilities	14,961	3,194
Equity and Liabilities	**39,315**	**32,426**

FINANCIAL HIGHLIGHTS

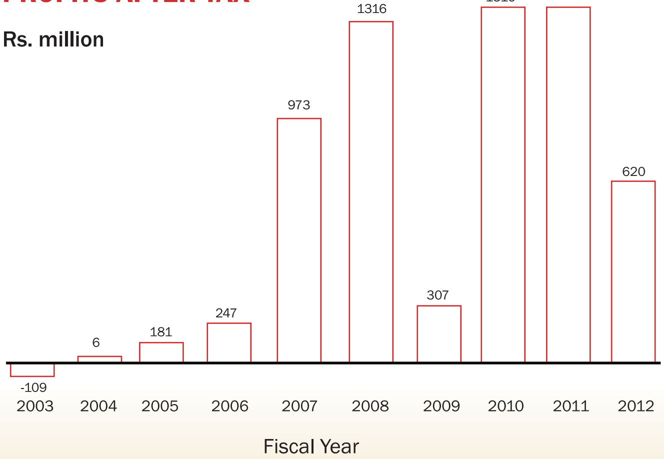
TOTAL INCOME



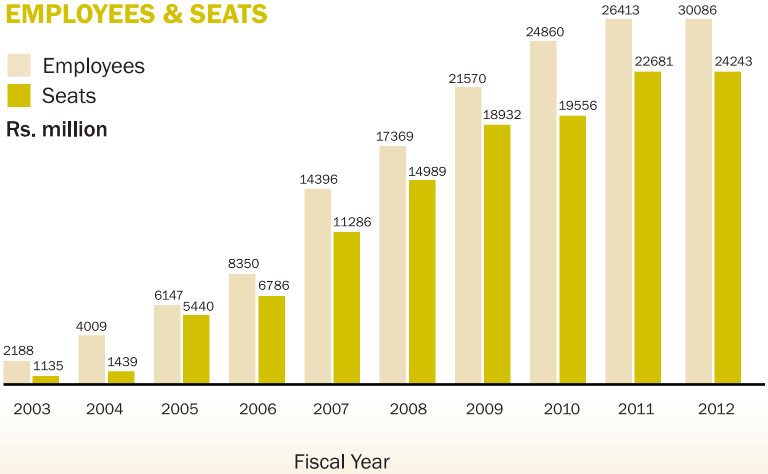
OPERATING EBITDA & OPERATING EBIT



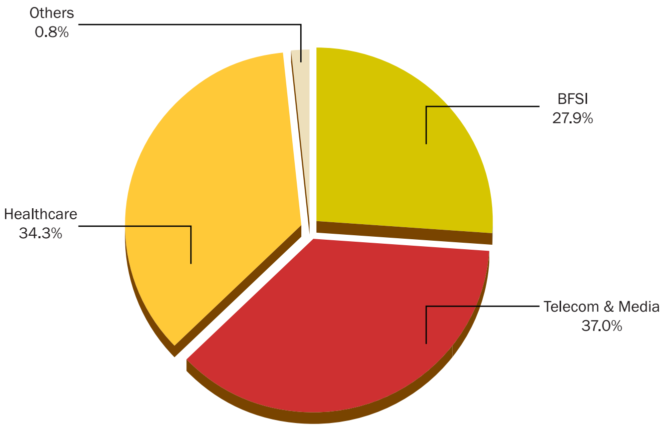
PROFITS AFTER TAX



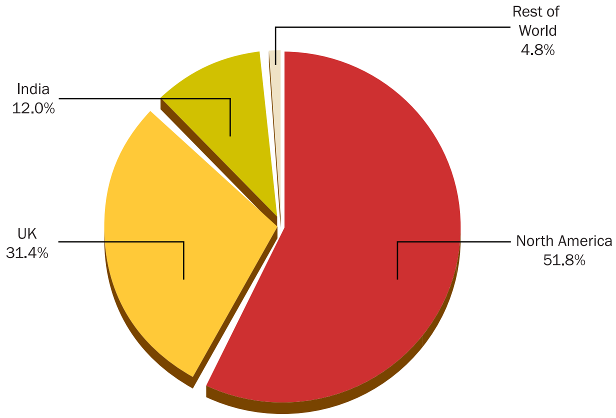
EMPLOYEES & SEATS



REVENUE BY INDUSTRY - Fiscal 2012



REVENUE BY GEOGRAPHY - Fiscal 2012



AWARDS & ACCOLADES

AWARDS & RECOGNITIONS

- Received an Honorable Mention by the 12^{th} Annual Call Center Week, 2011 for the 'Best Performance Acting on Voice of the Customer and Voice of the Social Customer' in India.
- Awarded at Asia's Best Employer Brand Award 2011 held in Singapore for Talent Management, Continuous Innovation in HR Strategy at Work and Innovation in Recruitment.
- Won the Business in the Community's (BITC) coveted National Big Tick in the Work Inclusion category for the long term unemployed recruitment programme in UK.
- Secured first place at the Fifth National Conference on Six Sigma organized by CII (Confederation of Indian Industry) in Bangalore, India.
- Felicitated with 'CIO100's Innovative Way of Handling Application Delivery to the Users & End-User Experience Management' award at CIO magazine's 6^{th} Annual CIO100 Awards 2011 and adjudged as winner of 'Top 10 Green IT Enterprise Award 2011'.
- Awarded the 'Top 5 Investor Relations Website in India' in the India edition of Investor Relations Global Ranking (IRGR), 2011.
- Won the 'Golden Peacock Innovation Management Award, 2011' in the IT and BPO category in India for innovative approach and rigor in the deployment of 'Kaizen' - the organization-wide effort to inculcate an innovation culture at the Associate level.

Business in the Community's (BITC)-July 2011

The 12^{th} Annual Call Center Week, 2011-02

Semi-Annual Global Quality Challenge 2012

CLIENT ACCOLADES

- Ranked as the number one vendor for consistent performance in India by a leading Telecommunications company.
- A Fortune 500 Healthcare company during their Quality Challenge Meet awarded Firstsource for the Payers Business' division Consumer Direct Health (CAMS) for: 'Quality improvement through DFSS' in October 2011 and 'Duplicate edit reduction' in February 2012.

DIRECTORS' REPORT

Dear Members,

The Directors take great pleasure in presenting their Eleventh Annual Report on the business and operations of your Company and the audited financial statements for the year ended March 31, 2012.

FINANCIAL RESULTS

The performance of the Company for the financial year 2011-12 is summarised below:

(₹ in Million)

Particulars	Consolidated		Standalone	
	FY 2011-12	FY 2010-11	FY 2011-12	FY 2010-11
Total Income	**22,936.4**	20,759.1	**8,561.8**	7,589.2
Profit Before Interest and Depreciation	**2237.3**	3038.2	**1673.0**	1537.5
Interest and Finance Charges (net)	**584.9**	394.4	**655.6**	268.1
Depreciation	**892.6**	890.8	**598.8**	573.8
Profit Before Tax	**759.8**	1,753.0	**418.6**	695.6
Provision for Taxation (including Deferred Tax Charge/ Credit)	**137.7**	349.3	**-35.0**	32.7
Profit After Tax Before Minority Interest	**622.1**	1,403.7	**453.6**	662.9
Minority Interest	**1.8**	18.6	**-**	-
Net Profit After Tax	**620.3**	1,385.1	**453.6**	662.9
Balance Brought Forward	**5,664.8**	4,279.7	**2,947.9**	2,285.0
Appropriations		-		-
Accumulated Balance in Profit & Loss Account	**6285.1**	5,664.8	**3,401.5**	2,947.9
Earning Per Share (₹) – Basic	**1.44**	3.22	**1.05**	1.54
Earning Per Share (₹) – Diluted	**1.44**	2.91	**1.05**	1.52

RESULT OF OPERATIONS

The consolidated total income increased from ₹ 20759.1 Million to ₹ 22,936.4 Million, a growth of 10.5% over the previous financial year. The consolidated Net Profit After Tax reduced from ₹ 1,385.1 Million to ₹ 620.3 Million, decline of 55.2% over the previous financial year. The detailed analysis of the consolidated results forms part of the Management Discussion & Analysis (MD&A) Report provided separately as part of the Annual Report.

The standalone total income increased from ₹ 7,589.2 Million to ₹ 8561.8 Million, a growth of 12.8% over the previous financial year. The standalone Profit After Tax declined from ₹ 662.9 Million to ₹ 453.6 Million, decline of 31.6% over the previous financial year.

The reduction in net profits in the financial year 2011-12 was due to increase in finance charges and overall escalation in costs during the year under review. With a view to conserve cash reserves to meet the current financial obligations of the Company, the Directors do not recommend any dividend for fiscal 2012.

CHANGE IN REGISTERED OFFICE

During the year, the Company has shifted its Registered Office from 6th Floor, Peninsula Chambers, Ganpatrao Kadam Marg, Lower Parel, Mumbai - 400 013 to 5th Floor, Paradigm 'B' Wing, Mindspace, Link Road, Malad (West), Mumbai - 400 064.

INCREASE IN SHARE CAPITAL

During the year, the Company issued 138,125 equity shares of the face value of ₹10 each on the exercise of stock options under the Employee Stock Option Schemes of the Company. Consequently, the outstanding, issued, subscribed and paid-up equity share capital of the Company increased from 430,638,182 shares to 430,776,307 shares of ₹ 10 each as on March 31, 2012.

REPURCHASE OF FOREIGN CURRENCY CONVERTIBLE BONDS

The Company had issued Zero Coupon Foreign Currency Convertible Bonds (FCCBs) of USD 275 Million in December 2007. The FCCBs have a maturity period of 5 years and 1 day and they are listed on Singapore Exchange Securities Trading Limited. Upto March 31, 2012, the Company had repurchased and cancelled its FCCBs of the nominal amount of USD 105.2 Million. The nominal amount of Bonds outstanding after cancellation as on March 31, 2012 was USD 169.8 Million.

GLOBAL DELIVERY FOOTPRINT

The Company, on a consolidated basis had 48 global delivery centers as on March 31, 2012. The centers are located across India, USA, UK, Philippines and Sri Lanka. 26 of the Company's delivery centers are located in 15 cities in India, 14 are in the USA, 5 are in UK and 2 in Philippines and 1 in Sri Lanka. The Company's established global delivery footprint enables it to deliver wide range of services and strengthens relationships with existing customers.

During the year, the Company incurred capital expenditure of ₹ 582.6 Million mainly towards refurbishment and maintenance of existing delivery centers and creation of additional capacity in Philippines, India, USA, UK and Sri Lanka.

QUALITY INITIATIVES

The Company follows the global best practices for process excellence and is certified by COPC Inc. (Customer Operations Performance Center). The Company's delivery centers in Bangalore and Chennai in India and Firstsource Dialog Solutions (Pvt.) Limited, joint venture subsidiary of the Company in Sri Lanka have been recertified for COPC® 2000 CSP Standard v 4.4. Also, as part of the Quality Management System, the Company has embraced ISO 9001:2008. The Company continues to follow process improvement methodologies like Six Sigma, Lean and Kaizen.

AWARDS AND ACCOLADES

The Company received the following awards and accolades during the year:

- 2011 CII Quality Awards Winners in Service Category
- 2011 Golden Peacock Award for Innovation Management in IT, BPO sector
- 2012 UHG Semi Annual Quality Challenge Winner

HUMAN RESOURCES

On a consolidated basis, the Company has grown from 26,413 full-time employees as of March 31, 2011 to 30,086 employees as of March 31, 2012. The statement of particulars required pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Amendment Rules, 2011, forms part of this Report. However, as permitted under the Companies Act, 1956, this Report and Accounts are being sent to all members and other entitled persons excluding the above statement. Those interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office. The statement is also available for inspection at the registered office during working hours upto the date of the forthcoming Annual General Meeting (AGM).

PUBLIC DEPOSITS

During the year, the Company has not accepted any deposits under Section 58A of the Companies Act, 1956.

DIRECTORS

During the year, Mr. Rajesh Subramaniam was appointed as Deputy Managing Director & Chief Financial Officer (Dy. MD & CFO) of the Company w.e.f. August 1, 2011.

Mr. Alexander Matthew Vallance, Managing Director & CEO (MD & CEO) resigned effective May 15, 2012 and the Board approved appointment of Mr. Rajesh Subramaniam as MD & CEO of the Company effective May 16, 2012 to succeed Mr. Vallance. Mr. Vallance was appointed as Jt. Managing Director of the Company w.e.f. January 25, 2010 and was appointed as MD & CEO of the Company w.e.f. July 28, 2010 consequent upon resignation of Mr. Ananda Mukerji as MD & CEO of the Company.

Mr. Ananda Mukerji, Mr. Donald W Layden Jr., and Mr. Ram V. Chary retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

EMPLOYEES STOCK OPTION SCHEME

With a view to provide an opportunity to the employees of the Company to share the growth of the Company and to create long-term wealth, the Company has an Employee Stock Option Scheme (ESOS), namely, the Firstsource Solutions Employee Stock Option Scheme, 2003 (ESOS 2003). The earlier ESOS introduced in 2002 is in force for the limited purpose of exercise of options granted pursuant to the scheme. The Scheme is applicable to the eligible employees that include employees and directors of the Company and its subsidiary companies. Disclosures in compliance with Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended, are set out below:

ESOS 2003

a) Total number of options under the Plan: 69,248,729

b) Options granted during the year 2011-12: 7,200,000

c) Pricing formula: The 'Pricing formula' or 'Exercise Price' for the purpose of the grant of Options shall be the 'market price' within the meaning set out in the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 i.e., the latest available closing price, prior to the date when options are granted/ shares are issued, on that Stock Exchange where there is highest trading volume on the said date. The Compensation Committee has the power to change/ modify the exercise price or pricing formula and fix the exercise price at such discount to the market price of the equity shares as may be deemed appropriate provided that the grant/ exercise price shall not be below the face value of the shares and shall be in accordance with the applicable laws in this regard.

d) Options vested during the year 2011-12: 11,036,875

e) Options exercised during the year 2011-12: 138,125

f) Total number of shares arising as a result of exercise of options during the year 2011-12: 138,125

g) Options lapsed during the year 2011-12: 6,100,625*

**The stock options which are cancelled/ lapsed/ forfeited can be re- issued by the Company.*

h) Variation of terms of options during the year 2011-12: Nil

i) Money realised by exercise of options during the year 2011-12 (Amount in ₹): 2,514,456

j) Total number of options in force: 53,959,720

k) Employee wise details of options granted to:
i) Senior Managerial personnel during the year 2011-12: Mr. Rajesh Subramaniam - 4,000,000 and Mr. Thomas Watters: 1,000,000
ii) Any other employee, who has been granted options amounting to 5% or more of options granted during the year 2011-12: Nil
iii) Identified employees who were granted options, equal to or exceeding 1% of the issued capital of the Company, during the year 2011-12: Nil

l) Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20 - 'Earnings Per Share': i) Standalone EPS – ₹ 1.05 per share. ii) Consolidated EPS – ₹ 1.44 per share.

m) Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the options. The impact of this difference on profits and on EPS of the Company: Please refer to Note No. 27 of the Standalone Financial Statements.

n) Weighted average exercise price and weighted average fair value of options separately for options whose exercise price either equals or exceeds or is less than the market price of the stock: i) Weighted average exercise price – ₹ 30.67 per option. ii) Weighted average fair value as per the Black Scholes Model – ₹ 12.09 per option.

o) A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted average information: a) Risk free interest rate b) Expected life c) Expected dividends and d) The price of the underlying share in market at the time of option grant: Please refer to Note No. 27 of the Standalone Financial Statements.

Prior to the Initial Public Offering (IPO), the Company had granted options to employees at the fair market value, as certified by an independent valuer. Post IPO, the exercise price of the options granted equals the market price of the stock i.e. the latest available closing price, prior to the date when options are granted, on that Stock Exchange where there is highest trading volume on the said date.

ESOS 2002

a) Total number of options under the Plan: 2,404,375

b) Options granted during the year 2011-12: Nil

c) Options vested during the year 2011-12: Nil

d) Options exercised during the year 2011-12: Nil

e) Total number of shares arising as a result of exercise of option during the year 2011-12: Nil

f) Options lapsed during the year 2011-12: 3,750

g) Variation in the terms of option during the year 2011-12: Nil

h) Money realised by exercise of options during the year 2011-12 (Amount in ₹): Nil

i) Total number of options in force: 86,875

j) Weighted average exercise price and weighted average fair value of options separately for options whose exercise price either equals or exceeds or is less than the market price of the stock: i) Weighted average exercise price – ₹ 11.74 per option ii) Weighted average fair value as per the Black Scholes Model – N.A.

SUBSIDIARY COMPANIES

As on March 31, 2012, the Company had 13 subsidiaries:

Domestic subsidiaries:

1. Rev IT Systems Private Limited*{wholly owned subsidiary (WOS) of the Company}
2. Anunta Tech Infrastructure Services Limited**(WOS of the Company)

International subsidiaries:

1. Firstsource Solutions UK Limited, UK (WOS of the Company)
2. Firstsource Solutions S.A., Argentina (Subsidiary of Firstsource Solutions UK Limited)
3. Firstsource Group USA, Inc., USA (WOS of the Company)
4. Firstsource Business Process Services, LLC, USA (WOS of Firstsource Group USA, Inc.)
5. Firstsource Advantage LLC, USA***(WOS of Firstsource Business Process Services, LLC.)
6. Twin Lakes Property, LLC (Subsidiary of Firstsource Advantage LLC)
7. MedAssist Holding, Inc., USA (WOS of Firstsource Group USA, Inc.)
8. Firstsource Solutions USA, LLC USA (WOS of MedAssist Holding Inc.)
9. Firstsource Transaction Services, LLC#(WOS of Firstsource Solutions USA, LLC)
10. Firstsource BPO Ireland Limited ##(WOS of the Company)
11. Firstsource Dialog Solutions (Private) Ltd.###(Subsidiary of the Company)

Following changes in the subsidiaries of the Company took place during the year:

I. * The Board approved Amalgamation of Rev IT Systems Pvt. Ltd., WOS of the Company, with the Company vide a circular resolution passed on April 28, 2012. The Company has applied to the Stock Exchanges for their 'in- principal' approval to the said Amalgamation.

II. ** The Board vide a circular resolution passed on April 19, 2012, approved divestment of Anunta Tech Infrastructure Services Limited, WOS of the Company.

III. *** Firstsource Financial Solutions LLC merged with Firstsource Advantage LLC on September 28, 2011.

IV. # Firstsource Transaction Services, LLC (FTSL) was incorporated as WOS of Firstsource Solutions USA, LLC, a step down subsidiary of the Company in USA. As a result, FTSL became subsidiary of the Company.

V. ## Firstsource BPO Ireland Limited, was incorporated as a wholly owned subsidiary of the Company with its registered office located in Dublin, Ireland.

VI. ###The Company acquired 74% stake in Firstsource - Dialog Solutions (Private) Limited (FDS), Sri Lanka [formerly known as Dialog Business Services (Private) Limited], a joint venture between the Company and Dialog Axiata, a leading Sri Lankan telecom service provider.

PARTICULARS UNDER SECTION 212 OF THE COMPANIES ACT

The Ministry of Corporate Affairs, Government of India, vide General Circular No. 2/2011 dated February 8, 2011, has granted a general exemption from compliance with section 212 of the Companies Act, 1956, subject to fulfilment of conditions stipulated in the circular. The Company has satisfied the conditions stipulated in the circular and hence is entitled to the exemption. The financial data of the subsidiaries have been furnished under 'Details of Subsidiaries' forming part of the Annual Report. Consolidated Financial Statements of the Company and its subsidiaries for the year ended March 31, 2012, together with reports of Auditors thereon and the statement pursuant to Section 212 of the Companies Act, 1956, form part of the Annual Report. The Annual Accounts and the related detailed information of subsidiary companies will be made available to the Members of the Company and subsidiary companies seeking such information at any point of time. The Annual Accounts of the subsidiary companies will also be available for inspection by any member at the registered/ head office of the Company and that of the subsidiary concerned.

CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Reports on Corporate Governance and Management Discussion and Analysis as stipulated under Clause 49 of the Listing Agreement are separately given and form part of the Annual Report.

STATUTORY DISCLOURES OF PARTICULARS

A) Conservation of Energy

The Company has been making significant efforts year after year towards energy conservation across all its delivery centers. Several new initiatives taken up by the Company during the financial year included Servers & Desktops Virtualization, Server Consolidation, replacement of more than 2500 old desktops and Cathode Ray Tube monitors with Thin Clients and Thin Film Transistor monitors, replacement of more than 5000 old IT equipment with new energy efficient one, changing the old lighting units to new energy saving units and installation of movement sensors for switching on and off the lights.

All these initiatives have contributed tremendously in reducing energy consumption. We have reduced 350 physical servers and 1000+ desktops by virtualizing. Reduction of physical servers also lowered the data centre cooling requirement and moving from Desktops to Thin Clients has led to reduction of power consumption by 40%.

B) Absorption of Technology

The Company has been innovating consistently to absorb newer technology offerings which can benefit business to improve operational efficiency with greater quality in a cost effective manner.

The Company has been able to save USD 2 Million in Capex and USD half Million per annum in Opex for our server virtualization. The Company has virtualized 400+ servers. On desktops, ratio was 1:55 (Physical to Virtual desktop) due to which the Company was able to save on operational costs. Currently, the Company has deployed 1000+ virtual desktops. In addition to above, CPU utilization has increased from 5% to 55% in the virtualized environment. The high available solutions like clustering and dynamic resourcing pooling was implemented with 80% lesser Capex as compared to the traditional implementation of cluster solutions. Reduction in 350 physical servers has released 35 racks space in the Data Center. Further, the Company has reduced the desktop requirement by 30% by implementing the just-in time desktop delivery.

C) Foreign Exchange Earnings and Outgo

Activities relating to exports, initiatives taken to increase exports, development of new export markets for services and export plans.

The Company's income is diversified across a range of geographies and industries. During the year, 59.8% of the Company's revenues were derived from exports. The Company provides BPO services mostly to clients in North America, UK and Asia Pacific regions. The Company has established direct marketing network around the world to boost its exports.

Foreign Exchange earned and used

The Company's foreign exchange earnings and outgo during the year were as under:

(Standalone figures in ₹ Millions)

Particulars	Fiscal 2012	Fiscal 2011
Foreign Exchange earnings	5117.9	4,863.8
Foreign Exchange outgo (including capital goods and imports)	362.0	313.8

AUDITORS

M/s. B S R & Co., Chartered Accountants, who were appointed as the Statutory Auditors of the Company by the Members at their previous Annual General Meeting (AGM), shall be retiring on conclusion of the ensuing AGM and are eligible for re-appointment. Members are requested to consider their re-appointment from the conclusion of ensuing Annual General Meeting (AGM) upto the conclusion of AGM for the financial year 2012-13 at a remuneration to be decided by the Board of Directors or Audit Committee of the Board. The Company has received confirmation from M/s. B S R & Co., to the effect that their appointment, if made, will be within the limits of Section 224(1B) of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, the Directors confirm that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
2. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safe-guarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. The annual accounts were prepared on a going-concern basis.

ACKNOWLEDGEMENTS

The Directors wish to place on record their sincere appreciation for the support and co-operation extended by all the customers, vendors, bankers and business associates. The Company also expresses its gratitude to the Ministry of Telecommunications, Collector of Customs and Excise, Director – Software Technology Parks of India and various Governmental departments and organisations for their help and co-operation.

The Board places on record its appreciation to all the employees for their dedicated service. The Board appreciates and values the contributions made by every member across the world and is confident that with their continued support the Company will achieve its objectives and emerge stronger in the coming years.

For and on behalf of the Board of Directors
Dr. Shailesh J. Mehta
Chairman

Mumbai
May 15, 2012

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The following discussion and analysis should be read in conjunction with the Company's financial statements includeed herein and the notes thereto. The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles (GAAP) in India. The Company's management accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present the Company's state of affairs and profits for the year. Investors are cautioned that this discussion contains forward looking statements that involve risks and uncertainties. When used in this discussion, words like 'will', 'shall', 'anticipate', 'believe', 'estimate', 'intend' and 'expect' and other similar expressions as they relate to the Company or its business are intended to identify such forward-looking statements. The Company undertakes no obligations to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements could differ materially from those expressed or implied in such statements. Factors that could cause or contribute to such differences include those described under the heading "Risk factors" in the Company's prospectus filed with the Securities and Exchange Board of India (SEBI) as well as factors discussed elsewhere in this report. Readers are cautioned not to place undue reliance on the forward-looking statements as they speak only as of their dates.

Information provided in this Management Discussion and Analysis (MD&A) pertains to Firstsource Solutions Limited and its subsidiaries (the Company) on a consolidated basis, unless otherwise stated.

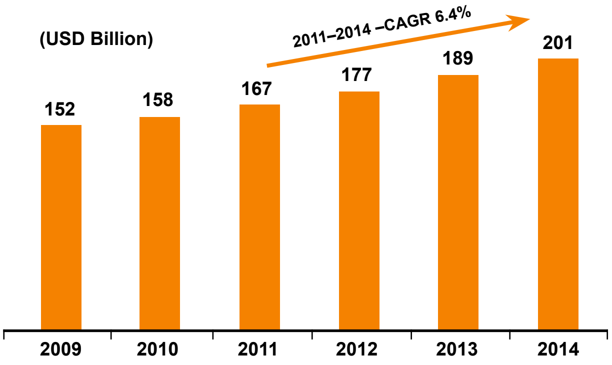
INDUSTRY STRUCTURE, DEVELOPMENTS AND OUTLOOK

During the past several years, global economic conditions have been challenging as certain adverse financial developments have caused a significant slowdown in the growth of the European, US and international financial markets, accompanied by a significant reduction in consumer and business spending worldwide. The year 2011 witnessed a drop in growth rates across the "multi-speed" economies and much work remains to be done to restore confidence in the banking systems of many advanced economies.

The year 2012 started with pessimism, being labelled by some as "the year of all risks". During the early part of 2012, there were some signs of good news in the world economy with reasonably strong consumer spending in the US and disaster being averted in Europe. The optimism increased when the IMF nudged up the expected global growth rate in 2012 to 3.5% recently from 3.3% in January. However, serious headwinds remain with outlook still being cautious. Inevitably, Europe is the biggest cloud on the horizon casting a shadow of gloom on the world economy. The Eurozone debt crisis has returned as the effects of the ECB's recent liquidity injections fade. The recent speculation regarding the inability of certain European countries to pay their national debts, the response by Eurozone policy makers to mitigate this sovereign debt crisis and the concerns regarding the stability of the Eurozone currency have created additional uncertainty in the European economy making anticipations of a GDP contraction a reality. As long as it remains shallow, a European recession is likely to do limited damage to the rest of the world. America's fragile recovery continues but is not enough to bring the jobless rate down. Growth has slowed markedly in many emerging economies but they are still expected to grow thrice as fast as the developed economies.

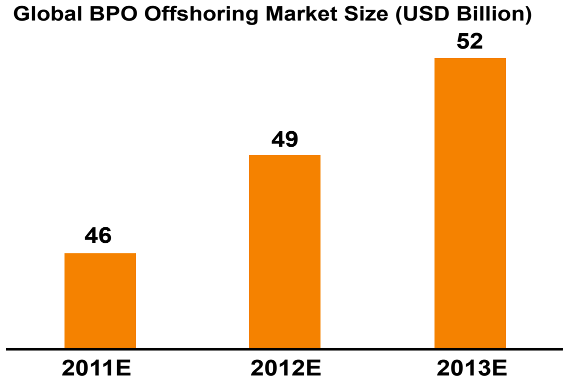
Expectedly, during this phase of recession, organizations put much new BPO activity "on pause" as they waited to see what their world would look like in the future. The spend was also impacted as customers focused on getting the highest Return on Investment (RoI) out of every BPO engagement through extensive due diligence and intense negotiations of contracts. The inability of customers to forge long-term contracts during the recession further contributed to the downward slide in industry activity. Moreover, the rhetoric of protectionism in the US and Europe invariably comes to the fore in troubled times further marring the sentiment of recovery for the industry, though the impact of such discourse in the past has not been significant.

According to the IDC 2011 reports, the worldwide BPO market will grow at a CAGR of 6.4% from 2011 reaching a figure of USD 201 billion in 2014. Worldwide spending in BPO services grew by 4.3% in 2011 over the previous year. According to a report by another research firm, Global Industry Analysts Inc., the global market for BPO is forecast to reach USD280 billion by the year 2017.

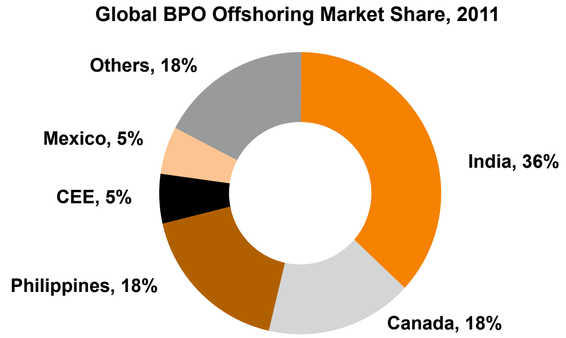


Source: IDC, NASSCOM Strategic Review February 2011. Years pertain to calendar years (Jan-Dec)

Even as the growth expectations for the industry in the near term are tempered owing to the mixed outlook for BPO in developed economies, the offshore-based BPO market is expected to continue to grow at a faster rate than the worldwide BPO market. According to NASSCOM, the global BPO offshoring market is expected to grow at a CAGR of 7% to reach USD 52 billion in 2013. According to the latest estimates put out by NASSCOM, India still has the lion share of 36% highlighting its continued competitive edge over other emerging nations.

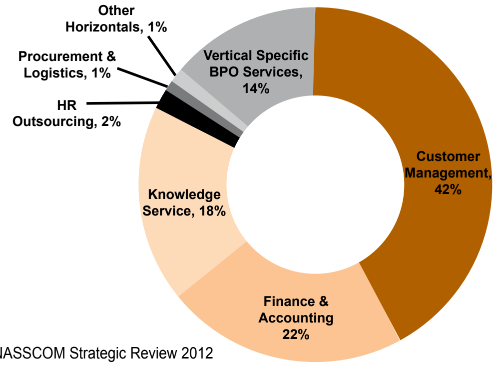


Source: NASSCOM Strategic Review 2012



Source: NASSCOM Strategic Review 2012

Out of the 36% share in exports, Customer Management (CM) still continues to have the largest share at USD 7 bn, followed by F&A services at USD 3.6 bn and knowledge services at USD 2.8 bn. Vertical specific BPO services are valued at USD 2.2 bn. Gartner predicts the five year CAGR for CM to grow at 4.1% in the period 2010-2015 while enterprise services such as HR and F&A will also grow by a similar 4.1% in the same period.



Source: NASSCOM Strategic Review 2012

The recovery of BPO industry growth over the longer term is expected to be driven by the need to cut operating costs through outsourcing of non-core processes, outsourcing of business processes in non-traditional BPO segments such as engineering design, R&D, and the transformational approach towards outsourcing.

The increasing size and scope of the BPO industry is largely attributed to the growing desire of global businesses to address primary issues such as shortage of skilled personnel and rising operational costs. Technological advancements, introduction of sophisticated platforms and software, and the emergence of newer media are also driving businesses to opt for services of specialist third-party service providers.

The above is supported by some sources who opine that in addition to economic uncertainty; the relatively weak BPO growth expectations also reflect diminished demand for more traditional, generic, transaction-oriented outsourcing arrangements, in contrast to the greater demand for more specialized BPO. As clients adjust their operations to the new economic environment, they are looking for partners to drive transformation deals, providing for better outcomes and effectiveness including improving their internal operations across the entire delivery footprint and having the vendor directly manage some of these operations. However, this would require the service provider to not only bring in new ideas and more innovative solutions but also expand the number of quality global sourcing locations with highly skilled resources and to diversify delivery capabilities beyond their home markets. These steps would also enable BPO companies overcome the challenges of language requirements, labour laws and trade unions, and a lack of labour arbitrage benefits in continental Europe, which limits adoption of many types of BPO.

Challenging economic factors will lead organizations to evaluate all BPO delivery models and how BPO providers can support or supplement a business activity. Increased competition in certain industries, such as retail, consumer packaged goods (CPG) and telecommunications, will cause more companies to evaluate BPO. Government bodies will be looking to see if BPO can supplement their services as they cut costs to pay for the massive deficits they have accumulated following the general economic crisis. The success of the process hinges on the additional challenge of whether the BPO industry is really ready to invest in totally standardized process offerings for a wider range of processes beyond payment systems, payroll and expenses. There is a strong need within the industry for managed services to help shift inefficient and manual transactions onto a global digital platform.

While it will be developed economies that will exploit these new BPO areas the most, emerging markets, aided by a higher growth rate, will increasingly choose to test the waters with first-generation outsourcing such as customer care, payroll processing, and helpdesks. According to Ovum's forecast, the BPO market in Greater China and India will increase at a CAGR of 16.1% and 15.7% from the end of 2010 to the end of 2015 respectively.

In response to the changing customer preferences, the past year witnessed BPO providers making several shifts in vertical, geographic and skill coverage via many acquisitions and/or partnerships, either to strengthen service areas or to start to build end-to-end process capability. The industry is also witnessing increasing instances of enterprises moving away from multi-billion-dollar, single-vendor deals and spreading out their investments and risks.

The small and medium-sized enterprise segment is rapidly opening up to outsourcing. Vendors need to be prepared with a game plan to meet the demands of this market which are for low-priced, highly flexible and scalable solutions, accompanied by the option to customise offerings and personalised customer service.

INDIAN BPO INDUSTRY

The industry has matured to emerge as the leader in global BPO outsourcing market and also had a significant impact on the Indian economy. During the period FY2008-12, the Indian BPO industry has grown over 1.5x. The industry is expected to earn export revenue worth nearly USD 16 billion in FY2012, an annual growth of over 12%, accounting for nearly one-fourth of total IT exports during FY2012.

Despite the entry of many other low cost destinations like China, Philippines, Mexico, Brazil and the Czech Republic, India continues to maintain its dominant position as the leading cost efficient sourcing market as compared to other sourcing locations worldwide. Under current macro-economic conditions, global customers continue to value the Indian market owing to its strong cost management and highly mature client delivery capabilities across verticals. The burgeoning of new Tier II cities in India offering outsourcing services at a discount to Tier I Indian cities is another dimension that further strengthens the hold of India in this industry. Companies in India are increasingly using low costs destinations like Bhubaneswar, Jaipur and Chandigarh to offset the challenges from countries like Philippines and China.

This momentum is expected to continue in 2012 as global customers continue to face weak and uncertain demand conditions in their domestic markets, thereby making them focus more on lowering their operational costs to improve, or even maintain stable bottom lines. Domestic BPO segment is expected to grow by 17 per cent in 2012, to reach ₹ 149 billion, driven by demand from voice-based (incl. local language) services and increasing adoption by both traditional and emerging verticals, including the government.

BPO organisations in India have steadily built up their capabilities, acquiring expertise across service lines. The industry started out with Customer Management (CM) and then branched into high-end services, at the same time increasing the depth of services. Vertical-specific BPO services (e.g., claims processing in insurance and check processing in banking) are valued at ~USD 2.2 billion. F&A and knowledge services have also grown higher (13-15 per cent) than an industry average of ~12 per cent during FY2012. The growth of the latter segment has enabled the overall BPO industry to address core activities of customers. Even within this segment data analytics is expected to grow at 19%. While accounting for <1 per cent market share, procurement and logistics market also grew higher than the industry average indicating greater acceptance of outsourcing procurement among customers.

Among industry verticals BFSI continues to be the largest with 51% share of FY12 exports followed by telecom, (which has witnessed slowdown, due to growth concerns of its own). Retail, healthcare and utilities are experiencing faster growth rate, growing almost 1.1x time other verticals.

While both the US and the UK account for over 80 per cent of exports in FY2012, the emerging geographies of Asia Pacific and Rest of World (RoW) regions have seen the fastest growth rate for Indian BPO organisations – a CAGR of 20 per cent for the period FY2008-2012.

The key geographical markets the Company operates in are US, Europe and emerging geographies such as India, Australia and Sri Lanka.The key verticals the Company focuses on and has built strong operating skills and domain expertise are BFSI; Telecommunications and Media; and Healthcare. From a service line perspective, the Company focuses on vertical specific services across customer lifecycle including customer interaction management, back office support and collections. Collectively these are large and established BPO markets and presents significant growth opportunities for the Company.

Some of the key industry trends in the Healthcare, telecommunications and media, and BFSI industries are summarised below:

Healthcare

Within the Healthcare vertical, the Company serves the payer market represented by the Insurance companies and the provider market represented by hospitals within the US.

Passage of landmark Healthcare reform bill in the US represents a significant opportunity across both payer and provider segments. Congressional lawmakers continue their focus on the entitlement programs, Medicare and Medicaid. While the Provider section continues to focus on returning to pre-recession profitability with increased M&A activity expected, the Payer segment remains concentrated on administrative cost reductions and implementation of Health Information Exchanges (HIE). Hospitals are looking beyond traditional back office structures to address reimbursement pressure and increases in uninsured population. Key to the success of further growth in this sector would be dependent on the industry working to understand and clarify the key provisions of reform mandates.

It is important to note however that most provisions of this bill come into effect over a period of time and some as late as 2014. Firstsource is uniquely positioned to take advantage of these opportunities both on the payer side as well as on the provider side.

Telecommunications & Media

Within the Telecommunications and Media vertical, the Company operates across four key sub segments including mobile / wireless, fixed / wire-line, broadband / high speed internet, and Direct-to-home (DTH) / pay-TV. The Company serves US, UK and Australian market and caters to both consumer and enterprise segments. UK and consumer segments have a dominating share in overall telecommunicationsand media revenues for the Company.

Business outlook in the UK ISP market was depressed through the year and the decision cycles among the clients were longer than expected. As a result, our volumes in the ISP segment remained soft through the year. Telecom and media space is evolving at a fairly rapid pace with quick adoption of new technologies and devices and expansion of reach beyond urban areas. We are also witnessing increasing consolidation among the top telecom players in the industry across geographies. The key to succeeding in such a market is sharpening competitive advantage through differentiated offering.

In such challenging conditions, the Company managed to close three significant Telecom and Media deals aggregating to US$ 160 mn in total contract value (TCV). The deal wins are across an existing customer as well as new accounts in Europe and Australia.

BFSI

The BFSI vertical represents a mature and large BPO market opportunity. Within the BFSI vertical, the Company operates across four key sub segments including cards, mortgages, general insurance and retail banking. The Company serves US and UK geographic markets.

Cards have a dominating share in overall BFSI revenues for the Company. However the cards industry continues to see some pressure as the delinquency rates have been the lowest in recent history and there was a perceptible fall in the charge offs also in the early part of this fiscal. The UK financial services community has seen increasing pressure from regulatory reform and closer scrutiny. This has resulted in new opportunities around the complaints process and compliance in general. We are also observing increased traction in onshore and CRM opportunities.

Asia

The Company continues to focus on emerging markets like India and across Asia strengthening its value proposition along with building best-in class service delivery for its clients to tap the large outsourcing opportunity which this region presents. The key industry vertical the Company is present in this market is Telecommunications and Media and BFSI with former contributing dominating share of revenues.

During the fiscal, Company entered Sri Lanka through a Joint Venture with Dialog Axiata, to address opportunities in Sri Lanka. Rural BPO in India is expected to be the next inflection point in the domestic market while the next wave of growth in telecom is expected through 3G and VAS. We have also observed some flurry of activity in the Government/PSU segment in India and the Company continues to focus on opportunities in the Middle East.

COMPANY OVERVIEW

Firstsource ("The Company") is a leading global provider of BPO services and is among India's top four pure-play BPO companies. The Company works with Fortune 500, FTSE 100 in the US, UK and India to deliver award winning business process management in the Healthcare, Telecom & Media, and Banking, Financial Services and Insurance (BFSI) industries. Firstsource's Global Delivery or "Rightshoring" methodology supports clients through over 48 service facilities spread over United States, United Kingdom and Europe, Philippines, India and Sri Lanka. With more than 30,000 employees currently, Firstsource has a proven record of accomplishment of delivering business-oriented results to clients in North America, United Kingdom, Asia Pacific and Australia. The Company's clients include eight of the Top 10 general-purpose credit card issuers in the U.S., largest retail bank and mortgage lender in the U.K., one of the Top 3 motor insurers in the U.K., leading issuer of the prepaid debit cards in the U.S., one of the Top 3 largest private insurance company in India, largest pay TV operator in the U.K., leading pay TV and mobile service operator in Australia, three of the Top 5 mobile service providers in India, two of the Top 5 mobile companies in U.K., two of the Top 4 Internet service Providers (ISPs) in U.K., two of the Top 10 telecom companies in the U.S, two of Top 5 private banks in India, largest telecom company in Sri Lanka, five of the Top 10 Fortune 500 health insurers and managed care companies in the U.S. and over 1,000 hospitals in the U.S. Based on the annual rankings by NASSCOM, the Company was sixth largest BPO provider in India in fiscal 2011 in terms of revenues.

The Company provides a comprehensive range of services to clients across the customer life cycle in each of its focus industries. The Company has in-depth domain knowledge in these industries with proven expertise in transferring business operations from its clients to its delivery centers and in administering, managing and further improving these processes for its clients. The Company delivers innovative and value added business process management services through a combination of deep domain knowledge, strategic alliances and internal competence building, backed by the right technology. The Company's key service offering across its target verticals are depicted below:

Healthcare Payer	Mail room	Data conversion	Member enrollment	Claims processing and adjudication	Client support	IT support
Insurance Companies Third party Administrators Managed Care Organizations	• Mail handling and document management • Scanning and reject handling • Indexing • Archival • Printing	• Workflow enabled image management • OCR/ICR Technology • Data capture with integrated database validations • Customized output generation (ANSI837, NSF etc.)	• Entry in system • Data base maintenance • Calls to validate information	• Member and provider eligibility • Service Line verification • Allocation of benefits • Other Earner liability processing • Bundling and duplicate analysis • Claims repricing	• Member service • Data "Ehelp" • Provider Services • HIPAA Compliance support	• Database design • Database maintenance • Data Cleansing System design and support • Maintenance and support

Services offered through different channels: Data, E-mail, Fax, Correspondence

Healthcare provider

Patient services → Eligibility Services → Receivables management → Collections Services

- Hospitals
- Physician Groups

Patient services
- Patient Contract and registration
- Insurance verification and certification
- Patient visit management

Eligibility Services
- Medicaid review and management
  - Assisting patients with secondary Medicaid coverage
- Charity assistance
  - handling all aspects of providing charity assistance
- Self pay conversion
- MedAssist Advantage Plan(MAP)
  - Innovative hospital credit card in conjunction with US Bank

Receivables management
- Ongoing and Clean-up Projects for all Payer Classes
  - Initial billing, follow-up and denials management
- Self – Pay "Early-Out" Cash Acceleration
  - Management of patient interaction to ensure maximum recovery
- Management of Provider Enrollment and Billing for Out-of-Primary-state Medicaid Receivables
- Credit Balance Resolution

Collections Services
- Customs Telephone Collection Campaigns
- Small Balance Collections
- Skip-Tracing Services
- Cash Acceleration Services
- Attorney Services

PEER REVIEWED by HFMA

Entire suite of provider services are "Peer Reviewed" by HFMA

Telecom and Media

Sales and Marketing → Account setup and Activation → Customer Service → Billing / Help desk support → Receivables and collections management → Saves / win back

- Mobile / Wireless
- Broadband / High Speed Internet
- Fixed / Wireline
- DTH / Pay TV

Sales and Marketing
- Inbound sales
- Outbound sales
- Lead generation
- Cross sell / Up

Account setup and Activation
- Provisioning
- Order and returns
- Logistics coordination
- Porting support
- Credit vetting
- Order input
- Account administration
- Internal actioning requests

Customer Service
- General enquiries
- Information requests
- Customer service
- Welcome calls
- Account management
- Technical support
- Help desk

Billing / Help desk support
- Invoice requests and complaints
- Billing disputes
- Process queries for charges
- Billing
- Billing issues
- Technical support

Receivables and collections management
- Overdue collections
- Credit limit/expiry
- Inbound internal handoff calls
- High usage management

Saves / win back
- Dispute resolution
- Increasing customer
- Awareness for chosen plan
- Increase tolling
- Billing issues

Services offered through different channels: Data, Voice, E-mail, Chat, Social Media

Financial Services

Customer Service & fulfillment → Transaction processing → Collections

- Credit Cards
- Custody
- Retail Banking
- Mortgage
- General & Life Insurance

Customer Service & fulfillment
- Account maintenance
  - Activation& authorization
  - Account closure
  - Lost and stolen cards
- Query management
  - Transaction related
  - Payment related
  - Product related
  - Helpdesk activities
- Interactive services (Email/Web chat)
  - Upselling
  - Cross selling
  - Disputes & complaint resolution

Transaction processing
- Check, remittance and item processing
- Funds transfer and forex transactions
- Custody operations & fund service
  - Portfolio valuation and reconciliations
  - Contract note generation
  - Setements
  - Corporate actions
  - Billing support
  - Performance audit
- Mortgage
  - Origination
  - Loan vault conversion
  - Collateral review
  - Underwriting
  - Loan booking
- Insurance
  - Application processing
  - Policy amendments
  - Policy amendment / cancellation
  - Date and trend analysis

Collections
- Early stage collections
  - 1st party
  - Pre-charge off
- Late stage collections
  - 3rd party collections
  - Skip trace

Services offered through different channels: Data, Voice, E-mail, Fax, Correspondence, Chat, Social Media

The Company services its clients through its global delivery capabilities both onshore and offshore. The Company has 48 delivery centers across India, US, UK, Philippines and Sri Lanka supported by a robust and scalable infrastructure network that can be tailored to meet its clients' specific needs. 26 of the Company's global delivery centers are located in India, fourteen are in the United States (including seven operational hubs of MedAssist), five are in the United Kingdom, two are in Philippines and one is located in Sri Lanka. This gives the Company proximity to its clients and access to a global talent pool. The Company's right-shoring model uses locations most appropriate for delivering services and provides the best mix of skills and infrastructure to its clients.

The Company has grown from 2,188 full-time employees as of March 31, 2003 to 30,086 as of March 31, 2012. As of March 31, 2012, 21,601 of the Company's employees are based out of India, 3,237 are based out of the U.S., 3,311 are based out of the U.K. and Europe, 1,424 are based out of Philippines and 513 are based out of Sri Lanka. In addition, the Company uses trained personnel who are contracted on an as-needed basis.

One of the key factors for the Company's revenue growth over years has been its ability to successfully grow its existing clients. As of March 31, 2012, the Company had 8 clients with annual billing of over ₹ 500 million compared to nine as of March 31, 2011 and none as of March 31, 2003. The Company's client concentration has continued to diversify. For fiscal 2012, the largest client contribution was at 13.1 per cent of total income from services as compared to 11.7 per cent in fiscal 2011 and 41.6 per cent in fiscal 2003. The contribution from top 5 clients was at 39.6 per cent of total income from services in fiscal 2012 as compared to 34.0 per cent in fiscal 2011 and 82.5 per cent in fiscal 2003.

The Company's total income has grown at a compound annual growth rate of 46 per cent from ₹ 771.5 million in fiscal 2003 to ₹ 22,549.9 million in fiscal 2012. Over the same period of time, the profits after tax have increased from a loss of ₹ 109.5 million in fiscal 2003 to a profit of ₹ 620.3 million in fiscal 2012. The Y-o-Y growth in Total income of the Company in fiscal 2012 over fiscal 2011 is 10.5 per cent. On constant currency basis, neutralizing the impact of adverse foreign exchange rate movements, the Company's revenue from operations grew at 5.8 per cent in fiscal 2012 over fiscal 2011. The growth in income is attributed to increased outsourcing by the Company's existing clients, both through increases in the volumes of work that they outsource to the Company under existing processes and the outsourcing of new processes and service lines to it (primarily as a result of the Company cross-selling new services to them) as well as business that the Company has won from new clients. 94.7 per cent of the Company's income from services during fiscal 2012 was derived from existing clients.

Fiscal 2012 has been a significant year in the Company's evolution. Key highlights of fiscal 2012 along with recognition and awards are mentioned below.

Key highlights

- New clients – Entered into Europe geography with an onshore lift-out client win and addition of an Australian customer as marquee clients across T&M vertical during fiscal 2012.
- Continued to scale global operations with employee additions across India, UK and Europe, Philippines and Sri Lanka. Added 3,673 employees globally during the year with main additions being 1,969 people in India, 806 in UK and Europe, 461 in Philippines and 513 in Sri Lanka, partially offset by reduction of 76 employees in US. Global employee strength of 30,086 employees as on March 31, 2012.

Business Realignment

- During the year, Company realigned its business taking into account three dimensions of vertical markets, horizontal service lines and geographies. The vertical emphasis has been on the market facing aspect of the business which encompasses sales, client managements, marketing and solutions along with creation of distinct service lines as horizontal delivery units. Company believes that the new structure will enable greater operational efficiency, economies of scale across service lines and deeper process capability which will lead to a superior level of service.
- Under the new business structure, Customer Management (CM) and Collections become distinct horizontals which Company believes will be able to cross-sell in effectively into multiple verticals. Currently, CM spans across BFSI & T&M verticals and Collections spans across BFSI and Healthcare verticals. Also, Customer Management delivery has been realigned along two broad dimensions – Asia (which comprises Asia Business Unit along with India and Philippines delivery for International clients) and Onshore (for Europe and North America delivery). Healthcare (Payer and Provider) continues to be a distinct vertical unit.

Significant global recognition

- Secured first place at the Fifth National Conference on Six Sigma organized by CII (Confederation of Indian Industry) in Bangalore, India.
- Won the 'Golden Peacock Innovation Management Award, 2011' in the IT and BPO category in India for innovative approach and rigor in the deployment of 'Kaizen' – the organization-wide effort to inculcate an innovation culture at the Associate level. Awarded the bronze standard in the Investors in People, the accreditation recognizing the best practices in HR followed by Firstsource in UK.
- Listed among the "25 Best Employers in India 2011" as per the Outlook Business-Aon Hewitt study for 2011.
- Awarded the 'Top 5 Investor Relations Website in India' in the India edition of Investor Relations Global Ranking (IRGR), 2011.

Significant Key awards

- Awarded at Asia's Best Employer Brand Award 2011 held in Singapore for Talent Management, Continuous Innovation in HR Strategy at Work and Innovation in Recruitment.
- Won the Business in the Community's (BITC) coveted National Big Tick in the Work Inclusion category for the long term unemployed recruitment programme in UK.
- Ranked 5th in India's Top BPO Companies list 2011 by Data Quest 2011.
- Felicitated with "CIO100's Innovative Way of Handling Application Delivery to the Users & End-User Experience Management" award at CIO magazine's 6th Annual CIO100 Awards 2011 and adjudged as winner of "Top 10 Green IT Enterprise Award 2011".

Client Accolades

- Ranked as the number one vendor for consistent performance in India by a leading Telecommunications company.
- A Fortune 500 Healthcare company during their Quality Challenge Meet awarded Firstsource for the Payers Business' division Consumer Direct Health (CAMS) for: "Quality improvement through DFSS" in October 2011 and "Duplicate edit reduction" in February 2012.

Competitive Strengths

The Company believes the following business strengths allow it to compete successfully in the BPO industry:

- Offshore BPO market leadership

  As an early mover in the BPO industry, the Company has been able to achieve critical mass, attract senior and middle-management talent, establish key client relationships and a track record of operational excellence as well as develop robust and scalable global delivery systems. Based on the annual rankings by NASSCOM, the Company was the sixth largest BPO provider in India in fiscal 2011 in terms of revenues and amongst the top four "pure-play" BPO provider (BPO providers that are not affiliated with information technology companies).

- Diversified business model

  The Company's income is diversified across a range of geographies and industries and the Company is not overly reliant on a smallnumber of customers. The Company's earns revenues from the US, Europe and APAC geographies and chiefly services the Healthcare, Telecommunication and Media and BFSI industries. The Company also has relatively lower client concentration compared to industry and most of its peers.

- Unique value proposition and leadership position in the Healthcare industry

  The Company has a very unique portfolio of services addressing end-to-end customer life cycle requirements in US Healthcare industry for both payer as well as provider segments. The Company's depth of services, marquee clients, scale, reach and delivery capabilities in the Healthcare industry provides it a leadership position among offshore BPO players. For the year ended March 31,2012, 34.3% of the Company's income from services came from the Healthcare industry.

- Multi-shore delivery model

  The Company has established a truly global delivery base for its services, with 48 delivery centers, including 26 located in fifteen different cities in India, fourteen in the United States, five in Europe, two delivery centers in Philippines and one in Sri Lanka. Most customers today are looking for a service partner who can provide a combination of onshore and diversified offshore delivery capabilities and the Company believes its early move in creating this global delivery platform will create competitive advantage for the Company.

- Established relationships with large global companies

  The Company works with over 1000 clients as of March 31, 2012, which are "Fortune 500" and "FTSE 100" companies in US, UK and India. The company's client base also includes over 1,000 hospitals in the US. Many of these relationships have strengthened over time as the Company obtains ongoing work from these clients and gains a greater share of their BPO expenditure.

- Experienced management team

  The experience of the Company's management team is a key competitive advantage. Its management team has a track record of managing high growth businesses, possesses domain knowledge in the industries the Company serves and has relevant experience in the geographies in which it operates.

- Ability to manage aggressive growth

  The Company has a demonstrated track record in managing growth in its business both through organic and inorganic means. The Company's total income has grown at a compounded annual growth rate of 46% from fiscal 2003 to fiscal 2012 which is significantly higher than industry growth rate.

Business Strategy

The Company believes that the BPO industry is a global industry and its strategic vision is to leverage the strong position it has built in the offshore BPO industry to become a significant global BPO player. The Company's strategies to achieve this goal are as follows.

- Continue to strengthen domain expertise and develop deep industry knowledge

  Domain expertise in the client's industry is a key differentiator in the BPO industry. The Company is extremely focused on strengthening its domain expertise in Healthcare, Telecom and media and BFSI industry. The Company continues to invest heavily in industry and client specific trainings and, establishing knowledge management system towards the same. The Company offers end-to-end service offerings to its clients and continues to enhance knowledge about the industry in which its clients operate.

- Develop strong horizontal centre of excellence (CoE) to facilitate cross-selling across industry verticals

  The Company has proven and differentiated horizontal capabilities in its current business portfolio. These capabilities include Customer Relationship Management (CRM), Collections, and Document Management. The Company has created dedicated COEs for these three horizontals and intend to expand these horizontal capabilities across its all three target industry verticals through these COEs.

- Strong focus on expanding existing client relationships

  Existing client relationships are extremely crucial as existing clients contribute majority of the revenues. In fiscal 2012, 94.7% of the Company's income from services was derived from existing clients. The Company continuously strives to deepen and expand relationships with its existing clients. The Company's focus is to work with its existing clients to address their business challenges as a partner in the crisis and not just as a service provider. The Company believes that this will lead to increased business opportunities for the Company from its existing client base.

- Develop new client relationship

  In addition to expanding existing client relationships, the Company seeks to develop new long-term marquee client relationships across its focus verticals. The Company is particularly focussed on building new relationships with industry leaders where potential opportunity can be large and the Company can create a meaningful impact on client's businesses through its differentiated service offerings.

- Expand into new markets including the Indian domestic market

  Historically, the outsourcing market in India has been export focused and most participants have been focusing their energies in building businesses catering to US and European clients. The Company believes that it is the right time for it to expand in the growing Indian market with more and more companies embracing outsourcing. According to the NASSCOM-Perspective 2020 study, the addressable opportunity for Domestic BPO in India is estimated to be USD 60-65 billion.

- Expansion in new geographies

  The Company has been investing in new geographies by expanding business through new client wins and it has entered the Republic of Ireland and Srilanka geography. The Company continues to remain committed to investing in the fast developing markets since it believes these new growth markets have the potential to be significant revenue drivers over the long-term.

- Maintain focus on process excellence

  Continuous process improvement is an integral part of the Company's value proposition to its clients. The Company has established strong process excellence culture and uses structured process management systems to establish dashboards and metrics from the Customer Operations Performance Centre, Inc. (COPC) standards to measure performance for both its processes and its employees. In addition, the Company believes its ongoing programs to map and optimise customer processes using tools such as Lean, Six Sigma and TQM increases its value proposition to the client.

- Invest in middle management

  All employees are important to the Company and it believes that its middle management is particularly critical to its business, as they are responsible for managing teams, understanding its clients' expectations and its contractual obligations to clients, ensuring consistent and quality service delivery and deploying the Company's process excellence framework. These middle managers are essentially the glue that keeps the entire organization together. The Company intends to continue to invest in developing and grooming its middle management talent.

- Continue to invest in People practices and organization culture

  The Company continues to invest in people practices as it believes employees are vital and most valuable assets. Company creates a favourable work environment that encourages innovation and enables to retain skilled and high-professional talent pool. During fiscal 2012, the Company was ranked amongst the Top 50 'India's Best Companies to Work For' - 2011 list by Great Place to Work® Institute, India

- Continue to invest in proprietary technology platforms and cutting edge technologies

  The Company believes that technology will continue to be a key component of outsourcing solutions to its clients. The Company intends to continue to invest in developing its own proprietary technology platforms and develop capabilities around technology platforms through strategic partnerships. The Company has also adopted best in class global technology practices and is committed to investing in cutting edge innovative technology in order to bring innovative solutions to its clients.

- Continue to expand global delivery capabilities

  The Company believes that a multi-shore global deliver platform is critical for offering a long term viable business proposition to the clients. The Company has been an early mover in building significant onshore delivery capabilities in US and Europe and continues to expand in these countries. The Company has also expanded its offshore delivery footprint to Philippines and to several metros in India. The Company is among one of the first companies to have set up delivery presence in several tier II cities allowing it to offer vernacular capabilities to its domestic clients. The Company will continue to expand its delivery footprint to strengthen its positioning as a global BPO service provider.

Human Resources

FY 11-12 has been a year when the Human Resource function has imbibed the Values of the Company. Initiatives and projects launched this year have been taken on with intent to applaud the talent in the organization and motivate and develop them. But through it all, Company has ensured a healthy, safe and congenial work environment which is further re-enforced through every initiative.

Firstsource has yet again been rated among India's Best Companies to Work For, 2011, as per the annual survey by the Great Place to Work Institute (GPTW) in association with The Economic Times, India's leading financial daily. It is also quite heartening to note that our company has moved up 18 ranks this year and is ranked 30th.

During fiscal 2012, the "Global Ethics Policy" of Company was launched. This Policy is designed to guide ethical decision making and give practical answers to many of the ethical questions we may face in the course of our work. "Integrity" as a value is the cornerstone of our organization and through this policy we will be standing by it every day.

The organizations emphasis on building a "performance oriented culture", globally, has resulted in a deep-rooted focus on sharper performance management process and systems to build in differentiation. As managers, setting goals and spending time giving feedback & coaching is believed to be of utmost importance. To further emphasize our thrust on this subject, sessions on Performance Management, to help drive a performance oriented culture through sharper goal alignment and effective performance feedback, were conducted across our geographies and levels. Leadership development continues to be a focus of the organization with the aim to build an internal talent pool for the future.

To capitalize on employee strengths and develop competencies, Learning and Development initiatives are closely linked to the outcomes of several activities. 'Emerging leader's pre certification program' is one such programme for potential associates who can take on the role of team leaders based on key technical & behavioural competencies. Some of the widely acclaimed Development initiatives at Firstsource include the Business Leader's Programme (BLP), Firstsource Leader's Programme (FLP) and several Behavioural Competency Development modules for senior and middle management.

The organization operates across 6 geographies and has scaled from 26,413 employees to around 30,086 employees during fiscal 2012.

At Firstsource there is a firm belief that corporations have an important "collaborative" role to play in social development. This year in Vijayawada, India, Company collaborated with two institutes which work on Central & State Government project guidelines for generating employment for underprivileged sections of the society through Jawahar Rozgar Yojana (JRY) - a total of 35 employees were recruited in FY 12.

In our US & UK offices fund raisers were held and collections donated to various local and national charities. Our US employees also donated $1,009 to the American Red Cross to help victims of the storms and tornados that occurred on March 2, 2012. Ireland and the UK donated the equivalent of almost £5,600 through a range of fun events for all.

In the Philippines this year, as part of our commitment in promoting corporate social responsibility, our volunteers went to Tuloy sa Don Bosco Foundation to spend time and share joys with 200 unprivileged kids in Alabang.

Upholding the Companies Vision and Values firmly, Firstsource HR continues to strive to create a work culture that is rich and diverse in its experience and challenging in its mission to Excel.

OPPORTUNITES AND THREATS

The Industry Structure, Development and Outlook section has described the potential of the BPO industry. It is important to note that the BPO industry is still in its early stages of evolution with low level of penetration.

Key growth drivers and opportunities for the Company for profitable growth include:

- Cost and regulatory pressures in current economic environment
- Obtaining a short time-to-solution and rapid cost recovery period are BPO decision drivers formany prospective buyers.
- Strong growth in Global BPO spend generating continuing demand for its services
- Increasing number of organizations globally are outsourcing business processes in an effort to simplify their organization, create flexibility and increase efficiencies
- Increasing customer focus on servicing customers, creating new and innovative products and services and reduce time-to-market their products and services.
- Increasing focus on accuracy and timeliness of processing thereby reducing transaction costs

The Company believes the following business strengths would allow it to compete and grow successfully in the BPO industry:

- Realignment of our business taking into account three dimensions of vertical markets, horizontal service lines and geographies. The vertical emphasis has been on the market phasing aspect of the business which encompasses sales, client managements, marketing and solutions while the distinct horizontal service units deliver into different verticals. The new structure that we are putting in place gives us more efficiencies, more economies of scale across service lines and deeper process capability which will lead to a superior level of service.
- Banking, Financial Services and Insurance (BFSI), Telecommunications and Healthcare industries are expected to be a significant part the total addressable global BPO market opportunity. From a service standpoint, Customer care remains the largest component of global BPO spending. Additionally, emerging markets like India presents a large and growing domestic BPO opportunity, All these are the primary segments the Company operate in and has proven capability and strong market position. The Company's strategic positioning and scale in its target industry sectors of BFSI, telecommunications and media, Healthcare and specific focus on customer care and India Domestic market puts it in a strong position for capitalizing on the growth potential.
- Clients are more comfortable partnering with large players with scale and operational expertise with a continuous focus on quality of service delivery, ability to manage aggressive growth and stringent security norms. The Company's believes its BPO market leadership is key to help it tap the growth potential of the industry. The Company's diversified business model with established relationships with large global companies, including over 21 "Fortune Global 500", "Fortune 500" and 9 "FTSE 100" companies also puts it at a competitive advantage compared to other offshore BPO providers.
- In order to successfully leverage the global BPO opportunity, flexibility in geographical delivery is an important factor. Some processes can't be offshored due to process complexities and regulatory requirements. Clients increasingly look for business partners who can deliver services across different geographies. The Company's established global delivery footprint enables it to deliver a wide range of services and deepen relationships with existing customers.

Competition

The market for BPO services is rapidly evolving and continues to be highly competitive. The Company expects that the competition it faces will continue to intensify. The Company faces different set of competitors in each of its business units.

In Healthcare business unit the Company primarily competes with:

- large global IT companies located in the United States such as Dell, Xerox, HP, CSC, IBM;
- Healthcare focused revenue cycle management companies located in the United States such as The Outsource Group, Cymetrix, Emdeon;
- Healthcare focused offshore BPO providers, particularly in India such as Apollo Health Street, Hinduja Global, HOV Services;
- large global diversified receivable management companies such as NCO Group; and
- BPO divisions of IT companies located in India including Wipro and Cognizant.

In Telecom & Media business unit the Company primarily competes with:

- large global BPO companies such as Convergys, Sitel, TeleTech, Sykes, Conduit, Transcom and Accenture;
- Telecom & Media focused onshore BPO providers, particularly in UK such as Serco, Hero TSC, Ventura; and
- BPO divisions of IT companies located in India including HCL, Tech Mahindra, Infosys, Wipro and IBM Daksh.

In BFSI business unit the Company primarily competes with:

- large UK based BPO companies such as Capita and Serco;
- large global IT companies located in the United States and Europe such as IBM, Accenture, Dell, Xerox, HP and Cap Gemini;
- large global diversified receivable management and collections companies such as NCO Group, and Convergys;
- credit card collection / recovery focused companies such as iQOR, GC Services, Outsourcing Solutions Inc. (OSI), Epicenter, Zenta, Teleperformance,
- mortgage focused companies, largely in UK such as HML
- BFSI focused offshore BPO providers, particularly in India such as Genpact, WNS, EXL; and
- BPO divisions of IT companies located in India including TCS, Infosys, Wipro, HCL In Asia business unit the Company primarily competes with:
- BPO divisions of global IT companies in India including IBM and HP
- Domestic market focused BPO firms such as Serco, Aegis, Hinduja Global, Spanco, Aditya Birla Minacs;
- National or regional / local BPOs in various states supporting regional Indian languages, including firms such as Kochar Infotech;
- Host of relatively new entrants in the Indian domestic BPO market such as Genpact, WNS, Infosys, Wipro

A number of the Company's international competitors are setting up operations in India. Further, many of the Company's other international competitors with existing operations in India are expanding these operations, which have become an important element of their delivery strategy. This has resulted in increased employee attrition among Indian BPO services companies and increased wage pressure to retain skilled employees especially in metropolitan cities.

Some of the Company's clients may, for various reasons including to diversify geographical risk, seek to reduce their dependence on any one country and may seek to outsource their operations to newer countries such as China, Eastern Europe and Latin America. While the Company has a diversified offshore delivery with presence in India and Philippines, it doesn't have delivery capabilities in China, Eastern Europe and Latin America. In addition, some of the Company's clients have sought to outsource their operations to onshore BPOs. Although the Company operates onshore facilities for certain of its clients in the United States and the United Kingdom, a significant increase in "onshoring" would reduce the competitive advantages the Company derives from operating out of India and Philippines.

The Company however believes that the overall market size is very large and it has a strong competitive position due to the following factors:

- Deep domain expertise in its key focus industries
- End to End service offerings in key focus industries including onshore, near shore and offshore execution capabilities.
- Marquee list of satisfied customers and track record of managing large customer relationships
- Strong and experienced management team
- Continuous focus on process excellence and operational results.

RISKS & CONCERNS, RISK MITIGATION

These have been discussed in detail in the Risk Management report in this annual report.

DISCUSSION ON FINANCIAL PERFORMANCE RELATING TO OPERATIONAL PERFORMANCE

FINANCIAL POSITION

Shareholders' funds

Share Capital. The authorised share capital of the Company is ₹ 8,500 million with 850 million equity shares of ₹ 10 each. The paid up share capital as at March 31, 2012 stands at ₹ 4,307.8 million compared to ₹ 4,306.4 million at March 31, 2011.

The increase in equity share capital of ₹ 1.4 million is on account of conversion of ESOPs during the year.

Reserves and Surplus. The reserves and surplus of the Company increased from ₹ 9,920.8 million to ₹ 9,991.1 million. The details of increase in Reserves and surplus by ₹ 70.3 million, are as below:

	Amount (₹ million)
Increase on account of :	
Profit for the year less appropriation	620.3
Premium received on shares issued during the year	1.2
Writeback of amortised premium on buyback of FCCB	99.1
Translation Reserve due to exchange difference on consolidation of non-integral subsidiaries/FCCB translation	351.4
Decrease on account of :	
Hedging Reserve Account as per AS 30	382.0
Amortization of premium payable on redemption of FCCB	619.7
Net increase in reserves and surplus	70.3

Minority Interest

Minority interest is created on account of 80% consolidation of Twin Lake Property LLC-I, a subsidiary of Firstsource Advantage LLC and 74% consolidation of Firstsource Dialog Solutions (Private) Limited (effective May 13, 2011).

Minority interest as at March 31, 2012 increased to ₹ 13.3 million from ₹ 1.1 million as at March 31, 2011.

Long-term Borrowings

Secured long-term borrowings represent finance lease obligations and term loan from banks. Unsecured long-term borrowings represent loan from non-banking financing companies. Secured long-term borrowings outstanding as at March 31, 2012 was ₹ 9,200.6 million as compared to ₹ 2,473.6 million as at March 31, 2011. The net increase was on account of availment of new term loan of ₹ 9,157.5 million, pre-payment of External Commercial borrowing of ₹ 1,061.8 million, pre-payment of foreign currency loan of ₹ 1,362.4 million and decrease in finance lease obligations of ₹ 6.3 million. Unsecured long-term borrowings outstanding as at March 31, 2012 was ₹ 58.2 million as compared to ₹ 11,566.6 million as at March 31, 2011. This is due to reclassification of FCCB including premium payable on redemption from long-term borrowings to Other current liabilities as per revised schedule VI and increase in loan from non-banking financing companies by ₹ 54.3 million.

Deferred Tax liabilities

Deferred tax liabilities as at March 31, 2012 was ₹ 110.2 million as compared to ₹ 58.0 million as at March 31, 2011. This increase is primarily due to increase in deferred tax liability on account of amortisation.

Other Long-term liabilities

Other long-term liabilities as at March 31, 2012 was ₹ 651.7 million as compared to ₹ 646.2 million as at March 31, 2011.

Long-term provisions

Long-term provisions represent provision for gratuity payable to employees based on actuarial valuation done by an independent actuary. The decrease in long-term provisions from the last year is primarily due to reversal of Withholding tax on premium payable on redemption of FCCB.

Short-term borrowings

Short-term borrowings as at March 31, 2012 was ₹ 366.7 million as compared to ₹ 431.8 million as at March 31, 2011. The movement is on account of availment of a working capital demand loan of ₹ 150.0 million and export finance of 216.7 million and repayment of export finance availed in previous year of ₹ 431.8 million.

Trade payables

Trade payables as at March 31, 2012 was ₹ 1,815.6 million as compared to ₹ 1,497.8 million as at March 31, 2011.

Other Current liabilities

Other Current liabilities as at March 31, 2012 was ₹ 12,493.8 million as compared to ₹ 1,059.1 million as at March 31, 2011. The increase in other current liabilities is primarily on account of reclassification of FCCB of ₹ 11,421.4 million as per revised schedule VI.

Short-term provisions

Short-term provisions as on March 31, 2012 represent provision for gratuity and leave encashment payable to employees based on actuarial valuation (done by an independent actuary) of ₹ 30.5 million and ₹ 229.8 million respectively and also provision for estimated net income tax liabilities both in India and abroad of ₹ 24.8 million (March 2011 balance ₹ 24.2 million)

Goodwill

Goodwill as at March 31, 2012 was ₹ 23,108.6 million as compared to ₹ 20,454.0 million as at March 31, 2011.

The increase in goodwill during the year was ₹ 2,654.5 million. This increase was due to recognition of goodwill of ₹ 14.2 million on acquisition of FDS and restatement of goodwill of non-integral foreign subsidiaries at year end exchange rates.

Fixed Assets

The net block of tangible assets, intangible assets and capital work-in-progress was ₹ 1,957.2 million as at March 31, 2012 as compared to ₹ 2,283.5 million as at March 31, 2011, representing a decrease of ₹ 326.3 million. The Company incurred capital expenditure during the year of 579.2 million (including increase in leased assets of ₹ 19.7 million), assets acquired on business acquisition of ₹ 25.6 million which was offset by net assets deleted amounting to ₹ 456.7 million and depreciation for the year ₹ 892.6 million. The major items of capital expenditure during fiscal 2012 were primarily on account of addition of new centers in India, Philippines and UK.

Investments

The investments of the Company represents non-current investments of ₹ 16 million as on March 31, 2012 (March 31, 2011 ₹ 8.6 million) and current investment of ₹ 784.3 million as on March 31, 2012 (₹ 1,320.7 million as on March 31, 2011). The net decrease in total investments from ₹ 1,329.3 million to ₹ 800.3 million is due to redemption of investments for normal business requirements. The majority of Company's investments as at March 31, 2012 are non-trade investments which are short-term in nature and constitute investments in liquid debt market mutual funds.

Long-term loans and advances

The long-term loans and advances of the Company as at March 31, 2012 was ₹ 1,257.4 million compared to ₹ 836.3 million as at March 31, 2011. Significant items of loans and advances include payment towards security deposits for various rental premises, capital advances, prepaid expenses, lease rentals and net advance income tax paid. The net increase is on account of increase in capital advances of ₹ 6.5 million, deposits of ₹ 34.1 million, prepaid expenses of ₹ 194.3 million, advance income tax of ₹ 200.5 million and decrease in lease rent receivables of ₹ 14.2 million.

Other non-current assets

The other non-current assets of the company as at March 31, 2012 was ₹ 345.8 million as compared to ₹ 330.6 million as at March 31, 2011. This increase is primarily on account of increase in Minimum alternate tax credit carried forward.

Current assets

Trade receivables. Trade receivables amount to ₹ 3,514.7 million (net of provision for doubtful debts amounting to ₹ 44.0 million) as at March 31, 2012 as compared to ₹ 2,388.7 million (net of provision for doubtful debts amounting to ₹ 69.7 million) as at March 31, 2011. These debtors are considered good and realisable.

The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates and general economic factors which could affect the Company's ability to settle. Provisions are generally made for all debtors outstanding for more than 180 days as also for others, depending on the management's perception of the risk.

Debtors' days as at March 31, 2012 (calculated based on per-day sales in the last quarter) were 51 days, compared to 40 days as at March 31, 2011.

The Company constantly focuses on reducing its receivables period by improving its collection efforts.

Cash and bank balances. Cash balance represents balance in cash with the Company to meet its petty cash expenditures. The bank balances in India include both Rupee accounts and foreign currency accounts. The bank balances in overseas current accounts are maintained to meet the expenditure of the overseas subsidiaries and branches. The cash and bank balance as at March 31, 2012 was ₹ 6,828.7 million as compared to ₹ 3,244.2 million as at March 31, 2011.

Short-term loans and advances. Short-term loans and advances as at March 31, 2012 was ₹ 365.2 million as compared to ₹ 380.7 million as at March 31, 2011. The net decrease in short-term loans and advances was mainly on account of decrease in advances recoverable by ₹ 102.4 million and increase in prepaid expenses and lease rent receivables by ₹ 73.3 million and ₹ 13.5 million respectively.

Other Current assets. The other current assets of the company as at March 31, 2012 was ₹ 1,136.9 million as compared to ₹ 1,178.3 million as at March 31, 2011. This net decrease is primarily on realization of exchange gain on derivative of ₹ 113.7 million offset by increase in unbilled receivables of ₹ 4.9 million, unamortised cost of ₹ 13.4 million, accrued interest by ₹ 20.6 million and reclassification of ₹ 33.3 million being recoverable from sale of subsidiary from other non-current assets.

Results of Operations

The table below sets forth, for the periods indicated, certain income and expense items for the Company's consolidated operations:

PARTICULARS	Fiscal 2012		Fiscal 2011	
INCOME	**₹ Million**	**% of Income**	**₹ Million**	**% of Income**
Income from services	22,548.5	100.0%	20,110.2	97.8%
Other operating income	1.4	0.0%	442.6	2.2%
Revenue from Operations	**22,549.9**	**100.0%**	**20,552.8**	**100.0%**
EXPENDITURE				
Personnel Cost	15,225.0	67.5%	12,729.9	61.9%
Other expenses	5,474.1	24.3%	4,990.9	24.3%
Operating EBITDA (Earnings before Interest, Tax and Depreciation)	**1,850.8**	**8.2%**	**2,832.0**	**13.8%**
Depreciation and amortization	892.6	4.0%	890.8	4.3%
Operating EBIT (Earnings before Interest and Tax)	**958.2**	**4.2%**	**1,941.2**	**9.4%**
Finance charges	584.9	2.6%	394.5	1.9%
Other income	386.5	1.7%	206.3	1.0%
Profit before tax	**759.8**	**3.4%**	**1,753.0**	**8.5%**
Provision for taxation				
- Current tax expense	259.9	1.2%	325.2	1.6%
- Deferred tax charge / (release)	(9.5)	0.0%	119.7	0.6%
- Minimum alternate tax credit entitlement	(112.7)	(0.5%)	(95.6)	(0.5%)
Profit after tax before minority interest	**622.1**	**2.8%**	**1,403.7**	**6.8%**
Minority interest	1.8	0.0%	18.6	0.1%
Profit after tax	**620.3**	**2.8%**	**1,385.1**	**6.7%**

Income

Income from services. Income from services increased 12.1 per cent to ₹ 22,548.5 million in fiscal 2012 from ₹ 20,110.2 million in fiscal 2011. The company attributes this growth in its income from services to increased work from its existing clients and addition of new clients. These growth drivers were further complemented by favorable currency during the fiscal year 2012 as compared to previous fiscal year. The average exchange rate for USD and GBP in fiscal 2012 was ₹ 48.53 per USD and ₹ 77.40 per GBP as compared to ₹ 45.90 per USD and ₹ 71.41 per GBP in fiscal 2011.

Revenue from Operations. The Company's revenue from operations increased 9.7 per cent to ₹ 22,549.9 million in fiscal 2012 from ₹ 20,552.8 million in fiscal 2011. On constant currency basis, neutralizing the impact of adverse foreign exchange rate movements during the year, the company's revenue from operations grew at 5.8 per cent in fiscal 2012 over fiscal 2011.

Consolidated Revenues by Geography. The Company serves clients mainly in North America (USA and Canada, although income from Canada accounted for less than 1 per cent), United Kingdom and India. Clients from United States accounted for 51.8 per cent (fiscal 2011 – 57.3 per cent) and clients from United Kingdom accounted for 31.4 per cent (fiscal 2011 – 30.6 per cent) of the income from services in fiscal 2012. Clients in India accounted for 12.0 per cent (fiscal 2011 – 11.1 per cent) of the income from services in fiscal 2012.

The following table sets out a geographic breakdown of the income from services for the periods indicated.

(₹ In Millions)

	Fiscal Year	
	2012	**2011**
North America (USA and Canada)	11,687.3	11,529.2
UK	7,072.0	6,145.3
India	2,700.6	2,225.4
Rest of the world	1,088.6	210.3
Total	**22,548.5**	**20,110.2**

There was a decrease in the proportion of the income from North America primarily due to reduction in revenues on the Collections on account of lower delinquency and lower charge off rates in card business. UK revenues in rupee terms however witnessed a strong growth Y-o-Y of 15.1 percent aided by increase in revenues from existing customers partially offset by closure of few accounts in Northern Ireland (NI). Relatively faster pace of growth in UK compared to North America has resulted in UK revenue contribution increasing in percentage terms. Revenues from India increased by 21.4 per cent in this fiscal, primarily due to higher volumes from existing customers and new contract win with Dialog.

Consolidated Revenues by Industry. Healthcare, Telecommunications and Media and BFSI accounted for 34.3 per cent, 37.0 per cent and 27.9 per cent of income from services, respectively, in fiscal 2012 and 35.7 per cent, 36.6 per cent and 26.3 per cent of income from services, respectively, in fiscal 2011.

The following table sets out a breakdown of the income from services for the periods indicated.

(₹ In Millions)

	Fiscal Year	
	2012	**2011**
Healthcare	7,722.9	7,183.6
Telecommunications and Media	8,351.2	7,351.6
BFSI	6,288.3	5,293.8
Others	186.1	281.1
Total	**22,548.5**	**20,110.2**

On the Healthcare side, the company works for both payers (insurance companies) and providers (hospitals and physical groups). While there was flat revenue growth in the Healthcare provider side of the business in fiscal 2012, the payer business volumes showed large traction resulting in strong revenue growth in the Healthcare payer side of business. Passage of Healthcare reforms in the US is a landmark event and the company believes it is well positioned to benefit from these reform implications as these start to translate in to business opportunities.

On the Telecommunications and Media front, for the purpose of income from services reporting by industry, above numbers include both international telecom business (telecommunications and media business unit) as well as domestic telecom business (part of Asia Business Unit). The company works across all service lines from Mobile, wireless and fixed lines to Broadband, Hi speed internet, DTH and Pay TV in telecommunications and media industry supporting customer lifecycle management across multiple channels. International telecommunications business (telecommunications and media business unit) witnessed strong growth during fiscal 2012. In fiscal 2012, Company won three large deals with Total Contract Value of USD 160 million. India domestic telecom business (part of Asia Business Unit) in fiscal 2012 has seen strong revenue growth due to increase in volumes by existing customers and entry into Sri Lanka as a new geography through joint venture with Dialog Axiata, Plc. Combination of these factors across both international telecom business (telecommunications and media business unit) as well as domestic telecom business (part of Asia Business Unit) has resulted in overall telecommunications and media industry income from services posting a strong growth in fiscal 2012.

Within the BFSI vertical, for the purpose of income from services reporting by industry, above numbers largely include international BFSI business (BFSI business unit) as well as relatively a very small part from India domestic BFSI business (part of Asia Business Unit). In BFSI company operates across cards, mortgages, general insurance and retail banking segments. In international BFSI business (BFSI Business unit), the credit card collections business of the company witnessed some challenges as the volume of delinquent debt continues to drop, which resulted dip in revenues compared to fiscal 2011. On the non-collections BFSI side, there has been strong growth during fiscal 2012 due to Barclaycard deal which Company won in fiscal 2011. Offset by, lower origination and servicing volumes in our UK mortgage BPO business along with subdued new deal activity in overall BFSI industry. Clients' are now starting to re-engage with BPO service providers and the company expects pace of new deal activity to pick up in coming fiscal. The India domestic business on the BFSI side (part of Asia Business Unit) remains attractive and continues to grow too. These factors have contributed to strong growth in income from services from BFSI industry.

Client Concentration. The following table shows the Company's client concentration by presenting income from its top and top five clients as a percentage of its income from services for the periods indicated:

(₹ In Million)

	Fiscal Year			
	2012	**%**	**2011**	**%**
Top client	2,949.1	13.1	2,360.3	11.7
5 largest clients	8,922.2	39.6	6,831.0	34.0
All clients	**22,548.5**	**100.0**	**20,110.2**	**100.0**

In fiscal 2012, the Company had top client accounting for 13.1 per cent of the income from services compared to top client accounting for 11.7 per cent of its income from services in fiscal 2011.

The Company derives a significant portion of its income from a limited number of large clients. In fiscal 2011, the company had 8 clients contributing over ₹ 500 million in annual revenues as compared to 9 clients in fiscal 2011. In fiscal 2012 and 2011, income from the Company's five largest clients amounted to 8,922.2 million and ₹ 6,831.0 million, respectively, accounting for 39.6 per cent and 34.0 per cent of its income from services, respectively. Although the Company continues to increase and diversify its client base, it expects that a significant portion of its income will continue to be contributed by a limited number of large clients in the near future.

Other operating income. Other operating income of ₹ 1.4 million in fiscal 2012 pertains to operating income in the nature of grants received in relation to the Company's business in Northern Ireland of ₹ 34.7 million and exchange loss on debtors / forward contracts of ₹ 33.3 million. In fiscal 2011, other operating Income of ₹ 442.6 million consisted of grants received in relation to the Company's business in Northern Ireland of ₹ 56.8 million and exchange gain on debtors / forward contracts of ₹ 385.8 million.

Expenditure

Personnel costs. Personnel costs for fiscal 2012 amounted to 67.5 per cent of the Income for that period, as compared to 61.9 per cent of income in fiscal 2011. Personnel costs increased by 19.6 per cent to ₹ 15,255.0 million in fiscal 2012 from ₹ 12,729.9 million in fiscal 2011. Personnel costs in fiscal 2012 as a percentage of income were higher primarily due to large ramps in the Domestic business in India and also increase in business delivery onshore in UK. The Company's number of employees increased to 30,086 as of March 31, 2012 from 26,413 as of March 31, 2011, principally to service its increased business volumes both Onshore in the UK and US as well as in India and Philippines. As at March 31, 2012, 8,485 employees were employed outside India as compared to 6,781 employees as at end of fiscal 2011.

Operating costs. Operating costs for fiscal 2012 amounted to 24.3 per cent of the income for that period, as compared to 24.3 per cent of income in fiscal 2011. Operating costs increased to ₹ 5,474.1 million in fiscal 2012 from ₹ 4,990.9 million in fiscal 2011. Most expense items of operating costs increased at rates lower than, or generally in line with increase in revenues, with the exception of Legal & professional fees, Bank charges & Miscellaneous expenses for loan financing which increased by 31.3 percent from ₹ 541.1 million to ₹ 710.6 million, and Maintenance and upkeep, Electricity charges and car & other hire charges which increased by 19.1 per cent from ₹ 1,087.2 million to ₹ 1,294.5 million, primarily due to additions of center in Sri Lanka and UK to cater to the growth in the business including ramps along with per unit cost escalations.

Operating EBITDA (Earnings before Interest, Tax and Depreciation)

Operating EBITDA. As a result of the foregoing, operating EBITDA decreased by ₹ 981.2 million to ₹ 1,850.8 million in fiscal 2012 from ₹ 2,832.0 million in fiscal 2011. Operating EBITDA in fiscal 2012 was at 8.2 per cent of income compared to 13.8 per cent of income in fiscal 2011. Fiscal 2011 had expenses of ₹ 63.8 million on account of extraordinary expense which were not in nature of recurring charges.

Depreciation. Depreciation costs for fiscal 2012 amounted to 4.0 per cent of the income for that period, as compared to 4.3 per cent of income for fiscal 2011. Depreciation increased by 0.3 per cent to ₹ 892.6 million in fiscal 2012 from ₹ 890.8 million in fiscal 2011.

Operating EBIT (Earnings before Interest and Tax)

Operating EBIT. Operating Earnings before Interest and Tax (EBIT) decreased by ₹ 983.0 million to ₹ 958.2 million in fiscal 2012 from ₹ 1,941.2 million in fiscal 2011. Operating EBIT in fiscal 2012 amounted to 4.2 per cent compared to 9.4 per cent in fiscal 2011.

Finance charge. Finance charges for fiscal 2012 amounted to 2.6 per cent of income for that period, as compared to 1.9 per cent of income in fiscal 2011. Finance charges increased by 48.3 per cent to ₹ 584.9 fiscal 2012 from ₹ 394.5 million in fiscal 2011. Amortised cost on fair value of FCCB for fiscal 2012 was ₹ 143.8 million as compared to ₹ 129.0 million in fiscal 2011. Excluding the impact of the above component, finance charges for fiscal 2012 amounted to ₹ 441.1 million as compared to ₹ 265.4 million in fiscal 2011, an increase of ₹ 175.7 million, primarily due to an increase of ₹ 181.0 million on account of Interest expense for External commercial borrowing and tem loan and working capital demand loan, offset by lower bank guarantee commission of ₹ 5.3 million.

Other income. Other income increased to ₹ 386.5 million in fiscal 2012 from ₹ 206.3 million in fiscal 2011. The components of other income in fiscal 2012 were profit from the sale / redemption of non-trade investments of ₹ 94.9 million, dividend income of ₹ 4.0 million, Interest income of ₹ 365.5 million, other miscellaneous income of ₹ 5.8 million, offset by foreign exchange loss of ₹ 16.1 million and loss on FCCB buyback of ₹ 67.6 million. Net foreign exchange loss included exchange loss of ₹ 43.3 million recognised on account of translation of financial statements of foreign subsidiaries for the purpose of preparation of consolidated financial statements. The components of other income in fiscal 2011 were profit from the sale and redemption of non-trade investments of ₹ 96.9 million, dividend income of ₹ 2.2 million, other miscellaneous income of ₹ 6.4 million, gain on sale of investment in subsidiary of ₹ 79.4 million and Interest income of ₹ 57.2 million, offset by foreign exchange loss of ₹ 35.8 million. Net foreign exchange loss included exchange loss of ₹ 34.9 million recognised on account of translation of financial statements of foreign subsidiaries for the purpose of preparation of consolidated financial statements.

Profit before tax

Profit before tax. Profit before tax decreased by 56.7 per cent to ₹ 759.8 million in fiscal 2012 from a profit before tax of ₹ 1,753.0 million in fiscal 2011. Profit before tax in fiscal 2012 was 3.4 per cent of the income, as compared to 8.5 per cent of the income in fiscal 2011.

Provision for taxation. Provision for taxation decreased by 60.6 per cent to ₹ 137.7 million in fiscal 2012 from ₹ 349.3 million in fiscal 2011. Income tax expense comprises of current tax, net change in the deferred tax assets and liabilities in the applicable fiscal period and minimum alternate tax credit entitlement.

Current tax expense comprises tax on income from operations in India and foreign tax jurisdictions. During the year, certain centers of the Company had the benefit of tax-holiday under Section 10AA under the Special Economic Zone scheme. Current tax expense amounted to ₹ 259.9 million in fiscal 2012 as compared to ₹ 325.2 million in fiscal 2011.

There was a deferred tax release of ₹ 9.5 million in fiscal 2012 compared to a deferred tax charge of ₹ 119.7 million in fiscal 2011.

Minimum alternate tax for the ITES industry became applicable effective fiscal 2009, resulting in the Company recording the same as part of the current tax expense and the credit entitlement has been disclosed separately. The Company has recorded minimum alternate tax credit entitlement of ₹ 112.7 million in fiscal 2012 as compared to ₹ 95.6 million in fiscal 2011.

Profit after tax before minority interest

Profit after tax before minority interest. As a result of the foregoing, profit after tax before minority interest decreased to ₹ 622.1 million for fiscal 2012 from profit after tax before minority interest of ₹ 1,403.7 million in fiscal 2011.

Minority interest. Minority interest was ₹ 1.8 million in fiscal 2012 as compared to ₹ 18.6 million in fiscal 2011.

Profit after tax

Profit after tax. As a result of the foregoing, profit after tax decreased by 55.2 per cent to ₹ 620.3 million in fiscal 2012 from profit after tax of ₹ 1,385.1 million in fiscal 2011. Profit after tax in fiscal 2012 was 2.7 per cent of the income, as compared to 6.7 per cent of the income in fiscal 2011.

Liquidity and Capital Resources

Cash Flows

The Company needs cash primarily to fund the technology and infrastructure requirements in its delivery centers, to fund its working capital needs, to fund acquisitions and for other general corporate purposes. The Company funds these capital requirements through variety of sources, including cash from operations, short and long-term lines of credit and issuances of share capital. As of March 31, 2012, the Company had cash and cash equivalents of ₹ 6,828.7 million. This primarily represents cash and balances with banks in India and abroad.

The Company's summarized statement of consolidated cash flows is set forth below:

(₹ in Million)

	Fiscal year	
	2012	**2011**
Net Cash flow from Operating activities	56.8	2,457.0
Net Cash flow from / (used) in Investing activities	199.6	(598.4)
Net Cash flow from Financing activities	3,328.1	168.7
Cash and bank balances at the beginning of the year	3,244.2	1,215.5
Cash and bank balances acquired from business acquisition	-	1.4
Cash and bank balances at the end of the year	6,828.7	3,244.2

Operating Activities

Net cash generated from the Company's operating activities in fiscal 2012 amounted to ₹ 56.8 million. This consisted of net profit after tax of ₹ 620.3 million and a net upward adjustment of ₹ 466.4 million relating to various non-cash items and non-operating items including depreciation of ₹ 892.6 million; net increase in working capital of ₹ 579.8 million; and income taxes paid of ₹ 450.1 million. The working capital increase was due to increase in trade receivables of ₹ 1,102.6 million, increase in loans and advances and other assets by ₹ 139.2 million and increase in liabilities and provisions by ₹ 662.0 million.

Net cash generated from the Company's operating activities in fiscal 2011 amounted to ₹ 2,457.0 million. This consisted of net profit after tax of ₹ 1,385.1 million and a net upward adjustment of ₹ 1,588.0 million relating to various non-cash items and non-operating items including depreciation of ₹ 890.8 million; net increase in working capital of ₹ 2.3 million; and income taxes paid of ₹ 513.7 million. The working capital increase was due to decrease in trade receivables of ₹ 232.0 million, increase in loans and advances other by ₹ 417.4 million and an increase in liabilities and provisions by ₹ 183.1 million.

Investing Activities

In fiscal 2012, the Company generated ₹ 199.6 million of cash from investing activities. These investing activities primarily included capital expenditure payments of ₹ 526.1 million, including fixed assets purchased in connection with the establishment of the Company's delivery centers in Sri-Lanka, UK, Mumbai, Chennai and additional capacity in Bangalore and Philippines, Company paid ₹ 231.1 million for Dialog stake purchase and payment for asset purchase in UK last year; and net sale of money and debt market mutual funds amounting to ₹ 625.5 million. During the year, the Company received an interest and dividend amounting to ₹ 317.1 million and sold few fixed assets for ₹ 14.2 million.

In fiscal 2011, the Company used ₹ 598.4 million of cash in investing activities. These investing activities primarily included capital expenditure payments of ₹ 430.6 million, including fixed assets purchased in connection with the establishment of the Company's delivery centers in UK, Mumbai, Chennai and additional capacity in Philippines; and net purchase of money and debt market mutual funds amounting to ₹ 227.1 million. During the year, the Company received an interest and dividend amounting to ₹ 31.7 million and sold few fixed assets for ₹ 27.5 million.

Financing Activities

In fiscal 2012, net cash generated from financing activities amounted to ₹ 3,328.1 million. This primarily comprised of proceeds from secured loans of ₹ 9,157.5 million, unsecured loan of ₹ 365.0 million and proceeds from issuance of equity shares of ₹ 2.5 million. The company bought back Foreign currency convertible bonds (FCCB), including expenses by spending ₹ 2,558.3 million, repaid unsecured loans of ₹ 435.1 million and secured loans of ₹ 2,830.4 million, and paid interest of ₹ 373.1 million.

In fiscal 2011, net cash generated from financing activities amounted to ₹ 168.6 million. This primarily comprised of proceeds from secured loans of ₹ 433.4 million and proceeds from issuance of equity shares of ₹ 18.5 million. The company repaid unsecured loans of ₹ 17.0 million on account of loan from others and paid interest of ₹ 266.3 million.

Cash position

The Company funds its short-term working capital requirements through cash flow from operations, working capital overdraft facilities with commercial banks, medium-term borrowings from banks and commercial financial institutions and others. As of March 31, 2012, the Company had cash and bank balances of ₹ 6,828.7 million as compared to ₹ 3,244.2 million as at March 31, 2011.

RISK MANAGEMENT REPORT

The risk management report discusses various dimensions of our enterprise risk management practices. Readers are cautioned that the risk related information outlined here are not exhaustive and are for information purposes only. This report may contain statements, which may be forward-looking in nature. Our business model is subject to uncertainties that could cause actual results to differ materially from those reflected in the forward looking statements. Readers are requested to exercise their own judgment in assessing the risks associated with the Company and to the prospectus filed with the Securities and Exchange Board India (SEBI) as well as factors discussed elsewhere in this annual report.

Risk Management (RM) at Firstsource encompasses practices relating to identification, assessment, monitoring and mitigation of various risks to our business objectives. RM at Firstsource seeks to minimize adverse impact of risks on our business objectives and enable the Company to leverage market opportunities effectively. The risk management process is continuously improved and adapted to the changing global risk scenario. The agility of the risk management process is monitored and reviewed for appropriateness with the changing risk landscape. The risk categories covered under RM includes strategic, operational and financial risks across various levels of the organisation.

Business process outsourcing (BPO) is a broad term referring to outsourcing in all fields. A BPO differentiates itself by either putting in new technology or applying existing technology in a new way to improve a process. The BPO Industry is subject to stringent customer requirements on information and data security, impact of rapid technological changes, financial exposures due to rapid exchange fluctuations and ever increasing regulatory compliance requirements. These factors demand for an extremely robust risk management practice to be adopted by global BPO service providers.

The Company continues to emphasize and build on the need to have robust risk management culture and processes. Our risk management framework comprises of the following key components:

Governance Structure:

Level	Roles & Responsibilities
Board of Directors	• Corporate Governance oversight of the risk management performed by Executive Management
Audit Committee	• Provides oversight on the internal control environment and review of the independent assurance activities performed by the auditors
Risk Committee	• Comprising of the Chief Executive Officer (CEO) and Chief financial Officer (CFO) • Assisting the Board in fulfilling its corporate governance oversight responsibilities with regards to identification, evaluation and mitigation of operational, strategic and external environment risks • Monitoring and review of risk management practices of the company • Reviewing and approving risk related disclosures
Risk Management function	• Executes risk management related activities across the organization as per the direction given by the risk committee • Formulation and deployment of risk management policies • Reviewing enterprise risks from time to time, initiating mitigation actions, identifying owners and reviewing the progress and effectiveness of mitigation actions
Business Heads	• Responsible for managing their functions as per Company risk management policies • Manage risk at unit level that may arise from time to time, in consultation with the Risk Committee
Internal Audit	• Carries out independent reviews on the effectiveness of the controls and reports to the audit committee to provide independent assurance to the management

Key risk management practices

The key risk management practices include those relating to the risk assessment, measurement, monitoring, reporting, mitigation actions and integration with strategy and business planning.

Stage	Activities
Risk Identification	• A risk survey of executives across units, functions and subsidiaries is conducted before the annual strategy exercise. • Risk identification exercise is being done by the risk committee and the senior management to update the "Risk register" which captures all possible risks which can adversely impact the achievement of the business objectives • This risk register is reviewed by the risk committee on periodic basis to capture the new risks identified and any change in the inherent risk levels
Risk Assessment	• Periodic assessment of risk environment to identify significant risks for the Company and prioritizing the risks for action • The systemic risk assessment is done on the basis of likelihood of occurrence and significance of impact of each risk parameter • All the risks are categorised as extreme, high, moderate and low risks in order to prioritize the response and monitoring
Risk Response	• The management defines the risk appetite and risk tolerance levels in order to decide on the appropriate response • The overall response strategy is either, or the combination of avoidance, acceptance, transfer or mitigation strategy
Monitoring and reporting	• Ongoing monitoring is being done by the risk owners with the help of risk management function • The reporting of the results of the ongoing assessment as well as the changes in the risk profiles is done and reviewed by the risk committee on monthly basis

Internal control systems and its adequacy

In Firstsource Solutions, the internal audit function continuously monitors the effectiveness of the internal controls with an objective to provide to the Audit Committee and the Board of Directors, an independent, objective and reasonable assurance of the adequacy and effectiveness of the organization's risk management, control and governance processes. The team also assesses opportunities for improvement in business processes, systems & controls; provides recommendations, designed to add value to the organisation and follows up on the implementation of corrective actions and improvements in business processes after review by the Audit Committee and Senior Management.

The scope and authority of the Internal Audit function is derived from the Audit Charter approved by the Audit Committee. The Charter is designed in a manner that the Audit Plan is focused on the following objectives:

- All operational and related activities are performed efficiently and effectively
- Significant financial, managerial and operating information that is relevant, accurate, and reliable is provided on time
- Review of identification and management of Risks
- Resources are acquired economically, used efficiently and safeguarded adequately

- Employees' actions are in accordance with the Company's policies and procedures, Code of Conduct and applicable laws and regulations
- Significant legislative and regulatory provisions impacting the organisation are recognized and addressed appropriately
- Opportunities identified during audits, for improving management control, business targets and profitability, process efficiency and the organization's image, are communicated to the appropriate level of management

Internal Audit function develops an annual audit plan based on the risk profile of business activities of the organization. The Audit plan is approved by the Audit Committee which regularly reviews the compliance to the plan. All significant audit observations and follow-up actions thereon were reported to the Audit Committee.

The system of internal control has been designed in order to provide the directors with reasonable assurance that its assets are safeguarded, that transactions are authorised and properly recorded and that material errors and irregularities are either prevented or would be detected within a timely period. The Company and its management have ensured that adequate systems for internal control commensurate with the Company's size are in place. Well documented processes have been implemented throughout the organization to ensure that policies are promoted and adhered to. There are clear demarcation of roles and responsibilities at various levels of operations.

- The Company has a dedicated internal audit team to examine and evaluate the adequacy and effectiveness of the internal control system. The Company has also appointed an external firm to conduct the periodic internal audits of a few areas and provide fair independent assessment of the effectiveness of the internal controls
- During fiscal 2012, the audits were conducted for India as well as overseas locations. The audits included operations and key support functions such as Human Resources, Information Technology, Finance, Administration etc. The key audit findings we reported to the audit committee on a quarterly basis
- The Company has a rigorous business planning system to set targets and parameters for operations, which are reviewed with actual performance to ensure timely initiation of corrective action if required
- Additionally, pursuant to clause 49 of the listing agreement with stock exchanges relating to corporate governance, the Company is required to comply with additional standards. These standards include a certification by the Company's CEO and CFO that they have evaluated the effectiveness of the Company's internal control systems and that they have disclosed to its auditors and its audit committee any deficiencies in the design or operation of the Company's internal controls of which they may become aware, as well as any steps taken or proposed to resolve the deficiencies

Key Business Risks & Mitigation

The following broad categories of risks have been considered in our risk management framework:

A. ***Strategy*** (*Risks emanating out of choices we make on markets, resources and delivery model which can potentially impact our long term competitive advantage*)

1. FCCB refinancing risk

The Company had issued Foreign currency convertible bonds (FCCB) amounting to USD 275 million in fiscal 2008 to pay off the bridge loan taken to fund the acquisition of MedAssist in the US Healthcare vertical. These bonds are convertible at a premium to the then prevailing market price of the Company's stock, with a tenure of 5 yrs and will mature in December 2012. The FCCB provides the bondholders an option of either converting into Equity shares at any time during this period at a conversion price of ₹ 92.2933 and if not, the same will be redeemed to the bondholders on the maturity date at a yield-to-maturity (YTM) of 6.75 per cent per annum. However, the stock price of the Company is currently trading at levels significantly lower than the conversion price of these bonds. In this backdrop, bondholders are unlikely to opt for the conversion and are likely to choose the repayment option which in turn will result into the Company having to resort to refinancing to service this obligation. The current outstanding FCCBs are USD 169.8 million and the Company will need USD 237 million to repay these FCCBs in December 2012 in the event of FCCBs not converting in the equity.

The Company has INR 7,629 Million cash and cash equivalents as on March 31, 2012. The Company generates healthy free cash flows and believes it will have sizable cash balance by December 2012. The Company believes that the gap between repayment obligation of USD 237 million and cash on hand in December 2012 will be refinanceable, considering the Company's expected profitability level. The Company also continues to look at opportunities to further reduce the overall debt and spread its repayment obligation, through FCCB buy backs and other alternatives.

2. 'Change in control' related risk

The Company's promoter, ICICI Bank, beneficially owns 18.1 percent of its shares. The Company's other two large shareholders Aranda Investments (Temasek Holdings) and Metavante owns 18.8 per cent and 18.2 percent of its shares respectively and these two shareholders may also seek to sell all or a substantial part of its shareholding in the Company at some point in time considering they have had a long association with the Company and are a financial investor. These may result in a change in control in our Company. A potential change in control transaction may consume management time and bandwidth and cause uncertainty among our employees, our clients, our creditors and other stakeholders.

A potential change of control event is beyond the Company's control and is a shareholder specific matter. However, the Company believes that such an event should have very little impact on the Company's business. ICICI Bank, Aranda Investments (Temasek Holdings) and Metavante are largely financial investors in the Company and the Company does not have any dependence on them for deriving business / revenues. ICICI Bank and its group companies collectively contributed around 1 per cent of the Company's revenues in fiscal 2012 while Aranda Investments (Temasek Holdings) and Metavante do not contribute any revenues to the Company. The Company is also run by a professional management team and is governed by an independent Board. Board of the Company has six independent directors, three shareholder director (one each from ICICI Bank, Aranda and Metavante) and an executive director.

3. Country level risks

The Company has a global footprint and has operations in India, the United States, Europe, Philippines and Sri Lanka and it services clients across North America, Europe Australia and Asia. The Company's corporate structure also spans across multiple jurisdictions, with intermediate or operating subsidiaries and branches incorporated in India, the United States, Europe, Philippines and Sri Lanka. As a result, the Company is exposed to various risks typically associated with conducting business internationally, many of which are beyond its control. Such risks pertain to geographical, political or regulatory risks.

The Company has designed comprehensive business continuity plans to mitigate this risk. In all the countries the Company operates, the Company has local management teams that help it understand country specific operating level nuances. The Company is building deep customer relationships and has a well diversified geographic spread to mitigate the risks specific to a country or geography.

B. ***Industry*** *(Risk relating to inherent characteristics of our industry including competitive structure, technological landscape, extent of linkage to economic environment and regulatory structure)*

1. Fragile global economic recovery

The global economic conditions have been and continue to be somewhat challenging with tighter credit conditions and slower growth since financial crisis. While, the recovery is strengthening, it still is uneven and downside risks remain. In the United States, unemployment has started to fall, but quite slowly, and long-term unemployment remains alarmingly high. In the Europe, sovereign debt problems continue to be a concern and may derail the recovery. Political turmoil in Middle East continues to threaten oil supply and there have been natural calamities in Japan, whose effects on growth are not yet fully known. Global economic conditions and confidence in recovery affect the Company's clients' businesses and the markets they serve. The Company's business could be adversely affected by its clients' financial condition and the levels of business activity in the industries it serves in the event of worsening economic conditions.

Anticipating, planning and responding to changes in such an economic landscape continue to be a major challenge. The Company has no exposure to Middle East or Japan. In Europe, the Company's only exposure is to UK and Ireland which contributed 34 per cent of its income from services in fiscal 2012. The Company is also present in relatively defensive industries such as Healthcare and Telecom & Media which tends to be less prone to recessionary cycles. To some extent, the Company's increasing focus on servicing emerging economies such as India which contributed 12 percent of income from services in fiscal 2012 also reduces its dependence on developed western economies. The Company believes that its diversified business model across industries, geographies, clients and currencies positions it well for challenges of an uncertain and volatile global economy. The Company also continues to focus on rigorous cost control and productivity improvement initiatives to protect operating margins in these challenging times.

3. Protectionist sentiments in the developed countries

One of the impacts of the global financial crisis and recession has been increased unemployment in the developed countries such as US and UK. The response to this rising unemployment has been the rise of legislation aimed at protecting domestic industries and jobs by various anti-trade measures. The issue of companies outsourcing services to organizations operating in other countries such as India has increasingly become a sensitive topic and subject of intense political discussion in these countries. In the US, there have been anti offshoring legislations aimed at making offshore outsourcing prohibitive or less attractive. In the United Kingdom, there is a prevailing legislation, TUPE (Transfer of Undertakings (Protection of Employment) Regulations), enacted based on the European Union Acquired Rights Directive. UK has also witnessed increased resistance from labor unions against the use of foreign labor.

While protectionism is against the spirit of free trade and will also be counterproductive to the US and UK industry in the long term, the issue is more political than anything else. The Company also strongly believes that the economic benefits of outsourcing and offshoring far outstrip any curbs imposed including through taxation and legislation.

The Company recognized that early to be credible players in the global Business Process outsourcing (BPO) industry, it would be imperative to have delivery capabilities across the globe and not just from India or offshore locations. The Company focused on establishing a delivery proposition that transcended offshoring benefits and provides the ability to manage operations and deliver process improvement and efficiency onshore, near shore or offshore, wherever processes were best delivered from. The Company has successfully transformed itself from an offshore BPO player in its early days to a global BPO players with significant local delivery presence in the US and UK. In a protectionist environment, well established onshore presence has helped in winning more business in US and UK and is proving to be a market advantage. The Company derives majority of its revenues from onshore services and its dependence on offshore revenues has considerably decreased:

% of revenue	Fiscal 2008	Fiscal 2010	Fiscal 2012	Trend
Offshore	39.6%	28.9%	22.9%	↓
Onshore	49.6%	59.3%	64.4%	↑

Among the Indian pure-play BPO companies, the Company was the first to build strong onshore – UK and US operations. Today, the Company has fourteen delivery centre's in the US, five in the UK and employs over 3,200 employees in the US and over 2,500 employees in the UK. The Company is the largest foreign investor in the UK in the contact centre & shared services sector, and the largest creator of jobs in the UK during the last three years, of all the Indian companies that have invested in the UK.

4. Long selling cycle

The Company has a long selling cycle for its BPO services, which requires significant investment of capital, resources and time by both clients and the Company. Prior to committing to use the Company's services, the potential clients require the Company to spend substantial time and resources to present them with value proposition and feasibility assessment of integration of systems and processes of the Company and potential client. Therefore, the Company's selling cycle, which can range in duration from weeks to months, is subject to various risks and delays over which the Company has little or no control, including its clients' decision to choose alternatives to its services (such as other providers or in-house offshore resources) and the timing of its clients' decisions and approval processes.

The Company has strategically focused marketing and sales teams with clearly defined goals who at all times work on a variety of opportunities along with an aggressive transition methodology that helps transition new wins fairly quickly into delivery mode. Most of the contracts with existing clients are on long term-basis which ensures sustainable and scalable business from the existing clients.

5. Currency volatility

The average Indian rupee/US dollar exchange rate was approximately 48.53 per $1.00 in fiscal 2012, which represented an depreciation of the Indian rupee of 5.7 per cent as compared with the average exchange rate of approximately 45.90 per $1.00 in fiscal 2011. The average Indian rupee/pound sterling exchange rate was approximately 77.40 per £1.00 in fiscal 2012, which represented a 8.4 per cent depreciation of the Indian rupee as compared with the average exchange rate of approximately 71.41 per £1.00 in fiscal 2011. There has been volatility in the exchange rate between INR and GBP and INR and USD in the recent years and these currencies may continue to fluctuate significantly in future as well. The Company expects that a majority of its income will continue to be generated in foreign currencies and that a sizable portion of its expenses will continue to be denominated in Indian rupees or Philippine Peso. Accordingly, the Company's operating results have been and will continue to be impacted by fluctuations in the exchange rate between the Indian rupee and the British pound and the Indian rupee and the U.S. dollar, as well as exchange rates with other foreign currencies such as Euro, Philippine Peso, Canadian Dollar, Australian Dollar and Sri Lankan Rupee.

The Company has significant operations onshore (within North America and Europe) and over the years the Company has also expanded operations in India for service offerings to domestic clients, which essentially results in such related income & expenses being denominated in similar currencies and hence no exposure to the currency exchange risk. The Company's cross currency exposure (revenues and cost being in different currencies) is limited to its offshore delivery spanning across India and Philippines catering to international customers who contributed 22.9 percent of the Company's income from services in fiscal 2012. The Company has a dedicated treasury function which actively tracks the movements in foreign currencies and has an internal risk management policy of proactively hedging exposures for two years ahead. As per the internal guidelines, the Company has been judiciously hedging its net exposures on regular basis through forward cover contracts and Options.

C. *Counterparty* *(Risk arising out of our association with other entities for conducting business including our clients, vendors, alliance partners and their respective industries)*

1. Revenue concentration risk

The Company relies on a small number of clients for a large proportion of its income, and loss/discontinuance of any of these clients could adversely affect its revenue and profitability. The Company's Top client accounted for 13.1 per cent of its income from services and Top 5 clients accounted for 39.6 per cent of its income from services in fiscal 2012. Furthermore, major events affecting the Company's clients, such as bankruptcy, change of management, mergers and acquisitions, change in their business model or environmental factors could adversely impact its business. Further, the Company's revenue is highly dependent on clients concentrated in a few industries, as well as clients located primarily in the North America and Europe. Economic slowdowns or factors that affect these industries or the economic environment in these countries could adversely impact the Company's business.

The Company recognizes this aspect and constantly strives to rebalance its business portfolio in terms of clients as well as overall industry and geography exposure. As a result of these ongoing efforts, the Company has managed to reduce the revenue concentration on few clients as well as the specific industry exposure. During fiscal 2012, the Company derived 37.0 per cent income from services from telecommunications and media industry, 34.3 percent income from services from Healthcare and 27.9 per cent income from services from BFSI industry. North America contributed 51.8 percent of income form services, followed by UK which contributed 31.4 per cent and India contributing 12.0 per cent income from services in fiscal 2012. The management believes that it has a well balanced mix of clients and industries and moving forward shall continue to assess, evaluate and address the risk of any over dependency.

D. *Resources* *(Risks arising from inappropriate sourcing or sub optimal utilisation of key organisational resources)*

1. Risks related to attrition

BPO industry is a labour intensive industry and the Company's success depends on its ability to retain key employees. Historically, high employee attrition has been common in BPO industry and the Company has also experienced high level of attrition. In March 2012 quarter, the Company's attrition rate for all employees who were employed for more than 180 days was 59.4 percent for offshore delivery and 34.0 per cent for onshore delivery. Attrition rate for domestic delivery in Asia business unit was significantly higher at 95.9 per cent. Higher level of attrition rate has an impact on the Company's operating efficiency and productivity and thus profitability.

The Company is taking several new initiatives to reduce employee attrition including engaging external consultants, driving better employee engagement, ongoing focus on first time supervisory training, using targeted compensation measures etc. Overall, there is a lot of focus across the organization to reduce attrition with linked reward mechanisms.

2. Risks related to ability to recruit employees and wage costs

With signs of stabilisation and slower but gradual recovery in global economy, demand and competition for qualified employees continues to increase and is expected to remain high. Significant competition for employees could have an adverse effect on the Company's ability to recruit and thus expand its business and service its clients, as well as cause it to incur greater personnel expenses and training costs. Personnel costs including salaries and related benefits, for fiscal 2012 amounted to 67.5 per cent of the Company's income. Considering Salaries and related benefits of employees are most significant costs in BPO industry, pressure on wages will reduce the Company's profit margins and competitive advantage over longer term.

The Company has developed innovative recruitment channels and practices to mitigate these risks. These include strong employee referral program called TOMTOM, which contributes to more than one third of the overall hiring requirements along with Stride, an initiative to train and create a pool of employable resources. Several other innovative campaigns were launched during fiscal 2012 such as TOMTOM Jockey, a program to create an employee referral network and Firstsource Premier League, an intra-program referral championship resulting in a huge increase in employee referrals. The Company also invests considerable efforts in establishing Firstsource as a preferred employer of choice and participates in several career events to strengthen Firstsource brand and get access to talent.

E *Operations* *(Risks inherent to business operations including those relating to client acquisition, service delivery to clients, business support activities, information security, intellectual property, physical security and business continuity)*

1. Highly competitive environment

The market for BPO services is evolving rapidly and dynamically and has become highly competitive over the years. The Company expects that the competition it faces will continue to intensify. The Company competes for business with a variety of companies in each of its business units. These competitors include offshore third party 'pure-play' BPO providers' largely in India and Philippines, local / onshore BPO providers in US and Europe, BPO divisions of global IT companies and in-house captives of potential clients. There could also be newer competitors entering the market.

The Company understands that it needs to retain and grow its leadership position in the industry. To maintain this competitive edge, the Company anticipates and realises that it needs to be best in class in operations, delivery, and quality, apart from ensuring that it has a focused marketing and sales team. Towards ensuring this, the Company makes significant investments in strengthening domain capabilities, process excellence, standardization and innovation, apart from adhering to global operating standards such as ISO 27001, Six Sigma, COPC, SAS 70, PPMS, HFMA Peer Review Status etc., all of which help in the Company retaining its competitive edge. The Company also constantly looks to strengthen its ability to attract, train and retain qualified people, compliance rigor, global delivery capabilities, breadth and depth of service offering, price competitiveness, knowledge of industries served, and marketing and sales capabilities which are other key competitive factors.

F *Compliance* *(Risks due to inadequate compliance to regulations, contractual obligations and intellectual property violations leading to litigation and loss of reputation)*

1. Expiry of certain tax benefits available in India

Until fiscal 2012, the company's delivery centres in India has benefitted from a ten-year holiday from Indian corporate income taxes in respect of their export income (under the Software Technology Parks of India ("STPI") Scheme. This tax holiday under the STPI regime has expired on March 31, 2011. As a result of this, the company's Indian tax expense will increase impacting its after-tax profitability, unless the company can obtain comparable benefits under new legislation or otherwise reduce its tax liability.

The Special Economic Zones Act, 2005, or the SEZ legislation, has introduced a new 15-year tax holiday scheme for operations established in designated “special economic zones” or SEZs. The SEZ legislation provides, among other restrictions, that this holiday is not available to operations formed by splitting up or reconstructing existing operations or transferring existing plant and equipment to new SEZ locations. The SEZ legislation has been criticized on economic grounds by the International Monetary Fund (IMF) and the SEZ legislation may be challenged by certain non-governmental organizations. It is possible that, as a result of such political pressures, the procedure for obtaining the benefits under the SEZ legislation may become more tedious, the types of land eligible for SEZ status may be further restricted or the SEZ legislation may be amended or repealed. Moreover, because this is a relatively new legislation, there is continuing uncertainty as to the governmental and regulatory approvals required to establish operations in the SEZs or to qualify for the tax benefit.

The company already has one delivery centre in SEZ in Bangalore and Mumbai, India and is in the process of identifying additional qualifying locations in India that will be eligible for the SEZ benefits.

2. Regulatory & Compliance related Risk

As the Company has grown in size, geographic presence and customer base, exposure to various regulatory and compliance risks has also increased. The Company’s operations and clients are spread across multiple geographies and are governed by various regulations, or government guidelines. Breach of any of these regulatory provisions can attract regulatory inspection, notices, penalty, revocation of permits or licenses etc. which can also result in significant reputation risk for the Company along with legal liability and loss in stakeholder confidence.

This kind of business environment calls for enhanced management focus on regulatory and compliance risks. The Company has deployed various measures including devising and implementing regulatory compliance policy to continuously monitor and report risks along with providing support for mitigation. The following steps are being undertaken by the Company in order to mitigate the risk of non-compliance:

- Compliance management through framework
  - A “compliance framework” governed by the regulatory compliance policy enables compliance risk management and clearly defines the roles and responsibilities across the functions and the business processes. Management information system ensures timely and accurate reporting, basis compliance risk parameters (internal and external), non compliance incidents, breaches etc.
  - This framework is owned by enterprise risk management team which is centralized and dedicated for regulatory and compliance management. Functionally, this team reports into risk committee.
  - The Company has a strong review mechanism whereby the compliance reporting is being done to the risk committee on a quarterly basis. The risk committee reviews the efficacy of the controls implemented to mitigate the risk of non-compliance and also provides overall direction in creating and maintaining the culture of compliance.
  - The Company has a dedicated in-house Legal team comprising of qualified and experienced legal professionals who on an ongoing basis identify and interpret all legal and regulatory provisions applicable at the Company level, business line level, process level and contract level. This team also assists all other business and support functions to identify and understand their respective compliance obligations.
- Business and process level risk mitigation
  - All businesses are governed through risk parameters that are identified annually and compliance against them is reported on a monthly basis
  - Risk identification for processes is done through assessment of compliance against customer and business requirements on a bi-annual basis.
- Organizational awareness
  - The Company clearly states and updates the requirements according to compliance obligations at each level of the Organization. Detailed understanding and ongoing training is provided to all employees during their lifecycle in the Organization.
  - The Company also encourages the use of local managers as well as consultants, auditors, lawyers, specialists and experts in all countries where it has a presence to ensure thorough compliance.

Mumbai

May 15, 2012

REPORT ON CORPORATE GOVERNANCE

Issues around Corporate Governance have gained considerable momentum in India and it is not just on account of regulatory compliance. The market regulator, Securities and Exchange Board of India (SEBI) has been proactive and effective in keeping India's corporate governance rules and regulations in line with best practices across the world. Voluntary adoption of better standards is the way forward as corporate governance is more about abiding by the spirit than mere compliance.

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

At Firstsource Solutions Limited ('the Company'), the philosophy of Corporate Governance hinges on total transparency, integrity and accountability of the Management team. The Company is committed to good governance practices. With the objective of conducting its business in a highly professional and ethical manner and thereby enhancing trust and confidence of all its stakeholders, the Company has devised a complete framework for compliance of Corporate Governance norms. The Company was recognized amongst the top 25 companies in India for excellence in Corporate Governance for the years 2008 and 2009 by The Institute of Company Secretaries of India. Through its Corporate Governance measures, the Company keeps all its stakeholders informed about its policies, performance and development. The Company keeps its governance practices under continuous review and benchmarks itself to the best governed companies in the Country. The Board of Directors fully supports and endorses Corporate Governance practices in accordance with the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges (Listing Agreement), and ensures good Corporate Governance practices across the Company in letter and in spirit. The Company has complied with all the mandatory requirements of the said clause and listed below is the status with regard to the same.

2. BOARD OF DIRECTORS

The Board of Directors of the Company ('the Board') provides leadership and guidance to the Company's management and directs, supervises and controls the performance of the Company. The Board plays a critical role in overseeing how the management serves the short and long term interests of shareholders and other stakeholders. The Board consists of eminent persons with considerable skills and professional expertise and experience in business and industry, finance, management, law, marketing, technology, general management and strategic planning.

The Company has an optimum combination of Directors on the Board and is in conformity with Clause 49 of the Listing Agreement. As on March 31, 2012, the Board comprised of 11 experts drawn from diverse fields/ professions of which 9 are Non- Executive Directors, 2 are Executive Directors. 5 out of 11 Directors are Independent Directors.

Dates of the Board and Committee Meetings to be held in a financial year are decided in advance and intimated to all the Directors. Agenda papers of the Board and its Committee Meetings are circulated to the Directors well in advance of the meeting, supported with significant information including that as enumerated in Annexure IA to Clause 49 of the Listing Agreement for discussion and consideration at the meetings.

The Board meets at regular intervals to discuss and decide on Company's business policy and strategy apart from other normal business. The Company uses teleconferencing and videoconferencing facilities to ensure maximum participation of the Board Members. During the Financial Year 2011-12, 5 Board Meetings were held, i.e. on April 27, 2011, August 2, 2011, November 8, 2011, January 31, 2012 and March 31, 2012. Time gap between any two meetings was not more than 4 months. Details of composition, category of Directors, their attendance at the Board Meetings held during the year & Annual General Meeting (AGM) held on August 3, 2011, Directorships and Committee Memberships are as under:

Name of the Director	Category	No. of Board Meetings Attended in Person	No. of Board Meetings Attended through Tele-conference/Video conference	Whether attended AGM Held on August 3, 2011 (Y-Yes, N-No)	Directorships in other Public Companies as on 31.03.2012 #	Committee Memberships/ Chairmanships in other Public Companies as on 31.03.2012 ##	
						Memberships	Chairmanships
Dr. Shailesh J. Mehta *Chairman*	I-NED	3	1	Y	5	1	
Mr. Ananda Mukerji *Vice – Chairman*	NI-NED	5	-	N	1	-	-
Mr. Alexander Matthew Vallance Managing Director & CEO*	ED	4	-	Y	-	-	-
Mr. Rajesh Subramaniam Deputy Managing Director & CFO**	ED	4	-	Y	1	-	-
Mr. Y. H. Malegam	I-NED	4	-	Y	7	1	4
Mr. K. P. Balaraj	I-NED	1	4	N	1	-	-
Mr. Charles Miller Smith	I-NED	4	1	Y	-	-	-
Mr. Donald W. Layden Jr.	I-NED	3	2	Y	-	-	-
Mr. Pravir Vohra @	NI-NED	3	-	N	1	1	
Mr. Mohit Bhandari $	NI-NED	5	-	Y	-	-	-
Mr. Ram V.Chary $$	NI-NED	1	2	N	-	-	-

I-NED: Independent- Non-Executive Director, NI- NED: Non Independent- Non-Executive Director, ED: Executive Director

 # The Directorships of Indian Public Limited Companies only have been considered. Directorships of Foreign Companies, Section 25 Companies and Private Limited Companies have not been considered.

Memberships/Chairmanships in Audit Committee and Shareholders'/ Investors' Grievance Committee only of Indian Public Limited Companies have been considered.

** Mr. Alexander Matthew Vallance has resigned as Managing Director & CEO of the Company effective May 15, 2012.*

*** Mr. Rajesh Subramaniam has been appointed as Managing Director & CEO of the Company w.e.f. May 16, 2012*

@ Mr. Pravir Vohra is representing Equity Investor, ICICI Bank Ltd., on the Board.

$ Mr. Mohit Bhandari is representing Equity Investor, Aranda Investments (Mauritius) Pte. Ltd., on the Board.

$$ Mr. Ram V. Chary is representing Equity Investor, Metavante Investment (Mauritius) Ltd., on the Board.

The Board periodically reviews the compliance report of all laws applicable to the Company. All the Directors have made necessary disclosures about the directorships and committee positions they occupy in other companies. None of the Directors on the Board is a Member of more than 10 Committees and Chairman of more than 5 Committees across all Companies in which they are Directors.

The particulars of Directors, who are proposed to be appointed/ re-appointed at the ensuing AGM, are given in the Notice convening the AGM.

COMMITTEES OF BOARD OF DIRECTORS

3. AUDIT COMMITTEE

The Audit Committee comprises of experts specialising in accounting/ financial management.

During the Financial Year 2011-12, 4 meetings of the Committee were held i.e. on April 27, 2011, August 2, 2011, November 8, 2011 and January 30, 2012. The time gap between any two meetings was not more than 4 months and the Company has complied with all the requirements as mentioned under Listing Agreement and Companies Act, 1956.

Details of composition of the Committee and attendance during the year are as under:

Name of the Director	Category	No. of Meetings Attended
Mr. Y. H. Malegam, Chairman	I-NED	4
Dr. Shailesh J. Mehta	I-NED	3
Mr. Ananda Mukerji	NI-NED	4
Mr. Charles Miller Smith	I-NED	4

The terms of reference of the Audit Committee cover the matters specified under Clause 49 of the Listing Agreement read with Section 292A of the Companies Act, 1956 such as overseeing of the Company's financial reporting process, recommending the appointment/ re-appointment of Statutory Auditors, recommending and approving the remuneration to be paid to Statutory Auditors, reviewing with the Management, quarterly and annual financial statements, internal audit reports and controls of the Company.

The Audit Committee's functions include reviewing the adequacy of the internal audit functions, its structure, reporting process, audit coverage and frequency of internal audits. The responsibility of the Committee is to also review the findings of any internal investigation by the internal auditors in matters relating to suspected fraud or irregularity or failure of internal control systems of material nature and report the same to the Board.

MD & CEO, Dy. MD & CFO, Statutory Auditors and all the Directors of the Company are invited to the meetings of the Audit Committee. Mr. Sanjay Gupta, Vice President - Corporate Affairs & Company Secretary acts as the Secretary to the Committee.

4. REMUNERATION COMMITTEE

The Company has Compensation cum Board Governance Committee, which also acts as the Remuneration Committee of the Company. This Committee approves the grant of Stock Options to Employees and Directors, reviews the overall compensation structure and policies of the Company and approves remuneration payable to the Executive Directors.

During the Financial Year 2011-12, 3 meetings of the Committee were held i.e. on April 27, 2011, August 2, 2011 and November 8, 2011.

Details of composition of the Committee and attendance during the year are as under:

Name of the Director	Category	No. of Meetings Attended
Dr. Shailesh J. Mehta, Chairman	I-NED	3
Mr. Ananda Mukerji	NI-NED	3
Mr. Charles Miller Smith	I-NED	3
Mr. K. P. Balaraj*	I-NED	1
Mr. Y. H. Malegam**	I-NED	NA

**Mr. K. P. Balaraj also attended 1 meeting through teleconference.*

***Mr. Y. H. Malegam was appointed as member w.e.f. May 15, 2012.*

Remuneration Policy:

The Company's remuneration policy is driven by the success and performance of the Company and the individual, industry benchmarks and is decided by the Committee. Through its compensation programme, the Company endeavours to attract, retain, develop and motivate a high performance workforce. The Company follows a mix of fixed/ variable pay, benefits and performance related pay. The Company also grants Stock Options to Executive and Non-Executive Directors and deserving employees of the Company.

i. Executive Directors:

The Remuneration Committee of the Company is authorised to decide the remuneration of the Executive Directors, subject to the approval of Members and Central Government, if required.

The details of remuneration of the Executive Directors for the year ended March 31, 2012 are as under:

(Amount in ₹)

Name	Salary & Allowances	Performance Bonus #	Retirals	Total
Mr. Alexander Matthew Vallance*	17,048,218	8,967,726	1,015,790	27,031,734@
Mr. Rajesh Subramaniam**	10,770,480	4,170,377	378,000	15,318,857

**Mr. Alexander Matthew Vallance has resigned as Managing Director & CEO of the Company effective May 15, 2012.*

***Mr. Rajesh Subramaniam has been appointed as Managing Director & CEO of the Company effective May 16, 2012.*

 # Exchange rate as on March 31, 2012 of 1 GBP = 81.4575 INR has been considered for the purpose of Performance Bonus. Actual amount may vary depending on the exchange rate on the date of payment.

@The remuneration of ₹ 27,031,734 paid to Mr. Alexander Matthew Vallance in the capacity as MD & CEO includes an amount of ₹ 12,480,925 paid by the Company and ₹ 14,550,809 paid by Firstsource Solutions UK Ltd., wholly owned subsidiary of the Company.

Mr. Alexander Matthew Vallance will be paid non solicitation fees after cessation as MD & CEO, amounting to GBP 481,600 in two equal tranches. First tranche of GBP 240,800 would be paid on or before May 31, 2012 and balance amount on or before September 30, 2012. This amount, being a contractual payment, does not form part of remuneration, paid in the capacity as MD & CEO of the Company till May 15, 2012 as mentioned above.

During the financial year 2011-12, Mr. Rajesh Subramaniam was granted 4,000,000 Stock Options under the Company's Stock Option Scheme. The said Stock Options were granted at the 'market price' as defined under the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. Options granted vest over a period of four years with 25% options vesting after 12 months and thereafter 12.5% options vesting after every six months from the date of the grant. The exercise period is 10 years from the date of the allotment of options.

The notice period of separation either by the Company or Mr. Rajesh Subramaniam is 3 months if the separation is due to convenience by him or cause by the Company. The Company reserves the right to pay at its election or recover salary at his option in lieu of notice period. The contract of employment is terminable, without reasons by the Company by giving 6 months salary in lieu of notice. If Mr. Rajesh Subramaniam terminates for good reason, the Company will pay 6 months salary.

ii. Non-Executive Directors:

The Company, at the AGM held on September 16, 2010, had approved grant of Stock Options under Firstsource Solutions Employee Stock Option Scheme, 2003 ("ESOS 2003") to all the Non-Executive Directors of the Company. The numbers of stock options granted to Non-Executive Directors during the financial year 2011-12 are as under:

Sr. No.	Name of the Non-Executive Director	No. of stock options granted during FY 2011-12
1	Dr. Shailesh J. Mehta, Chairman	500,000
2	Mr. Y. H. Malegam	200,000
3	Mr. Charles Miller Smith	200,000
4	Mr. Donald W. Layden Jr.	400,000
	TOTAL	**1,300,000**

All the Non-Executive Directors are paid sitting fee of ₹ 20,000/- for attending each meeting of the Board of Directors and Committees thereof. The details of sitting fees paid during the financial year 2011-12 are as under:

(Amount in ₹)

Name of the Director	Sitting Fees		
	Board Meetings	Committee Meetings	Total
Dr. Shailesh J. Mehta	60,000	160,000	220,000
Mr. Ananda Mukerji	100,000	160,000	260,000
Mr. Y. H. Malegam	80,000	100,000	180,000
Mr. Charles Miller Smith	80,000	140,000	220,000
Mr. K.P. Balaraj	40,000	20,000	60,000
Mr. Donald W. Layden Jr.	60,000	-	60,000
Mr. Mohit Bhandari	100,000	60,000	160,000
Mr. Pravir Vohra	60,000	-	60,000
Mr. Ram V. Chary	20,000	-	20,000
TOTAL	**600,000**	**640,000**	**1,240,000**

5. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The Shareholders'/ Investors' Grievance Committee reviews Shareholders'/ Investors' complaints like non-allotment of shares under IPO, non-receipt/ short receipt of IPO refund, non receipt of Annual Report, physical transfer/ transmission/ transposition, split/ consolidation of share certificates, issue of duplicate share certificates etc. Mr. Sanjay Gupta, Vice President – Corporate Affairs & Company Secretary is the Compliance Officer.

2 meetings of the Committee were held during the year 2011-12 i.e. on April 27, 2011 and August 2, 2011. The details of Composition of the Committee and attendance during the year are as under:

Name of the Director	Category	No. of Meetings Attended
Dr. Shailesh J. Mehta, Chairman	I-NED	2
Mr. Alexander Matthew Vallance	NI-ED	2
Mr. Rajesh Subramaniam*	NI-ED	-
Mr. Mohit Bhandari	NI-NED	2

**Mr. Rajesh Subramaniam was appointed as member w.e.f. August 2, 2011.*

The total number of complaints received during the year were 25, all of which were resolved and there were no pending complaints as on March 31, 2012. The Company did not receive any transfer requests and hence no request was pending for approval as on March 31, 2012.

OTHER COMMITTEES OF THE BOARD

Financial Results Committee*: The Committee comprises of Mr. Y. H. Malegam, Chairman, Dr. Shailesh J. Mehta#, Mr. Rajesh Subramaniam and Mr. Mohit Bhandari. It reviews and approves the quarterly financial statements.

Investment Committee*: The Committee comprises of Mr. Y. H. Malegam, Chairman, Mr. Rajesh Subramaniam and Mr. K. P. Balaraj. It reviews the investment decisions made by the Management, ensures adherence to the 'Investment Policy' of the Company and approves modifications to the Investment Policy as may be required from time to time.

Strategy Committee*: The Committee comprises of Mr. Ananda Mukerji, Chairman, Dr. Shailesh J. Mehta, Mr. Rajesh Subramaniam and Mr. Donald W. Layden Jr. It deliberates on various strategic options from time to time.

**Mr. Alexander Matthew Vallance ceased to be the member of the aforesaid Committees w.e.f. May 15, 2012 consequent upon his resignation as Managing Director & CEO of the Company effective same date.*

#Dr. Shailesh J. Mehta has been inducted as a member of Financial Results Committee w.e.f. May 15, 2012

Executive Committee: The Committee comprised of Mr. Y. H. Malegam, Chairman, Mr. Alexander Matthew Vallance, Mr. Rajesh Subramaniam, Mr. Pravir Vohra and Mr. Mohit Bhandari. During the Financial Year 2011-12, 1 meeting of the committee was held on April 27, 2011.The objective of constituting this Committee was to facilitate review of financial and operational performance of the Company on a regular basis and to approve/ review any other matter as may be required, since Mr. Matthew Vallance, Managing Director & CEO ("MD & CEO"), was based out of London, UK. However, consequent upon resignation of Mr. Matthew Vallance, MD & CEO effective May 15, 2012 and appointment of Mr. Rajesh Subramaniam to succeed him as MD & CEO effective May 16, 2012, the Board decided to dissolve the said Committee w.e.f. May 15, 2012.

6. GENERAL BODY MEETINGS

Venue, day, date and time of last three AGMs:

Year	Venue	Day & Date	Time
2010-11	Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai - 400 025	Wednesday, August 3, 2011	3.00 p.m.
2009-10	Same as above	Thursday, September 16, 2010	3.00 p.m.
2008-09	Same as above	Wednesday, July 29, 2009	3.00 p.m.

Special Resolutions passed at last 3 AGMs:

a) 2010-11

No special resolution was passed.

b) 2009-10

i. Approval for payment of commission to the Chairman, Vice-Chairman and Non-Executive Directors of the Company within 1% of Net Profits of the Company.

c) 2008-09

i. Re-classification of un-issued Authorised Preference Share Capital into Equity Share Capital.

ii. Approval of the remuneration of Mr. Ananda Mukerji, erstwhile Managing Director & CEO for the year ended March 31, 2009 and considering the same as minimum remuneration.

iii. Approval of the remuneration of Mr. Raju Venkatraman, erstwhile Joint Managing Director & COO for the year ended March 31, 2009 and considering the same as minimum remuneration.

iv. Approval of modification in terms of remuneration of Mr. Ananda Mukerji, erstwhile Managing Director & CEO w.e.f. April 1, 2009.

Postal Ballot:

No ordinary or special resolution was passed through Postal Ballot in the last 3 years. Further, no ordinary or special resolution is proposed to be passed through Postal Ballot.

Poll:

Demand for poll was made by a member at the last AGM of the Company held on August 3, 2011 with respect to Item Nos. 1,2,3,4,5,6 and 7 of the Notice. Poll was conducted by the Company on Thursday, August 4, 2011 at the Registered Office of the Company. Based on the Scrutineers' Report received after the Poll, the Chairman declared the resolutions in respect of Item nos.1,2,3,4,5,6 and 7 of the Notice as passed by the requisite majority of the Members.

7. DISCLOSURES

i. Related Party Transactions

The transactions with related parties as per Accounting Standard AS-18 are set out in Notes to accounts under Note no. 29 forming part of financial statements.

ii. Disclosures from Senior Management

In Compliance with Clause 49 (IV)(F)(ii) of the Listing Agreement, disclosures from Senior Management are obtained on quarterly basis to the effect that they have not entered into any material, financial and commercial transactions, where they have personal interest that may have potential conflict with the interest of the Company at large.

iii. Compliances by the Company

The Company has complied with the requirements of Regulatory Authorities on matters related to capital markets and no penalties/ strictures have been imposed against the Company by Stock Exchanges or SEBI or any other Regulatory Authority on any matter related to capital market during the last three years.

iv. Mandatory Requirements of Clause 49

The Company has complied with all applicable mandatory requirements of Clause 49 of the Listing Agreement.

v. Non-Mandatory Requirements of Clause 49

The Company has adopted the following non-mandatory requirements as prescribed in Annexure ID to Clause 49 of the Listing Agreement:

The Board

The Company has provided the Chairman (Non-Executive) with an office, the expenses of which are borne by the Company.

Remuneration Committee

The Company has set up a Compensation cum Board Governance Committee which also acts as a Remuneration Committee of the Company, details of which have been given earlier in this Report.

Shareholders' Rights

The Company follows a practice of e-mailing the quarterly & annual financial statements to all shareholders, who have provided their e-mail addresses to the Depositories through their respective Depository Participants. The announcement of quarterly results is followed by media briefings in several television channels. The financial results of the Company are normally published in Business Standard, Mint and Sakal which have wide circulation.

Audit Qualifications

The Company adopts best practices to ensure unqualified financial statements. There are no audit qualifications in the Company's financial statements for the year ended March 31, 2012.

Whistle Blower Policy

The Company has adopted a Whistle Blower Policy and has established necessary mechanism for employees to report concerns about unlawful acts, unethical behaviour, mal-administration, miscarriage of justice, breach of organizational policies, unprofessional standards below established standards of justice, abuse of power or use of organisation's powers and authority for any unauthorised or ulterior purpose, unfair discrimination in course of organisation's employment etc. The policy ensures protection of employees wishing to raise a concern. No person has been denied access to the Audit Committee. All complaints received under the said policy are reviewed by the Audit Committee at its meeting held every quarter.

vi. CEO/CFO Certification

Certification on financial statements pursuant to Clause 49(V) of the Listing Agreement has been obtained from the Managing Director & CEO and the Dy Managing Director & CFO of the Company. Copy of the same is given at the end of this Report.

vii. Code of Conduct for Directors and Senior Management

The Board has laid down Codes of Conduct for Executive

Directors and for Non-Executive Directors & Senior Management of the Company. The Codes of Conduct have been circulated to the Board and Senior Management and the compliance of the same have been affirmed by them. A declaration signed by the MD & CEO in this regard is given at the end of this Report. The Code of Conduct is available on our website www.firstsource.com

viii. Code for Prevention of Insider Trading

The Company has framed 'Firstsource Solutions Code of Conduct for Prevention of Insider Trading' ('Code') applicable to its Directors, Officers and Designated employees. The Code includes provisions relating to disclosures, opening and closure of Trading Window and Pre-Clearance procedure. In compliance with SEBI (Prohibition of Insider Trading) Regulations, 1992, the Company sends intimations to Stock Exchanges from time to time.

ix. Subsidiary Companies

As on March 31, 2012, the Company had 2 domestic subsidiaries and 11 foreign subsidiaries. Both the domestic subsidiaries and 9 out of 11 foreign subsidiaries are wholly owned by the Company or its subsidiary companies. However, the Company has no material non-listed Indian Subsidiary Company as defined in Clause 49(III) of the Listing Agreement. The minutes of the meetings of the subsidiary companies are placed at the Board Meetings of the Company. The consolidated financials of the Company and its subsidiaries are reviewed by the Audit Committee.

x. Risk Management

The Company has implemented comprehensive 'Enterprise Risk Management' framework in order to anticipate, identify, measure, mitigate, monitor and report the risks to meet the strategic business objectives, details of which are given in the 'Risk Management Report' which forms part of this Annual Report.

xi. Compliance Reports

The Board reviews the compliance reports of all laws applicable to the Company on quarterly basis. MD & CEO submits a 'Compliance Certificate' to the Board every quarter based on the compliance certificates received from the functional heads and heads of subsidiaries of the Company.

xii. Anti-Sexual Harassment Policy

The Company has an anti-sexual harassment policy to induce protective work environment. The complaints received by the Sexual Harassment Committee with details of action taken thereon are reviewed by the Audit Committee at its meeting held every quarter.

xiii. Criteria for Selection of Independent Directors

The selection of Independent Directors is made by the Board of Directors based on the qualifications, skills, professional experience and expertise possessed by them.

xiv. Secretarial Standards Issued by The Institute of Company Secretaries of India (ICSI)

The Company follows most of the recommendations of the Secretarial Standards on Board and General meetings issued by ICSI.

xv. Management Discussion and Analysis Report

The Management Discussion and Analysis Report forms part of this Annual Report.

xvi. The Company already practices some of the voluntary guidelines on Corporate Governance issued by the Ministry of Corporate Affairs (MCA) issued in December, 2009 which are briefly stated below:

- **Separation of Offices of Chairman & Chief Executive Officer -** There is a clear demarcation of the roles and responsibilities of Chairman and Managing Director & CEO of the Company.
- The Independent Directors of the Company have the option and freedom to meet and interact with the Company's Management as and when they deem necessary. They are provided with necessary resources and support to enable them to analyse the information/ data provided by the Management and help them to perform their role effectively.
- **Secretarial Audit -** The Company gets Secretarial Audit done as a part of Internal Audit.

8. MEANS OF COMMUNICATION

The announcement of quarterly and annual financial results to the Stock Exchanges is followed by media call and earnings conference calls.

The quarterly and annual consolidated financial results are normally published in Business Standard, Mint (English) and Sakal (Marathi).

The following information is promptly uploaded on the Company's website viz. www.firstsource.com

- Standalone and consolidated financial results, investors' presentations, press release, fact sheet and transcript of earnings conference calls.
- Clause 35 shareholding pattern and Clause 49 corporate governance compliance reports filed with the Stock Exchanges on a quarterly basis.

9. GENERAL SHAREHOLDER INFORMATION

I. Annual General Meeting

Day, Date, Time	Tuesday, July 31, 2012, 10.30 a.m.
Venue	Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai - 400 025

II. Financial Year

April 1 to March 31

Financial Calendar (Tentative) – Financial Year 2012-13

First Quarter Ending June 30, 2012	Last week of July
Second Quarter Ending September 30, 2012	Second week of November
Third Quarter Ending December 31, 2012	Second week of February
Fourth Quarter Ending March 31, 2013	Second week of May
Annual General Meeting (Financial Year 2012-13)	July/ August/ September

III. Dates of Book Closure (both days inclusive)

Tuesday, July 24, 2012 to Tuesday, July 31, 2012

IV. Dividend

Given the growth requirements of the business, it is necessary for the Company to plough back its profits into the business, and hence the Directors have not recommended any dividend for the Financial Year 2011-12.

V. Listing on Stock Exchanges and Payment of Listing Fees

The equity shares of the Company are listed on National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Ltd. (BSE). The Foreign Currency Convertible Bonds (FCCBs) are listed on Singapore Exchange Securities Trading Ltd. (SESTL). Annual Listing fees for the year 2011-12 have been paid by the Company to NSE and BSE. The Company has also been regularly paying annual listing fee to SESTL.

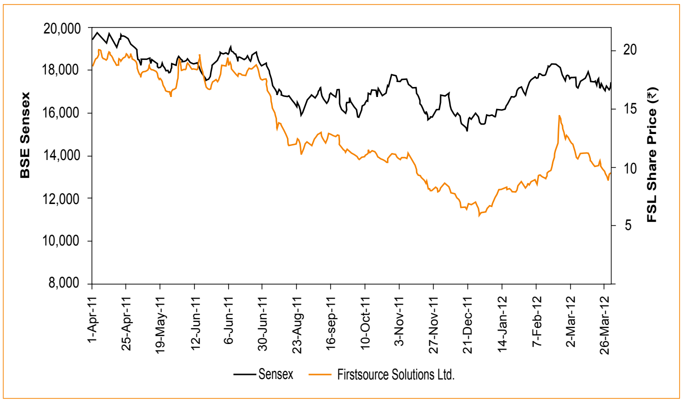
VI. (a) Stock Code/ Symbol

NSE	FSL
BSE	532809
ISIN in National Securities Depositories Ltd. (NSDL) and Central Depository Services (India) Ltd (CDSL)	INE684F01012
Corporate Identity Number (CIN)	L64202MH2001PLC134147

VII. Market Price Data – The market price data i.e. monthly high and low prices of the Company's shares on NSE and BSE are given below:

Month	NSE			BSE		
	Share Price (₹)		No. of shares traded	Share Price (₹)		No. of shares traded
	High	Low		High	Low	
Apr - 2011	22.00	17.80	30,114,786	20.45	17.85	10,825,099
May - 2011	19.50	15.30	21,827,468	19.50	15.70	6,974,227
Jun - 2011	20.25	15.70	64,900,026	20.20	15.80	21,543,806
Jul - 2011	19.95	17.35	43,822,005	19.60	17.30	12,843,465
Aug - 2011	18.00	10.90	48,965,472	18.00	10.90	14,507,820
Sep - 2011	13.40	10.85	45,882,660	13.80	11.10	12,061,270
Oct - 2011	11.75	10.35	26,795,831	11.70	10.36	7,280,306
Nov - 2011	11.80	07.75	44,025,281	11.80	07.77	13,039,355
Dec - 2011	08.90	05.55	47,731,473	08.90	05.67	16,022,001
Jan - 2012	08.75	05.95	35,087,975	08.80	06.00	16,247,591
Feb - 2012	15.40	08.15	97,907,231	15.14	08.20	54,298,625
Mar - 2012	12.70	08.85	34,324,077	12.68	08.81	19,353,124

VIII. The performance of share price of the Company in comparison to BSE Sensex is given below:



IX. Registrar & Transfer Agent

3i Infotech Ltd.
Tower #5, 3rd to 6th Floors, International Infotech Park,
Vashi, Navi Mumbai - 400 703

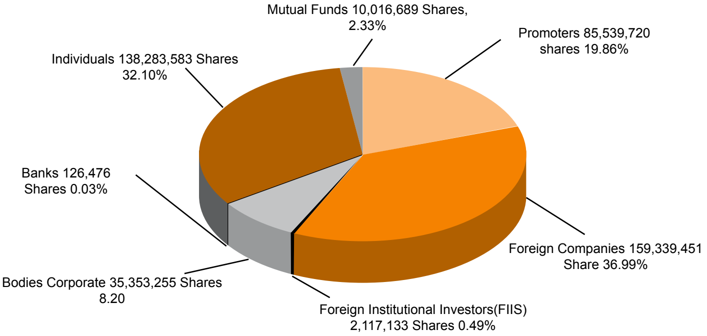
X. Share Transfer System

The transfer of shares in physical form is generally processed by Registrar & Transfer Agent within a period of seven days from the date of receipt thereof, provided all the documents are in order. In case of shares in electronic form, the transfers are done by depositories viz. NSDL and CDSL. In compliance with Clause 47(c) of the Listing Agreement, the Company obtains a certificate from Practising Company Secretary on a half-yearly basis confirming that all certificates have been issued within one month from the date of lodgement for transfer, sub-division, consolidation etc.

XI. Distribution of shareholding as on March 31, 2012

Share Holding (Nominal Value)	Shareholders		Nominal Capital	
₹	No.	%	₹	%
Upto 5,000	139,902	78.19	247,616,790	5.75
5,001-10,000	19,044	10.64	161,619,300	3.75
10,001-20,000	9,825	5.49	155,169,060	3.60
20,001-30,000	3,432	1.92	90,016,040	2.09
30,001-40,000	1,516	0.85	55,578,240	1.29
40,001-50,000	1,411	0.79	67,608,450	1.57
50,001-100,000	2,067	1.16	156,319,030	3.63
100,001- above	1,723	0.96	3,373,836,160	78.32
Total	**178,920**	**100.00**	**4,307,763,070**	**100.00**

The Shareholding pattern as on March 31, 2012 is given as under:



XII. Dematerialisation of Shares and Liquidity

Trading in the Company's shares is permitted only in dematerialised form. The Company has established connectivity with both the depositories viz. NSDL and CDSL through its Registrar & Share Transfer Agent, whereby the investors have the option to dematerialise their shares with either of the depositories.

The Company obtains a certificate from Practising Company Secretary every quarter, which confirms that total issued capital of the Company is in agreement with total number of shares in dematerialised form with NSDL and CDSL and shares in physical form.

Shares held in dematerialised and physical form as on March 31, 2012

	Shareholders		Share Capital	
	No. of Shareholders	% to Total Shareholders	No. of Shares	% to Total Share Capital
Dematerialised Form				
NSDL	119,839	66.98	375,685,443	87.21
CDSL	59,068	33.01	55,081,735	12.79
Total in Dematerialised Form	**178,907**	**99.99**	**430,767,178**	**100.00**
Physical Form	**13**	**0.01**	**9,129**	**Negligible**
Total	**178,920**	**100.00**	**430,776,307**	**100.00**

As on March 31, 2012, almost 100% of the paid up share capital consisting of 99.99% of the number of shareholders had been dematerialised.

Top 10 Shareholders as on March 31, 2012

Sr. No.	Name of the Shareholders	Category of Shareholder	No of Shares	%
1.	Aranda Investments (Mauritius) Pte. Ltd.	Foreign Company	81,073,488	18.82
2.	Metavante Investments Mauritius Ltd.	Foreign Company	78,265,863	18.17
3.	ICICI Bank Ltd.	Promoter	77,963,491	18.10
4.	ICICI Prudential Life Insurance Company Ltd.	Promoter	7,575,829	1.76
5.	Tata Trustee Co. Ltd A/C Tata Mutual Fund - Tata Equity P/E Fund	Mutual Fund	6,000,000	1.39
6.	Nirmal Bang Securities Pvt. Ltd.	Body Corporate	3,480,000	0.81
7.	Vidyasagar Mahavirprasad Sah	Resident Indian	2,239,698	0.52
8.	Tata Trustee Company Ltd A/C Tata Mutual Fund A/C Tata Dividend Yield Fund	Mutual Fund	1,400,000	0.32
9.	Globe Capital Market Ltd.	Body Corporate	972,386	0.23
10.	Tata Trustee Company Ltd A/C Tata Mutual Fund A/C Tata Service Industries Fund	Mutual Fund	944,000	0.22
	TOTAL		**259,914,755**	**60.34**

Details of Unclaimed Shares

The Company made an Initial Public Offering (IPO) in February 2007. The Equity shares issued pursuant to the said IPO which remained unclaimed are lying in the Demat Suspense Account/ Escrow Account of the Company with ICICI Bank Ltd. The Company had sent 3 reminders to the investors requesting them to furnish correct demat account details so that the shares lying in the said Escrow Account can be transferred to their demat account.

Pursuant to Clause 5A of the Listing Agreement notified by SEBI vide its circular dated April 24, 2009, the details of unclaimed shares as on March 31, 2012 are as under:

Particulars	No. of shareholders	No. of shares
Outstanding shares in the Escrow Account with ICICI Bank Ltd. as on April 1, 2011	50	5,621
Investors who have approached the Company for transfer of shares from Escrow Account during the year 2011-2012	-	-
Investors to whom shares were transferred from Escrow Account during the year 2011-2012	-	-
Outstanding shares in the Escrow Account as on March 31, 2012	50	5,621

Details of Unclaimed Refunds (IPO)

Post Initial Public Offer (IPO) of the Company in 2007, an amount of ₹ 4,681.24 Crores was transferred to the refund account. Refunds were made through ECS/ Direct credit/ RTGS and issue of physical warrants. The Company has sent three reminders to the shareholders requesting them to furnish their correct bank account details to enable the Company to refund the unclaimed share application amount. The balance in the refund account as on March 31, 2012 was ₹ 11.67 Lacs pertaining to 59 investors.

XIII. Outstanding Global Depository Receipts (GDRs)/ American Depository Receipts (ADRs)/ Warrants or any convertible instruments, conversion date and likely impact on Equity

The Company has no outstanding GDRs/ ADRs/ Warrants. The Company had issued Zero Coupon Foreign Currency Convertible Bonds (FCCBs) of USD 275 Million in December 2007. The FCCBs have a maturity period of five years and one day, maturing in December 2012. The FCCBs are listed on Singapore Exchange Securities Trading Ltd. The nominal amount of Bonds outstanding as on March 31, 2012 was USD 169.8 Million.

XIV. Delivery Centers

The Company along with its 13 subsidiaries has 48 global delivery centers of which 26 are located in India, 14 in USA, 5 in UK, 2 in Philippines and 1 in Sri Lanka as per the details below:

India: Chennai (4), Mumbai (3), Navi Mumbai (4), Trichy (2), Kolkata (2) and 1 each in Bangalore, Pondicherry, Vijayawada, Cochin, Coimbatore, Hubli, Indore, Jalandhar, Siliguri, Bhubaneshwar and Bhopal.

USA: Louisville in Kentucky, Kingston & Amherst in New York, Rockford and Belleville in Illinois, Salt Lake City in Utah, Colorado Springs and 7 operational hubs of MedAssist.

United Kingdom: Belfast (2), Londonderry (2) and Middlesbrough

Philippines: Manila (2)

Sri Lanka: Colombo

XV. Address for Correspondence

Mr. Sanjay Gupta
Vice President - Corporate Affairs & Company Secretary
Firstsource Solutions Ltd.,
5th Floor, Paradigm 'B' Wing,
Mindspace, Link Road, Malad (West),
Mumbai 400 064
Tel. No.: 91 (22) 6666 0888
Fax: 91 (22) 6666 0887
Dedicated e-mail id for redressal of Investors Grievances:
complianceofficer@firstsource.com

Mumbai
May 15, 2012

PRACTISING COMPANY SECRETARY'S CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the Members of
Firstsource Solutions Limited

We have examined the compliance of conditions of Corporate Governance by Firstsource Solutions Limited for the year ended March 31, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Company's Management. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion of the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Mumbai
May 14, 2012

Nilesh Trivedi
Practising Company Secretary
FCS: 2245 CP: 8970

CERTIFICATION FROM MANAGING DIRECTOR & CEO AND CFO

In terms of clause 49 V of the Listing Agreements with the NSE and BSE, we hereby certify as under:

a) We have reviewed financial statements and the cash flow statement for the year ended March 31, 2012 and that to the best of our knowledge and belief:

   i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

   ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.

c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. We have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

d) There have been no

   i. Significant changes in internal control over financial reporting during the year;

   ii. Significant changes in accounting policies during the year;

   iii. Instances of fraud of which we have become aware and the involvement therein, of the management or an employee having significant role in the Company's internal control system over financial reporting.

For **Firstsource Solutions Ltd.**

Alexander Matthew Vallance
Managing Director & CEO

For **Firstsource Solutions Ltd.**

Rajesh Subramaniam
Dy Managing Director & CFO

Mumbai
May 15, 2012

DECLARATION BY MANAGING DIRECTOR & CEO ON 'CODE OF CONDUCT'

I hereby confirm that:

The Company has obtained from all the members of the Board and senior management, affirmation that they have complied with the Code of Conduct as applicable to them.

Alexander Matthew Vallance
Managing Director & CEO

Mumbai
May 15, 2012

AUDITORS' REPORT

To the Board of Directors
Firstsource Solutions Limited

We have audited the attached consolidated Balance Sheet of Firstsource Solutions Limited ("the Company" or "the Parent Company") and its subsidiaries (as per the list appearing in schedule 1 to the consolidated financial statements) [collectively referred to as "the Group"] as at 31 March 2012, the consolidated statement of Profit and Loss and the consolidated Cash Flow Statement of the Group for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. Without qualifying our opinion, we draw attention to Note 38 to the consolidated financial statements that describes the early adoption by the Group of Accounting Standard (AS) 30, Financial Instruments: Recognition and Measurements, read with AS 31, Financial Instruments – Presentation, as applicable, along with prescribed limited revisions to other accounting standards, issued by the Institute of Chartered Accountants of India, as in management's opinion, it more appropriately reflects the nature/ substance of the related transactions. The Group has accounted for assets and liabilities as per requirements of AS 30 including prescribed limited revisions to other accounting standards. AS 30 is not yet notified/ prescribed under the Companies (Accounting Standards) Rules, 2006, and therefore, can be applied only to the extent that it does not conflict with other accounting standards notified/ prescribed under the said rules. Consequent to adoption of AS 30, the profit after taxation is and reserves and surplus as at the balance sheet date is higher by ₹ ('000000) 1,027 and ₹ ('000000) 297 respectively.

2. We report that the consolidated financial statements have been prepared by the Group's management in accordance with the requirements of Accounting Standard 21 – 'Consolidated Financial Statements' prescribed by the Companies (Accounting Standards) Rules 2006, and read with paragraph 1 above, other accounting standards issued by the Institute of Chartered Accountants of India and other accounting principles generally accepted in India.

3. In our opinion, and to the best of our information and according to the information and explanations given to us, read with paragraph 1 above, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   i. in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2012;

   ii. in the case of the consolidated statement of Profit and Loss, of the profit of the Group for the year ended on that date; and

   iii. in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

Vijay Bhatt
Partner
Membership No: 036647

Mumbai
15 May 2012

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2012

(₹ in million)

	Note	2012	2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	**4,307.76**	4,306.38
Reserves and surplus	4	**9,991.07**	9,920.82
		14,298.83	14,227.20
Minority interest		**13.26**	1.08
Non-current liabilities			
Long-term borrowings	5	**9,258.83**	14,040.21
Deferred tax liabilities, net	6	**110.16**	57.95
Other long-term liabilities	7	**651.66**	646.16
Long-term provisions	8	**20.93**	259.12
		10,041.58	15,003.44
Current liabilities			
Short-term borrowings	9	**366.74**	431.82
Trade payables	10	**1,815.60**	1,497.75
Other current liabilities	11	**12,493.76**	1,059.10
Short-term provisions	12	**285.10**	205.27
		14,961.20	3,193.94
		39,314.87	32,425.66
ASSETS			
Non-current assets			
Goodwill on consolidation	13	**23,108.58**	20,454.03
Fixed assets	14		
Tangible assets		**1,181.98**	1,286.10
Intangible assets		**688.55**	887.87
Capital work-in-progress		**86.69**	109.51
		1,957.22	2,283.48
Non-current investments	15	**16.00**	8.61
Long-term loans and advances	16	**1,257.44**	836.25
Other non-current assets	17	**345.83**	330.64
		3,576.49	3,458.98
Current assets			
Current investments	18	**784.31**	1,320.73
Trade receivables	19	**3,514.70**	2,388.73
Cash and bank balances	20	**6,828.68**	3,244.17
Short-term loans and advances	21	**365.17**	380.69
Other current assets	22	**1,136.94**	1,178.33
		12,629.80	8,512.65
		39,314.87	32,425.66
Significant accounting policies	2		

The accompanying notes from 1 to 42 are an integral part of the consolidated financial statement.

As per our report of even date attached.

For and on behalf of the Board of Directors

For **B S R & Co.**
Chartered Accountants
Firm's registration No: 101248W

Vijay Bhatt
Partner
Membership No: 036647

Mumbai
15 May 2012

Dr. Shailesh Mehta
Chairman

Ananda Mukerji
Vice Chairman

Alexander Matthew Vallance
Managing Director and CEO

Ram Chary
Director

Pravir Vohra
Director

Rajesh Subramaniam
Dy. Managing Director and CFO

Y.H.Malegam
Director

K.P.Balaraj
Director

Donald Layden Jr.
Director

Charles Miller Smith
Director

Mohit Bhandari
Director

Sanjay Gupta
Company Secretary

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2012

(₹ in million)

	Note	2012	2011
Revenue from operations	23	**22,549.92**	20,552.78
Other income	24	**386.49**	206.29
		22,936.41	20,759.07
Expenses			
Employee benefits expense	25	**15,224.95**	12,729.94
Finance cost	26	**584.88**	394.45
Depreciation and amortisation	14	**892.63**	890.76
Other expenses	27	**5,474.11**	4,990.91
		22,176.57	19,006.06
Profit before taxation and minority interest		**759.84**	1,753.01
Less : Provision for taxation			
- Current tax including MAT		**259.89**	325.18
Less: MAT credit entitlement		**(112.64)**	(95.56)
Net current tax		**147.25**	229.62
- Deferred tax (credit) / charge		**(9.52)**	119.72
Profit after taxation before minority interest		**622.11**	1,403.67
Minority interest		**1.80**	18.58
Profit after taxation and minority interest		**620.31**	1,385.09
Earnings per share			
Weighted average number of equity shares outstanding during the year			
- Basic		**430.74**	429.90
- Diluted		**512.65**	520.27
Earnings per share (₹)			
- Basic		**1.44**	3.22
- Diluted		**1.44**	2.91
Nominal value per share (₹)		**10**	10
Significant accounting policies	2		

The accompanying notes from 1 to 42 are an integral part of the consolidated financial statement.

As per our report of even date attached.

For and on behalf of the Board of Directors

For **B S R & Co.**
Chartered Accountants
Firm's registration No: 101248W

Vijay Bhatt
Partner
Membership No: 036647

Mumbai
15 May 2012

Dr. Shailesh Mehta
Chairman

Ananda Mukerji
Vice Chairman

Alexander Matthew Vallance
Managing Director and CEO

Ram Chary
Director

Pravir Vohra
Director

Rajesh Subramaniam
Dy. Managing Director and CFO

Y.H.Malegam
Director

K.P.Balaraj
Director

Donald Layden Jr.
Director

Charles Miller Smith
Director

Mohit Bhandari
Director

Sanjay Gupta
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

(₹ in million)

	2012	2011
Cash flow from operating activities		
Net profit after tax	**620.31**	1,385.09
Adjustments for		
Depreciation and amortisation	**892.63**	890.76
Provision for current tax, net of MAT credit entitlement	**147.25**	229.62
Provision for doubtful debts / bad debts (written back) / written off, net	**(2.13)**	5.52
Loss on sale of fixed assets, net	**0.89**	10.70
Foreign exchange (gain) / loss, net	**(784.30)**	130.38
Interest costs	**584.88**	394.45
Interest and dividend income	**(369.52)**	(59.42)
Deferred taxes	**(9.52)**	119.73
Profit on sale on investments	**(94.88)**	(176.35)
Loss on FCCB buyback, net	**67.62**	-
Rent expense on account of adoption of AS 30	**31.70**	23.99
Minority interest	**1.80**	18.58
Operating cash flow before changes in working capital	**1,086.73**	2,973.05
Changes in working capital		
(Increase) / decrease in trade receivables	**(1,102.61)**	232.02
Increase in loans and advances and other assets	**(139.23)**	(417.44)
Increase in liabilities and provisions	**662.01**	183.07
Net changes in working capital	**(579.83)**	(2.34)
Income taxes paid	**(450.09)**	(513.67)
Net cash generated from operating activities (A)	**56.81**	2,457.03
Cash flow from investing activities		
Purchase of investment in mutual funds / government securities	**(11,021.75)**	(18,290.56)
Sale of investment in mutual funds / government securities	**11,647.29**	18,063.47
Interest and dividend income received	**317.14**	31.73
Capital expenditure	**(526.14)**	(430.61)
Sale of fixed assets	**14.16**	27.53
Business acquisition, net of cash acquired	**(231.11)**	-
Net cash generated from / (used in) investing activities (B)	**199.59**	(598.44)
Cash flow from financing activities		
Repayment of unsecured loan – others	**(435.10)**	(17.02)
Proceeds from unsecured loan – others	**364.95**	-
Repayment of secured loan	**(2,830.35)**	-
Proceeds from secured loan	**9,157.50**	433.44
Repayment of unsecured loan – FCCB, including expenses	**(2,558.32)**	-
Proceeds from issuance of equity shares and share application money (net of share issue expenses)	**2.51**	18.53
Interest paid	**(373.08)**	(266.31)
Net cash generated from financing activities (C)	**3,328.11**	168.64

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

(₹ in million)

	2012	2011
Net increase in cash and bank balances (A+B+C)	**3,584.51**	2,027.23
Cash and cash bank balances the beginning of the year	**3,244.17**	1,215.51
Cash and cash bank balances acquired from business acquisition	**-**	1.43
Cash and cash bank balances at the end of the year	**6,828.68**	3,244.17

Notes to the consolidated cash flow statement

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the consolidated cash flow statement comprise the following balance sheet amounts.

	2012	2011
Balances with banks		
- in current accounts	**1,801.13**	2,256.78
- in deposit accounts less than three months	**406.83**	853.10
Cash on hand	**0.21**	0.35
Remittances in transit	**1.45**	369.84
	2,209.62	3,480.06
Less: Current account balance held in trust for customers	**337.78**	269.34
	1,871.84	3,210.72
Cash and bank balances also include -		
Balances with banks		
- in deposit accounts more than three months but less than twelve months*	**4,956.84**	33.45

* Includes ₹ 38.16 (31 March 2011 ₹ 33.45) towards line of credit for FAL.

As per our report of even date attached.

For and on behalf of the Board of Directors

For **B S R & Co.**
Chartered Accountants
Firm's registration No: 101248W

Vijay Bhatt
Partner
Membership No: 036647

Mumbai
15 May 2012

Dr. Shailesh Mehta
Chairman

Ananda Mukerji
Vice Chairman

Alexander Matthew Vallance
Managing Director and CEO

Ram Chary
Director

Pravir Vohra
Director

Rajesh Subramaniam
Dy. Managing Director and CFO

Y.H.Malegam
Director

K.P.Balaraj
Director

Donald Layden Jr.
Director

Charles Miller Smith
Director

Mohit Bhandari
Director

Sanjay Gupta
Company Secretary

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

1. Background

Firstsource Solutions Limited ('Firstsource' or 'the Company') was incorporated on 6 December 2001 and was promoted by ICICI Bank Limited. The Company is engaged in the business of providing contact center, transaction processing and debt collection services including revenue cycle management in the healthcare industry.

On 13 May 2011, the Company acquired 74% stake in Dialog Business Services (Private) Limited, a company incorporated in Srilanka.

As on 16 September 2011, the Company has set up a subsidiary in Ireland named Firstsource BPO Ireland Limited.

The Company has filed an application to stock exchanges for the merger of its wholly owned subsidiary, "Rev IT" with the Company effective 1 April 2011.

The list of subsidiaries as at 31 March 2012 with percentage holding is summarised below:

Subsidiaries	Country of incorporation and other particulars	Percentage of holding by the immediate parent	Year of consolidation
Firstsource Solutions UK Limited (FSL-UK)	A subsidiary of Firstsource Solutions Limited, organised under the laws of United Kingdom.	100%	2002-2003
Rev IT Systems Private Limited (Rev IT)	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of India.	100%	2004-2005
Firstsource Solutions S.A. (FSL-Arg)	A subsidiary of Firstsource Solutions UK Limited, incorporated under the laws of Argentina.	99.98%	2006-2007
Pipal Research Corporation (Pipal) *	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of the State of Illinois, USA (disinvested entire shareholding effective 1 December 2010).	51%	2004-2005 till 2010-2011
Pipal Research Analytics and Information Services India Private Limited (PRAISE) *	A subsidiary of Pipal Research Corporation, incorporated under the laws of India (disinvested entire shareholding effective 1 December 2010).	100%	2004-2005 till 2010-2011
Firstsource Group USA Inc. (FG US)	A subsidiary of Firstsource Solutions Limited, incorporated in the state of Delaware, USA.	100%	2009-2010
Firstsource Sherpa Asset LLC	A subsidiary of FG US, incorporated in the state of Delaware, USA. Effective 1 April 2010, merged with MedAssist LLC.	100%	2009-2010
Firstsource Business Process Services, LLC (FBPS)	A subsidiary of FG US, incorporated in the state of Delaware, USA (erstwhile FirstRing Inc, USA (FR-US) has been merged effective 31 December 2009).	100%	2009-2010
Firstsource Advantage LLC (FAL)	A subsidiary of FBPS, incorporated under the laws of the State of New York, USA.	100%	2004-2005
Twin Lake Property LLC – I (Twinlakes-I)	A subsidiary of FAL, incorporated under the laws of the State of New York, USA.	80%	2010-2011
MedAssist Holding Inc. (MedAssist)	A Subsidiary of FG US, organised under the laws of the state of Delaware, USA.	100%	2007-2008
Firstsource Solutions USA LLC (earlier known as MedAssist LLC)	A subsidiary of MedAssist Holding Inc., incorporated in the state of Delaware, USA.	100%	2009-2010
Firstsource Financial Solutions LLC (FFS)	A subsidiary of MedAssist LLC, incorporated in the state of Delaware, USA. Effective 1 October 2011, merged with FAL.	100%	2009-2010
Anunta Tech Infrastructure Services Limited (Anunta)	A subsidiary of Firstsource Solutions Limited, incorporated on 1 November 2010 under the laws of India.	100%	2010-2011
Firstsource Transaction Services LLC (FTS)	A Subsidiary of Firstsource Solutions USA LLC, incorporated on 22 May 2011 in the state of Delaware, USA.	100%	2011-2012
Firstsource Dialog Solutions (Private) Limited (earlier known as Dialog Business Services (Private) Limited) (FDS)	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of Srilanka.	74%	2011-2012
Firstsource BPO Ireland Limited (FSL Ireland)	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of Ireland.	100%	2011-2012

* During the year ended 31 March 2011, the Company has disinvested its entire shareholding in Pipal and PRAISE.

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

2. Significant accounting policies

2.1. Basis of preparation

These consolidated financial statements of Firstsource Solutions Limited and its subsidiaries (collectively the 'Company' or 'the Group' (as listed in note 1 above)), have been prepared and presented under the historical cost convention (except for certain financial instruments which are measured on fair value basis) on accrual basis of accounting and accounting principles generally accepted in India and comply with the Accounting Standards prescribed by Institute of Chartered Accountants of India ('ICAI') and in accordance with the relevant provisions of the Companies Act, 1956, to the extent applicable. The Company has adopted Accounting Standard 30, 'Financial Instruments: Recognition and Measurement' ('AS 30') read with Accounting Standard 31 - 'Financial Instruments: Presentation' ('AS 31') issued by The Institute of Chartered Accountants of India. From 1 July 2008 effective 1 April 2008, the Company has early adopted AS 30 read with AS 31 issued by ICAI. The consolidated financial statements are presented in Indian rupees rounded off to the nearest millions.

2.2. Basis of consolidation

These consolidated financial statements are prepared in accordance with the principles and procedures prescribed under AS 21-'Consolidated Financial Statements' for the purpose of preparation and presentation of consolidated financial statements.

The financial statements of the Parent Company and its subsidiaries have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances/ transactions and resulting unrealised profits in full. Unrealised losses resulting from intra-group transactions have also been eliminated unless cost cannot be recovered. Minority interests' share of profits or losses is adjusted against income to arrive at the net income attributable to the Company's shareholders. Minority interests' share of net assets is disclosed separately in the consolidated balance sheet.

The consolidated financial statements are prepared using uniform accounting policies for transactions and other similar events in similar circumstances across the Group.

2.3. Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles ('GAAP') in India requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities on the date of the consolidated financial statements and the reported amount of income and expenses for the year. Management believes that the estimates made in the preparation of consolidated financial statements are prudent and reasonable. Actual results could differ from those estimates. Any revisions to accounting estimates are recognised prospectively in current and future periods.

2.4. Revenue recognition

Revenue from contact center and transaction processing services comprises from both time/unit price and fixed fee based service contracts. Revenue from time/ unit price based contracts is recognised on completion of the related services and is billed in accordance with the contractual terms specified in the customer contracts. Revenue from fixed fee based service contracts is recognised on achievement of performance milestones specified in the customer contracts. Revenue from debt collection services is recognised when debts are realized. Revenue from contingency based contracts, in which the client is invoiced for a percentage of the hospital's third party reimbursement, is recognised on approval of such services by relevant authorities.

Unbilled receivables represent costs incurred and revenues recognised on contracts to be billed in subsequent periods as per the terms of the contract.

Dividend income is recognised when the right to receive dividend is established.

Interest income is recognised using the time proportion method, based on the underlying interest rates.

2.5. Government Grants

Revenue grants are recognised when reasonable certainty exists that the conditions precedent will be / are met and the grants will be realised, on a systematic basis in the consolidated statement of profit and loss over the period necessary to match them with the related cost which they are intended to compensate.

2.6. Goodwill on consolidation

The excess of cost to the Parent Company of its investment in the subsidiaries over its portion of equity in the subsidiaries, as at the date on which the investment was made, is recognised as goodwill in the consolidated financial statements. The Parent Company's portion of equity in the subsidiaries is determined on the basis of the book value of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment.

Goodwill is reviewed for a decline other than temporary in its carrying value, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group assesses the recoverability of goodwill by reference to the valuation methodology adopted by it on the acquisition date, which included strategic and synergic factors that were expected to enhance the enterprise value. Accordingly, the Group would consider that there exists a decline other than temporary in the carrying value of goodwill when, in conjunction with its valuation methodology, its expectations with respect to the underlying acquisitions it has made deteriorate with adverse market conditions.

2.7. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and impairment, if any. Cost includes freight, duties, taxes and incidental expenses related to acquisition and installation of the fixed assets. Depreciation on fixed assets is provided pro rata to the period of use based on management's best estimate of useful lives of the assets (which are shorter than those prescribed under the Companies Act, 1956) as summarized below:

Asset category	Useful life (in years)
Tangible	
Building	27
Leasehold improvements	Lease term or 5 years, whichever is shorter
Computers	2 – 4
Networking equipments	2 – 5
Furniture and fixtures and office equipments	2 – 5
Vehicles	2 – 5
Intangible	
Software	2 – 4
Domain name	3
Goodwill on acquired assets	5 or estimated useful life, whichever is shorter

Software purchased together with the related hardware is capitalised and depreciated at the rates applicable to related assets. Intangible assets other than above mentioned software are amortised over the

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

best estimate of the useful life from the date the assets are available for use. Further, the useful life is reviewed at the end of each reporting period for any changes in the estimates of useful life and accordingly the asset is amortised over the remaining useful life.

Individual assets costing upto rupees five thousand are depreciated in full in the period of purchase.

Software product development costs are expensed as incurred during the research phase until technological feasibility is established. Software development costs incurred subsequent to the achievement of technological feasibility are capitalised and amortised over the estimated useful life of the products as determined by the management. This capitalisation is done only if there is an intention and ability to complete the product, the product is likely to generate future economic benefits, adequate resources to complete the product are available and such expenses can be accurately measured. Such software development costs comprise expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to the development of the product.

The amortisation of software development costs is allocated on a systematic basis over the best estimate of its useful life after the product is ready for use. The factors considered for identifying the basis include obsolescence, product life cycle and actions of competitors.

The amortisation period and the amortisation method are reviewed at the end of each reporting period. If the expected useful life of the product is shorter from previous estimates, the amortisation period is changed accordingly.

2.8. Impairment of assets

a *Financial assets*

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such indication exists, the Group estimates the amount of impairment loss. The amount of loss for short-term receivables is measured as the difference between the assets carrying amount and undiscounted amount of future cash flows. Reduction, if any, is recognised in the consolidated statement of profit and loss. If at the balance sheet date there is any indication that a previously assessed impairment loss no longer exists, the recognised impairment loss is reversed, subject to maximum of initial carrying amount of the short-term receivable.

b *Non-financial assets*

The Group assesses at each balance sheet date whether there is any indication that a non-financial asset including goodwill may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the consolidated statement of profit and loss. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

2.9. Employee Benefits

Gratuity and leave encashment

The Company's gratuity scheme with insurer is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The present value of the obligation under such defined benefit plan is determined based on actuarial valuation by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan are based on the market yields on Government securities as at the Balance Sheet date. When the calculation results in a benefit to the Company, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. Actuarial gains and losses are recognised immediately in the consolidated statement of profit and loss.

Leave encashment

Provision for leave encashment cost has been made based on actuarial valuation by an independent actuary at balance sheet date.

The employees of the Company are entitled to compensated absence. The employees can carry-forward a portion of the unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at termination of employment for the unutilised accrued compensated absence. The Company records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Company measures the expected cost of compensated absence as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

Provident fund

In accordance with Indian regulations, all employees of the Indian entities receive benefits from a Government administered provident fund scheme. Contributions payable to the provident fund are charged to the consolidated statement of profit and loss as incurred.

The subsidiaries in US have a savings and investment plan under Section 401 (k) of the Internal Revenue Code of the United Sates of America. This is a defined contribution plan. Contributions made under the plan are charged to the consolidated statement of profit and loss in the period in which they accrue. Other retirement benefits are accrued based on the amounts payable as per local regulations.

2.10 Investments

Non-current investments are carried at cost, and provision is made when in the management's opinion there is a decline, other than temporary, in the carrying value of such investments. Current investments are valued at lower of cost and market value.

2.11 Taxation

Income tax expense comprises current tax expense and deferred tax expense or benefit.

Current taxes

The income tax provision for the interim period is made based on the best estimate of the annual average tax rate expected to be applicable for the full fiscal year in accordance with the tax laws applicable to the respective companies. In case of any matters under appeal, full provision is made in the consolidated financial statements when the Company accepts the liability.

Deferred taxes

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences that result from differences between the profits offered for income taxes and the profits

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

as per the financial statements in respect of each entity within the Group. Deferred tax assets and liabilities are measured using the tax rates and the tax laws that have been enacted or substantively enacted at the balance sheet date. The effect of a change in tax rates on deferred tax assets and liabilities is recognised in the period that includes the enactment date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in the future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realization of such assets.

Deferred tax assets are reassessed for the appropriateness of their respective carrying values at each balance sheet date.

The profits of the Indian operations of the Group are exempt from taxes under the Indian Income tax Act, 1961, being profit from industrial undertakings situated in Software Technology Park. The Company has operations in Special Economic Zones (SEZ). Income from SEZ are eligible for 100% deduction for the first five years, 50% deduction for next 5 years and 50% deduction for another 5 years, subject to fulfilling certain conditions. In this regard, the Group recognises deferred taxes in respect of those originating timing differences which reverse after the tax holiday period, resulting in tax consequences. Timing differences which originate and reverse within the tax holiday period do not result in tax consequence and, therefore, no deferred taxes are recognised in respect of the same.

2.12 Leases

Finance lease

Assets acquired on finance leases, including assets acquired under sale and lease back transactions, have been recognised as an asset and a liability at the inception of the lease and have been recorded at an amount equal to the lower of the fair value of the leased asset or the present value of the future minimum lease payments. Such leased assets are depreciated over the lease term or its estimated useful life, whichever is shorter. Further, the payments of minimum lease payments have been apportioned between finance charge / expense and principal repayment.

Assets given on finance lease are shown as amounts recoverable from the lessee. The rentals received on such leases are apportioned between the financial charge / (income) and principal amount using the implicit rate of return. The finance charge / income are recognised as income, and principal received is reduced from the amount receivable. All initial direct costs incurred are included in the cost of the asset.

Operating lease

Lease rentals in respect of assets acquired under operating lease are charged off to the consolidated statement of profit and loss as incurred on a straight line basis.

2.13 Foreign currency transactions and Derivative instruments and hedge accounting

a. Foreign currency transactions

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Net exchange gain or loss resulting in respect of foreign exchange transactions settled during the period is recognised in the consolidated statement of profit and loss for the year. Monetary foreign currency denominated assets and liabilities other than fixed assets, at period end are translated at the period end exchange rates and the resulting net gain or loss is recognised in the consolidated statement of profit and loss except for the exchange differences arising on monetary items that qualify as hedging instruments in a cash flow hedge or hedge of a net investment. In such cases, the exchange difference is initially recognised in Hedging Reserve Account or Translation Reserve Account respectively. Such exchange differences are subsequently recognised in the consolidated statement of profit and loss on occurrence of the underlying hedged transaction or on disposal of the investment, as the case may be.

b. Derivative instruments and hedge accounting

The Company is exposed to foreign currency fluctuations on net investments in foreign operations and forecasted cash flows denominated in foreign currencies. The Company limits the effects of foreign exchange rate fluctuations by following established risk management policies including the use of derivatives. The Company enters into derivative financial instruments, where the counterparty is a bank.

The Company uses foreign currency forward contracts and currency options to hedge its risks associated with foreign currency fluctuations relating to certain forecasted transactions. The Company designates these as cash flow hedges.

The use of foreign currency forward contracts is governed by the Company's policies approved by the Board of Directors, which provide written principles on the use of such financial derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes.

Foreign currency derivative instruments are initially measured at fair value, and are re-measured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognised directly in shareholder's funds and the ineffective portion is recognised immediately in the consolidated statement of profit and loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the consolidated statement of profit and loss as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time for forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in shareholder's funds is retained there until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in shareholders' funds is transferred to the consolidated statement of profit and loss for the period.

The impact of adoption of AS 30 has been described in note 38 and 39 to the consolidated financial statements.

c. Non-derivative financial instruments and hedge accounting

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets of the Company mainly include cash and bank balances, sundry debtors, unbilled revenues, finance lease receivables, employee travel and other advances, other loans and advances and derivative financial instruments with a positive fair value. Financial liabilities of the Company mainly comprise secured and unsecured loans, sundry creditors, accrued expenses and derivative financial instruments with a negative fair value. Financial assets / liabilities are recognised on the consolidated balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when all of risks and rewards of the ownership have been transferred. The transfer of risks and rewards is evaluated by comparing the exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred assets.

Short-term receivables with no stated interest rates are measured at original invoice amount, if the effect of discounting is immaterial. Non-interest-bearing deposits are discounted to their present value.

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

The Company also designates financial instruments as hedges of net investments in non-integral foreign operations. The portion of changes in fair value of financial instrument that is determined to be an effective hedge is recognised in Foreign Currency Translation Reserve and would be recognised in consolidated statement of profit and loss upon sale / disposal of the related non-integral foreign operations. Changes in fair value relating to the ineffective portion of hedges are recognised in the consolidated statement of profit and loss as they arise.

The Company measures the financial liabilities, except for derivative financial liabilities, at amortised cost using the effective interest method. The Company measures the short-term payables with no stated rate of interest at original invoice amount, if the effect of discounting is immaterial.

2.14 Foreign currency translation

The consolidated financial statements are reported in Indian rupees. The translation of the local currency of each integral foreign subsidiary within the Group into Indian rupees is performed in respect of assets and liabilities other than fixed assets, using the exchange rate in effect at the balance sheet date and for revenue and expense items other than the depreciation costs, using average exchange rate during the reporting period. Fixed assets of integral foreign operations are translated at exchange rates on the date of the transaction and depreciation on fixed assets is translated at exchange rates used for translation of the underlying fixed assets.

In respect of branch outside India, fixed assets are translated at exchange rates on the date of the transaction and depreciation on fixed assets is translated at exchange rates used for translation of the underlying fixed assets.

In respect of non-integral subsidiaries, assets and liabilities including fixed assets are translated at exchange rates prevailing at the date of the balance sheet. The items in the statement of profit and loss are translated at the average exchange rate during the period. Goodwill arising on the acquisition of non-integral operation is translated at exchange rates prevailing at the date of the balance sheet. The difference arising out of the translations are transferred to exchange difference on consolidation of non-integral subsidiaries under Reserves and surplus.

2.15 Earnings per share

The basic earnings per equity share is computed by dividing the net profit or loss for the period attributable to the equity shareholders by the weighted average number of equity shares outstanding during the reporting period. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share, and also the weighted average number of equity shares which may be issued on the conversion of all dilutive potential shares, unless the results would be anti-dilutive.

2.16 Provisions and contingencies

A provision is created when there is present obligation as a result of a past event that requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the consolidated financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

2.17 Onerous contracts

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.

2.18 Foreign Currency Convertible Bonds (FCCB)

a. Foreign Currency Convertible Bonds are considered monetary in nature. These are designated as hedging instrument to hedge the net investment in non-integral foreign operation. Accordingly, any gain / loss arising on account of exchange fluctuation are accounted in Exchange difference on consolidation of non-integral subsidiaries (refer note 37 and 38).

b. Premium payable on redemption of FCCB is amortised on pro-rata basis at implicit rate of return over the period of the bonds and charged to the Securities premium account periodically (refer note 38).

	2012	2011
3. Share capital		
Authorised		
850,000,000 (31 March 2011: 850,000,000) equity shares of ₹ 10 each	**8,500.00**	8,500.00
	8,500.00	8,500.00
Issued, subscribed and paid-up		
430,776,307 (31 March 2011: 430,638,182) equity shares of ₹ 10 each, fully paid up	**4,307.76**	4,306.38
	4,307.76	4,306.38

a. Reconciliation of number of shares outstanding

	31 March 2012		31 March 2011	
	No. of shares	Amount	No. of shares	Amount
Shares outstanding at the beginning of the year	**430,638,182**	**4,306.38**	429,209,682	4,292.10
Shares issued during the year – Stock options	**138,125**	**1.38**	1,428,500	14.28
Shares outstanding at the end of the year	**430,776,307**	**4,307.76**	430,638,182	4,306.38

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

b Details of shareholders holding more than 5% shares in the Company

	31 March 2012		31 March 2011	
	No. of shares	**% of holding**	No. of shares	% of holding
Aranda Investments (Mauritius) Pte Ltd	**81,073,488**	**18.83**	81,073,488	18.83
Metavante Invetments (Mauritius) Ltd	**78,265,863**	**18.17**	78,265,863	18.17
ICICI Bank Ltd	**77,963,491**	**18.10**	77,963,491	18.10

c. Shares reserved for issue under options

a. 54,046,595 (31 March 2011: 53,089,095) number of shares are reserved for issue under the employee stock options plan (ESOP) amounting to ₹ 540.47 (31 March 2011: ₹ 530.89). For terms of ESOP, refer note 26.

b. For details of shares reserved for issue on conversion of FCCB, refer note 37.1.

	2012	2011
4. Reserves and surplus		
Securities premium		
Balance at the beginning of the year *	**2,307.67**	3,329.09
Add : Premium on shares issued during the year	**1.13**	7.69
Writeback of amortised premium on buyback of FCCB (refer note 37.2)	**99.12**	-
Less: Amortisation of premium payable on redemption of outstanding FCCB including withholding tax, net (refer note 2.18b and 37.1)	**619.68**	1,029.11
Balance at the end of the year	**1,788.24**	2,307.67
General reserve		
Transition adjustment on adoption of AS 30 (refer note 38)	**667.94**	667.94
Hedging reserve (refer note 2.18a and 39)		
Balance at the beginning of the year	**96.08**	416.69
Movement during the year	**(382.02)**	(320.61)
Balance at the end of the year	**(285.94)**	96.08
Foreign currency translation reserve		
Balance at the beginning of the year	**1,184.31**	1,254.71
Exchange difference on FCCB translation (refer note 38)	**(1,437.38)**	98.94
Exchange difference on consolidation of non-integral subsidiaries	**1,788.77**	(169.33)
Balance at the end of the year	**1,535.70**	1,184.32
Balance in consolidated statement of profit and loss		
Balance at the beginning of the year	**5,664.82**	4,279.72
Add: Net profit for the year	**620.31**	1,385.09
Balance at the end of the year	**6,285.13**	5,664.81
	9,991.07	9,920.82
* Includes ₹ 39.27 (31 March 2011: ₹ 39.27) from acquisition of Customer Assets India Limited merged with the Company effective 1 April 2004.		
5. Long-term borrowings		
Secured		
Term loan – from banks		
External commercial borrowings (ECB)	**-**	1,061.81
Term loan	**9,157.50**	-
Foreign currency loan	**-**	1,362.44
Long-term maturities of finance lease obligations	**43.09**	49.37
Unsecured		
Bonds		
Foreign currency convertible bonds (FCCB) *	**-**	11,562.68
Other loans and advances		
Loan from non-banking financing companies	**58.24**	3.91
	9,258.83	14,040.21

* Includes pro-rata premium payable on redemption of FCCB amounting to Nil (31 March 2011: ₹ 2,346.32). FCCB liability has been classified as current portion of long-term borrowings (refer note 11) as at 31 March 2012.

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

a. ECB has been prepaid in full in the year ended 31 March 2012. ECB carried interest @ LIBOR + 730 bps. As per original terms of ECB, it was repayable after 2 years from the date of its origination in 10 half yearly installments. ECB was secured against pari passu charge on all current and non-current assets of FG US. Further the loan was guaranteed by FG US and its subsidiaries and FSL UK.

b. The Term loan carries interest at an average rate of LIBOR + 455 bps. The loan is repayable after 2 years from the date of its origination in 16 quarterly instalments. The loan is secured against charge on all current assets, non-current assets and fixed assets of the Company and its subsidiaries except assets of RevIT, Anunta, FDS, FSL Ireland and Twinlakes-I. Further the loan has been guaranteed by the Company.

c. Foreign currency loan as on 31 March 2011, has been repaid in full in the current year. The loan carried interest at an average rate of CDOR + 600 bps. The loan was repayable after 2 years from the date of its origination in 10 half yearly installments. The loan was secured against charge on all current assets, non-current assets and fixed assets of FG US. Further the loan was guaranteed by the Company.

d. Finance lease obligation carries interest in the range of 6%-12.5% for the period of 3-5 years from the date of its origination, repayable in quarterly instalments. This is secured by way of hypothecation of underlying fixed assets taken on lease, refer note 28.

e. Loan from non-banking financing companies carries interest in the range of 7.5%-12.5% for the period of 3-4 years from the date of its origination, repayable in quarterly installments from the date of its origination.

f. For terms of FCCB, refer note 37.1.

		2012	2011
6.	**Deferred tax liabilities, net**		
	Deferred tax asset on account of:		
	Business losses carried forward	**635.30**	349.32
	Difference between tax and book value of fixed assets	**423.51**	386.77
	Gratuity and leave encashment	**67.18**	55.90
	Accrued expenses / allowance for doubtful debts	**12.64**	37.02
		1,138.63	829.01
	Deferred tax liability on account of:		
	Depreciation / amortisation	**1,248.79**	886.96
		110.16	57.95
7.	**Other long-term liabilities**		
	Payable on asset purchase	**651.66**	646.16
		651.66	646.16
8.	**Long-term provisions**		
	Provision for employee benefits		
	Gratuity (refer note 33)	**20.93**	11.41
	Other provisions		
	Withholding tax on premium payable on redemption of FCCB	-	247.71
		20.93	259.12
9.	**Short-term borrowings**		
	Unsecured		
	Other loans and advances		
	Working capital demand loan	**150.00**	-
	Export finance from banks	**216.74**	431.82
		366.74	431.82
	a. Working capital demand loan carries interest rate of 13% p.a. The same is repayable on demand.		
	b. Export finance from banks carries interest @ LIBOR + 265 bps (31 March 2011: LIBOR + 150 bps). The same is repayable on demand / receipt from customers.		
10.	**Trade payables**		
	Trade payable (refer note 40 for details of amounts due to micro and small enterprises)	**1,815.60**	1,497.75
		1,815.60	1,497.75

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

	2012	2011
11. Other current liabilities		
Current maturities of long-term borrowings		
External commercial borrowings (ECB) - refer note 5(a)	**-**	188.10
Foreign currency loan - refer note 5(c)	**-**	215.69
Finance lease obligation – refer note 5(d)	**22.46**	37.39
Foreign currency convertible bonds* - refer note 5(f)	**11,421.37**	-
Loan from non-banking financing companies – refer note 5(e)	**48.31**	19.47
Interest accrued but not due	**89.50**	36.44
Others		
Book credit in bank account	**132.49**	81.43
Payable for asset purchase	**-**	203.72
Creditors for capital goods	**19.42**	44.72
Value added tax	**154.45**	82.03
Tax deducted at source	**30.89**	46.92
Employee related statutory dues	**121.05**	90.39
Exchange loss on derivative contracts	**303.22**	-
Advance from customers	**150.60**	-
Service tax	**-**	12.80
	12,493.76	1,059.10
* Includes pro-rata premium payable on redemption of FCCB amounting to ₹ 2,881.89		
12. Short-term provisions		
Provision for employee benefits		
Gratuity (refer note 33)	**30.51**	4.19
Leave encashment	**229.84**	176.90
Provision for taxation (net of taxes paid in advance ₹ 112.59 (31 March 2011: ₹ 304.03))	**24.75**	24.18
	285.10	205.27

13. Goodwill on consolidation

Entity Name	Date of acquisition	2012	2011
MedAssist*	30 September 2007	**18,791.45**	16,471.84
FAL	22 September 2004	**1,790.90**	1,569.83
RevIT	31 March 2005	**970.77**	970.77
FDS	13 May 2011	**14.17**	-
FR-US	3 September 3, 2003	**807.68**	707.98
Customer Asset India Ltd.	22 April 2002	**733.61**	733.61
		23,108.58	20,454.03

* Pursuant to restructuring, goodwill on acquisition of Business Process Management of ₹ 1,742.71 (31 March 2011: ₹ 1,527.59) has been merged with MedAssist.

Acquisition of MedAssist Holding, Inc (MedAssist)

Pursuant to 'Share Purchase agreement' ('SPA') dated 28 August 2007 entered into between the Company, FSL-USA and the erstwhile shareholders' of MedAssist, on 20 September 2007, the Company through its wholly owned subsidiary FSL-USA acquired 100% of the common stock of MedAssist Holding, Inc. a Delaware corporation, including its 100% owned US based subsidiaries MedAssist Intermediate Holding, Inc., MedAssist, Incorporated, Twin Medical Transaction Services, Inc and Argent Healthcare Financial Services, Inc.

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

for a cash consideration of ₹ 13,406.93 (equivalent to USD 332.79 million). MedAssist, together with its subsidiary companies, are a leading provider of revenue cycle management services, in healthcare industry, in the U.S. The Company incurred direct expenses related to the acquisition aggregating to ₹ 557.51 which have been included in the cost of investment in MedAssist.

The excess of cost of investment over the value of net assets acquired has been recorded as goodwill, as detailed hereunder:

During the year ended 31 March 2009, the Company has made an additional payment of ₹ 6.24 (equivalent to USD 0.12 million) to erstwhile shareholders of MedAssist and made an adjustment to deferred taxes amounting to ₹ 127.94 (equivalent to USD 2.5 million). Accordingly the goodwill is increased by ₹ 134.14.

Total Goodwill on MedAssist acquisition restated at exchange rates at balance sheet date amounts to ₹ 17,048.74 (31 March 2011: ₹ 14,944.25).

Acquisition of Business Process Management, Inc (BPM)

Pursuant to 'Share Purchase agreement' ('SPA') dated 21 December 2006 entered into between the Company, FSL-USA and the erstwhile shareholders of BPM, on 29 December 2006, the Company through its wholly owned subsidiary FSL-USA acquired 100% of the common stock of BPM, a Delaware corporation, including its 100% owned US based subsidiaries MedPlans 2000 Inc ("MP2") and MedPlans Partners ("MPP") for a purchase consideration of ₹ 1,597.68 (equivalent to USD 31.5 million). BPM, and its two subsidiary companies, MP2 and MPP are BPO companies providing services principally to customers in the Healthcare industry in transaction processing and claims adjudication.

The Company incurred direct expenses related to the acquisition aggregating to ₹ 57.80 which has been considered as part of cost of investment in BPM. The excess of cost of investment over the value of net assets acquired has been recorded as goodwill amounting to ₹ 1,541.29.

Further, as stipulated in the SPA, based on performance criterion to be achieved by BPM by way of Earnings before interest, tax, depreciation and amortisation (EBIDTA) targets for the year ending 31 December 2007, the Company was liable to compensate the erstwhile members of BPM. During the year ended 31 March 2009 the payment has been crystalised at ₹ 196.11 (equivalent to USD 3.9 million). Goodwill has been restated accordingly.

Total goodwill of BPM restated at exchange rate on balance sheet date is ₹ 1,742.71 (31 March 2011: ₹ 1,527.59).

Acquisition of Firstsource Advantage LLC (FAL)

On 22 September 2004, the Company through its subsidiary, FR-US acquired 100% voting right in FAL, a limited liability company in New York, USA. The Company paid ₹ 1,333,214 (equivalent of USD 29.08 million) upfront on that date. Excess of cost of investment over the value of net assets acquired was ₹ 1,260.59 including direct expenses relating to the acquisition aggregating to ₹ 68.11.

Upto 31 March 2007 additional compensation of ₹ 272.41 was paid to the erstwhile members of FAL based on the EBIDTA earnings of year 2004 and 2005. Further direct expenses of ₹ 17.79 were incurred relating to acquisition.

In 2007-2008, additional amount of ₹ 53.29 was crystalised on finalisation of arbitration with the erstwhile members of FAL and direct expenses amounting to ₹ 13.56 were paid.

As per the terms of the share purchase agreement, the Company has elected an option to acquire Twin-Lakes I effective April 1, 2010.

Total goodwill of FAL restated at exchange rate on balance sheet date is ₹ 1,790.90 (31 March 2011: ₹ 1,569.83)

Acquisition of RevIT Systems Private Limited (RevIT)

Pursuant to Share Purchase and Sale agreement dated 25 March 2005 entered into between the Company and the promoters, promoter affiliates, employees and erstwhile shareholders of RevIT Systems Private Limited (and its 100% owned US based subsidiary Sherpa Solutions Inc), on 31 March 2005, the Company acquired 100 % equity interest in RevIT for a purchase consideration aggregating ₹ 936.52 (equivalent of USD 22.32 million) and preference shares at par for ₹ 5.16. As a result of this acquisition, RevIT became a subsidiary of the Company effective 31 March 2005 and has been consolidated as such. The Company incurred direct expenses related to acquisition aggregating ₹ 5.08 which have been considered as part of the cost of investment in RevIT.

₹ 970.77 being the excess of cost of investment over the value of net assets acquired, has been recorded as goodwill in these consolidated financial statements.

Acquisition of Firstsource Dialog Solutions (Private) Limited (FDS)

The Company acquired 74% stake in Dialog Business Services (Private) Limited (DBS), a company incorporated in Srilanka, by purchasing 4,639,801 shares for ₹ 28.22 (equivalent to LKR 69.19 million) on 13 May 2011 from Dialog Axiata PLC (DAP). On the same day, the Company infused additional capital in DBS by subscribing to 2,183,769 shares for ₹ 13.278 (equivalent to LKR 32.56 million). Against the investment, the Company has acquired all the Fixed Assets of DBS. These assets were transferred by DAP to DBS by way of an asset purchase agreement on April 29, 2011. FSL renamed the acquired entity as Firstsource Dialog Solutions (Private) Ltd on 6th June 2011. The Company incurred direct expenses related to the acquisition aggregating to ₹ 4.67 which have been considered as part of the cost of investment in FDS.

₹ 14.17 being the excess of cost of investment over the value of net assets acquired, has been recorded as goodwill in these consolidated financial statements.

Acquisition of FirstRing Inc, USA (FR-US)

On 3 September 2003, the Company subscribed to 23,842,970 Series 'F' convertible preference shares of FR-US, aggregating ₹ 596.86. Firstsource acquired 99.8 % voting interest in FR-US on a fully diluted basis. The Company incurred direct expenses related to the acquisition aggregating to ₹ 20.36 which have been considered as part of the cost of investment in FR-US.

Networth of FR-US on the date of acquisition representing the residual interest in the assets of FR-US after deducting its liabilities aggregated ₹ 111.62. Firstsource's cost of investment in FR-US in excess of FR-US's equity on the date of investment aggregating ₹ 807.68 has been recorded as goodwill in the consolidated financial statements.

Acquisition of Customer Asset India Limited (CAST India)

Pursuant to 'Share Purchase and Sale agreement' dated 22 April 2002 entered into between the Company, Customer Asset Mauritius and the promoters and investors of Customer Asset Mauritius, on 27 May 2002 the Company acquired 100% equity interest in CAST India for cash purchase consideration aggregating ₹ 947.73. As a result of this acquisition, CAST India became a wholly owned subsidiary of the Company. The Company incurred direct expenses related to acquisition aggregating ₹ 11.80 which have been considered as part of the cost of investment in CAST India.

Equity of CAST India on the date of acquisition representing the residual interest in the assets of CAST India after deducting its liabilities aggregated ₹ 225.92. Firstsource's cost of investment in CAST India in excess of CAST India's equity on the date of investment aggregating ₹ 733.61 has been recorded as goodwill in the consolidated financial statements.

Total goodwill on consolidation resulting due to the above acquisitions aggregates to ₹ 23,108.58 (31 March 2011: ₹ 20,454.03).

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

14. Fixed assets

	Tangible Assets								Intangible Assets				
	Land	Building	Leasehold improvements	Computers	Service equipment	Furniture, fixture and office equipment	Vehicles	Total	Goodwill	Domain name	Software	Total	Grand Total
Gross block (at cost)													
As at 1 April 2011	22.10	120.14	1,687.13	1,318.74	1,034.03	1,609.54	20.90	5,812.58	887.09	6.72	888.06	1,781.87	7,594.45
Additions during the year	-	-	141.20	50.41	82.74	203.43	4.55	482.33	-	-	96.84	96.84	579.17
Additions on account of business acquisitions	-	-	5.79	4.63	8.16	6.96	-	25.54	-	-	0.02	0.02	25.56
Deletions during the year	-	-	(235.12)	(100.24)	(18.93)	(98.36)	(1.67)	(454.32)	-	-	(2.42)	(2.42)	(456.74)
As at 31 March 2012	**22.10**	**120.14**	**1,599.00**	**1,273.54**	**1,106.00**	**1,721.57**	**23.78**	**5,866.13**	**887.09**	**6.72**	**982.50**	**1,876.31**	**7,742.44**
Accumulated depreciation / amortisation													
As at 1 April 2011	-	35.30	1,263.71	1,141.50	883.72	1,195.40	6.85	4,526.48	150.27	6.72	737.01	894.00	5,420.48
Accumulated depreciation on business acquisitions	-	-	0.11	0.09	0.16	0.13	-	0.49	-	-	-	-	0.49
Charge for the year	-	3.59	190.60	110.97	81.31	207.28	3.17	596.92	194.53	-	101.18	295.71	892.63
On deletions during the year	-	-	(224.82)	(100.02)	(18.38)	(95.62)	(0.90)	(439.74)	-	-	(1.95)	(1.95)	(441.69)
As at 31 March 2012	**-**	**38.89**	**1,229.60**	**1,152.54**	**946.81**	**1,307.19**	**9.12**	**4,684.15**	**344.80**	**6.72**	**836.24**	**1,187.76**	**5,871.91**
Net block													
As at 31 March 2012	**22.10**	**81.25**	**369.40**	**121.00**	**159.19**	**414.38**	**14.66**	**1,181.98**	**542.29**	**-**	**146.26**	**688.55**	**1,870.53**
As at 31 March 2011	22.10	84.84	423.42	177.24	150.31	414.13	14.05	1,286.09	736.82	-	151.05	887.87	2,173.96

The above assets include assets taken on lease as follows:

	Tangible Assets				Intangible Assets	
	Leasehold improvements	Computers	Service equipment	Furniture and fixtures	Software	Total
Gross Block (at cost)						
As at 1 April 2011	17.91	61.38	90.98	31.84	2.54	204.65
As at 31 March 2012	**21.98**	**61.38**	**106.03**	**32.43**	**2.54**	**224.36**
Accumulated depreciation / amortisation						
As at 1 April 2011	0.90	50.95	61.45	1.73	0.93	115.96
As at 31 March 2012	**5.09**	**60.35**	**82.82**	**8.16**	**1.78**	**158.20**
Net Block						
As at 31 March 2012	**16.89**	**1.03**	**23.21**	**24.27**	**0.76**	**66.16**
As at 31 March 2011	17.01	10.43	29.53	30.11	1.61	88.69

	2012	2011
15. Non-current investments		
Non-trade (Unquoted)		
In Mutual Fund (Philippines Treasury bills)*	**16.00**	8.61
	16.00	8.61

* Securities have been earmarked in favour of SEC, Philippines in compliance with corporation code of Philippines.

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

	2012	2011
16. Long-term loans and advances		
(Unsecured, considered good)		
Capital advances	**8.29**	1.84
Deposits (refer note 38)	**474.70**	440.63
Other loans and advances		
Prepaid expenses	**201.67**	7.33
Lease rentals receivable, net	**20.71**	34.88
Advance tax and tax deducted at source (net of provision for tax ₹ 465.09 (31 March 2011 ₹ 345.08))	**552.07**	351.57
	1,257.44	836.25
17. Other non-current assets		
Other bank balance – Fixed deposit maturing beyond 12 months*	**2.00**	2.00
Accrued interest	**0.30**	0.15
Recoverable on sale of subsidiary – Pipal	**-**	35.82
Unamortised cost (refer note 38)	**3.39**	40.45
Minimum alternate tax credit carried forward	**340.14**	252.22
	345.83	330.64
* Under lien for bank guarantees to the Customs authorities		
18. Current investments (at lower of cost and fair value)		
Non - Trade (Unquoted)		
Super Ahorro Pesos (Mutual fund in Argentina)	**9.60**	4.93
331,979 (31 March 2011: 6,374,624) units of Birla Sun Life Cash Plus - Institutional Premium Plan - Growth Option	**57.00**	160.00
2,804,703 (31 March 2011: Nil) units of Birla Sun Life Dynamic Bond Fund - Ret – Growth	**50.00**	-
4,001,101 (31 March 2011: Nil) units of Birla Sun Life Short Term FMP Series 29 Growth	**40.01**	-
351,238 (31 March 2011: Nil) units of Birla Sun Life Floating Rate Fund - STP - IP - Growth	**50.00**	-
681,159 (31 March 2011: Nil) units of ICICI Prudential Money Market Fund - Cash Option - Growth	**101.00**	-
Nil (31 March 2011: 2,368,950) units of ICICI Prudential Interval Fund V - Monthly Interval plan A Institutional Growth option	**-**	25.00
Nil (31 March 2011: 4,842,850) units of ICICI Prudential Iwnterval Fund I - Monthly Interval plan A Institutional Growth option	**-**	50.99
766,133 (31 March 2011: 7,837,319) units of Reliance Liquid Fund- Treasury Plan- Institutional Premium - Growth Option	**20.00**	187.00
2,167,182 (31 March 2011: Nil) units of Reliance Liquidity Fund - Growth Option	**35.00**	-
50,135 (31 March 2011: Nil) units of DWS Treasury Fund Cash - Institutional Plan - Growth	**6.00**	-
3,988,149 (31 March 2011: 10,005,007) units of Kotak Floater Short Term Plan Growth Option	**70.00**	160.36
98,306 (31 March 2011: 13,180,421) units of SBI Premier Liquid Fund - Super Institutional Plan - Growth Option	**165.70**	203.00
3,015,809 (31 March 2011: Nil) units of SBI Magnum Income Fund FR Savings Plus Bond Plan-Growth	**50.00**	-
Nil (31 March 2011: 15,365,597) units UTI Fixed Iincome Interval Fund - MIP - II - Institutional Growth Plan	**-**	159.04
11,015,660 (31 March 2011: 5,515,568) units of Religare Credit Opportunities Fund - Institutional Growth Plan	**130.00**	60.00
Nil (31 March 2011: 12,208,271) units of HDFC Cash Management Fund Savings Plan Growth Option	**-**	250.00
Nil (31 March 2011: 2,295,209) units of Reliance Monthly Fund- Series I Institutional Growth Plan	**-**	30.41
Nil (31 March 2011: 2,517,961) units of IDFC Cash Fund- Super Institutional Plan C - Growth Option	**-**	30.00
	784.31	1,320.73
(Net assets value of unquoted investments ₹ 788.62 (31 March 2011: ₹ 1,334.18))		
19. Trade receivables		
(Unsecured)		
Receivables outstanding for a period exceeding six months from the date they are due for payment		
- considered good	**-**	-
- considered doubtful	**44.03**	69.69
	44.03	69.69
Less: Provision for doubtful debts	**44.03**	69.69
	-	-
Others receivables		
- considered good	**3,514.70**	2,388.73
	3,514.70	2,388.73

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

	2012	2011
20. Cash and bank balances		
Cash and cash equivalents		
Balances with banks		
- in current accounts	**1,801.13**	2,256.78
- in deposit accounts less than three months	**406.83**	853.10
Cash on hand	**0.21**	0.35
Remittances in transit	**1.45**	369.83
	2,209.62	3,480.06
Other bank balances		
- in deposit accounts more than three months but less than twelve months *	**4,956.84**	33.45
	7,166.46	3,513.51
Less: Current account balance held in trust for customers	**337.78**	269.34
	6,828.68	3,244.17
* Includes ₹ 38.16 (31 March 2011: ₹ 33.45) towards line of credit for FAL		
21. Short-term loans and advances		
(Unsecured, considered good)		
Others		
Prepaid expenses	**219.91**	146.60
Advances recoverable in cash or in kind or for value to be received	**110.71**	213.06
Lease rentals receivable, net	**34.55**	21.03
	365.17	380.69
22. Other current assets		
Unbilled receivables	**1,041.57**	1,036.66
Unamortised cost – refer note 38	**33.93**	20.52
Accrued interest	**28.10**	7.47
Exchange gain on derivatives	**-**	113.68
Recoverable on sale of subsidiary – Pipal	**33.34**	-
	1,136.94	1,178.33
23. Revenue from operations		
Sale of services	**22,548.51**	20,110.18
Other operating income - refer note 34	**1.41**	442.60
	22,549.92	20,552.78
24. Other income		
Dividend on investments	**4.01**	2.23
Profit on sale/redemption of current investments, net	**94.88**	96.93
Profit on sale of investment in subsidiary	**-**	79.41
Foreign exchange loss, net*	**(16.12)**	(35.84)
Miscellaneous income	**5.83**	6.36
Interest income	**365.51**	57.20
Loss on FCCB buyback, net - refer note 37.2	**(67.62)**	-
	386.49	206.29
* Includes loss of ₹ 43.31 (31 March 2011: of ₹ 34.91) recognised on account of translation of financial statements of foreign subsidiaries for the purpose of preparation of these consolidated financial statements.		
25. Employee benefits expense		
Salaries and wages	**14,036.18**	11,760.42
Contribution to provident and other funds	**576.03**	419.80
Staff welfare expenses	**612.74**	549.72
	15,224.95	12,729.94

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

	2012	2011
26. Finance cost		
Interest expense		
- on External commercial borrowings and term loan	**414.06**	236.96
- on Working capital demand loan and others	**21.20**	17.27
Bank guarantee commission	**5.87**	11.19
Amortised cost on fair value of FCCB (refer note 38)	**143.75**	129.03
	584.88	394.45
27. Other expenses		
Rent	**1,157.38**	1,066.73
Rates and taxes	**53.80**	45.00
Services rendered by business associates and others	**108.27**	91.08
Legal and professional fees	**549.99**	442.43
Car and other hire charges	**403.52**	314.88
Connectivity charges	**347.57**	371.88
Information and communication expenses	**685.01**	662.12
Maintenance and upkeep	**560.63**	486.56
Recruitment and training expenses	**181.99**	175.86
Electricity, water and power consumption	**330.32**	285.74
Travel and conveyance	**437.81**	412.24
Computer expenses	**167.18**	158.50
Insurance	**116.92**	92.04
Bank administration charges	**106.13**	63.56
Printing and stationery	**96.64**	103.39
Marketing and support fees	**92.39**	85.34
Research expenses	**-**	53.21
Auditors' remuneration		
- Statutory audit	**12.10**	12.10
- Other services	**1.39**	0.71
- Reimbursement of expenses	**0.23**	0.30
Meeting and seminar expenses	**9.07**	10.95
Advertisement and publicity	**1.27**	3.67
Loss on sale / write off of fixed assets, net	**0.90**	10.70
Directors' sitting fees	**1.24**	1.32
Provision for doubtful debts / bad debts (written back) / written off, net	**(2.13)**	5.52
Miscellaneous expenses	**54.49**	35.08
	5,474.11	4,990.91

28. Leases

Operating lease

The Company is obligated under non-cancelable operating leases for office space and office equipment which are renewable on a periodic basis at the option of both the lesser and lessee. Rental expenses under non-cancelable operating leases for the year ended 31 March 2012 aggregated to ₹ 678.22 (31 March 2011: ₹ 667.49). Of these expenses ₹ 0.90 (31 March 2011: ₹ 13.94) and Nil (31 March 2011: Nil) has been attributed to expenses prior to the related asset being ready to use and, accordingly, has been included as part of the related fixed assets and capital work in progress respectively.

The future minimum lease payments in respect of non-cancelable operating leases are as follows:

	2012	2011
Amount due within one year from the balance sheet date	**749.60**	622.66
Amount due in the period between one year and five years	**1,425.84**	828.81
Amount due in the period beyond five years	**230.84**	68.84
	2,406.28	1,520.31

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

The Company also leases office facilities and residential facilities under cancelable operating leases that are renewable on a periodic basis at the option of both the lessor and lessee. Rental expenses under cancelable operating leases for the year ended 31 March 2012 aggregated ₹ 578.32 (31 March 2011: ₹ 425.42).

Finance lease

The Company has acquired certain capital assets under finance lease. Future minimum lease payments under finance lease as at 31 March 2012 are as follows:

	Minimum lease payments	Finance charges	Present value of minimum lease payments
As at 31 March 2012			
Amount payable within one year from the balance sheet date	**26.22**	**3.76**	**22.46**
Amount payable in the period between one year and five years	**47.04**	**3.96**	**43.08**
	73.26	**7.72**	**65.54**
As at 31 March 2011			
Amount payable within one year from the balance sheet date	43.07	5.69	37.39
Amount payable in the period between one year and five years	56.31	6.95	49.37
	99.38	12.64	86.76

The Company has given vehicles on finance lease to its employees as per policy. As at 31 March 2012, the future minimum lease rentals receivables are as follows:

	Minimum lease payments	Finance charges	Present value of minimum lease payments
As at 31 March 2012			
Amount receivable within one year from the balance sheet date	**25.66**	**4.94**	**20.72**
Amount receivable in the period between one year and five years	**39.01**	**4.47**	**34.54**
	64.67	**9.41**	**55.26**
As at 31 March 2011			
Amount receivable within one year from the balance sheet date	26.00	4.97	21.03
Amount receivable in the period between one year and five years	39.46	4.57	34.89
	65.46	9.54	55.92

29. Employee Stock Option Plan

Stock option scheme 2002 ('Scheme 2002')

In September 2002, the Board of the Company approved the ICICI OneSource Stock Option Scheme 2002 ("the Scheme"), which covers the employees and directors of the Company including its holding Company and subsidiaries. The Scheme is administered and supervised by the members of the Compensation cum Board Governance Committee (the 'Committee').

As per the Scheme, the Committee shall issue stock options to the employees at an exercise price equal to the fair value on the date of grant, as determined by an independent valuer. The Scheme provides that these options would vest in tranches over a period of four years as follows:

Period within which options will vest unto the participant	% of options that will vest
End of 12 months from the date of grant of options	25.0
End of 18 months from the date of grant of options	12.5
End of 24 months from the date of grant of options	12.5
End of 30 months from the date of grant of options	12.5
End of 36 months from the date of grant of options	12.5
End of 42 months from the date of grant of options	12.5
End of 48 months from the date of grant of options	12.5

Further, the participants shall exercise the options within a period of nine years commencing on or after the expiry of twelve months from the date of the grant of the options.

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

Employee stock option activity under Scheme 2002 is as follows:

Description	2012		2011	
Exercise Range : 00.00 - 30.00	**Shares arising out of options**	**Weighted Average period in months**	Shares arising out of options	Weighted Average period in months
Outstanding at the beginning of the year	**90,625**	**22**	91,875	34
Granted during the year	**-**	**-**	-	-
Forfeited during the year	**3,750**	**-**	-	-
Exercised during the year	**-**	**-**	1,250	-
Outstanding at the end of the year	**86,875**	**10**	90,625	22
Exercisable at the end of the year	**86,875**	**-**	90,625	-

Employee stock option scheme 2003 ('Scheme 2003')

In September 2003, the Board and the members of the Company approved the ICICI OneSource Stock Option Scheme 2003 ('Scheme 2003') effective 11 October 2003. The terms and conditions under this Scheme are similar to those under 'Scheme 2002' except for the following, which were included in line with the amended "SEBI (Employee stock option scheme and employee stock purchase scheme) guidelines, 1999":

- The Scheme would be administered and supervised by the members of the Compensation committee.
- Exercise price to be determined based on a fair valuation carried out at the beginning of every six months for options granted during those respective periods After the Company has been listed on any stock-exchange, the Exercise Price shall be determined by the Committee on the date the Option is granted in accordance with, and subject to, the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (as amended from time to time);
- Employee stock option activity under Scheme 2003 is as follows:

Description	Exercise Range	2012		2011	
		Shares arising out of options	**Weighted Average period in months**	Shares arising out of options	Weighted Average period in months
Outstanding at the beginning of the year	00.00 - 30.00	**25,325,524**	**102**	11,229,024	100
	30.01 - 60.00	**23,539,934**	**74**	30,827,701	88
	60.01 - 90.00	**4,133,012**	**80**	13,568,814	91
Granted during the year	00.00 - 30.00	**7,200,000**	**-**	17,150,000	-
	30.01 - 60.00	**-**	**-**	200,000	-
	60.01 - 90.00	**-**	**-**	-	-
Forfeited during the year	00.00 - 30.00	**3,463,125**	**-**	1,776,250	-
	30.01 - 60.00	**2,483,750**	**-**	7,487,767	-
	60.01 - 90.00	**153,750**	**-**	9,435,802	-
Exercised during the year	00.00 - 30.00	**138,125**	**-**	1,277,250	-
	30.01 - 60.00	**-**	**-**	-	-
	60.01 - 90.00	**-**	**-**	-	-
Outstanding at the end of the year	00.00 - 30.00	**28,924,274**	**95**	25,325,524	102
	30.01 - 60.00	**21,056,184**	**62**	23,539,934	74
	60.01 - 90.00	**3,979,262**	**68**	4,133,012	80
Exercisable at the end of the year	00.00 - 30.00	**10,752,399**	**-**	5,703,649	-
	30.01 - 60.00	**19,109,309**	**-**	19,646,184	-
	60.01 - 90.00	**3,979,262**	**-**	3,693,012	-

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

1. The Compensation Cum Board Governance Committee of the Company, at its meeting held on 27 April 2006, amended the vesting schedule for stock options granted on 1 May 2006 to General Managers and above grade employees and to non-executive directors. The vesting schedule for 15,980,000 stock options granted pursuant to the above is set forth below:

Period within which options will vest unto the participant	% of options that will vest
End of 24 months from the date of grant of options	50.0
End of 36 months from the date of grant of options	50.0

2. The aggregate stock option pool under Employee Stock Option Scheme 2002 and Employee Stock Option Scheme 2003 is 20% fully diluted equity shares as of 31 March 2012.

3. The Compensation Cum Board Governance Committee of the Company, at its meeting held on 22 November 2007 amended the scheme to include 'Executive Options'. 50% of the vesting for 'Executive Options' is time linked and the balance 50% is performance linked. The vesting schedule for time linked 'Executive Options' is set forth below:

Period within which Executive Options shall vest to the Option grantee	% of options that will vest
End of 24 months from date of grant of Options	20.0
End of 36 months from date of grant of Options	10.0
End of 48 months from date of grant of Options	10.0
End of 60 months from date of grant of Options	10.0

The vesting schedule for Performance Linked options is set forth below:

50% of 'Executive Options' which are performance linked shall vest in proportion to the achievement of 5 year performance targets to be decided by the Committee, with the first vesting being at the end of the second year from the date of grant of 'Executive Options'. The number of 'Executive Options' vesting at the end of each year would be in proportion to the percentage achievement against the targets and if the targets were not met, the vesting period would be extended beyond 5 years. If performance was better than targets, the Options would vest in less than 5 years.

4. The Compensation Cum Board Governance Committee of the Company, at its meeting held on 30 October 2008 prescribed the Exercise Period for stock options (other than Executive Options) whether already granted or to be granted to employees of the Company and its subsidiaries under Firstsource Solutions Employee Stock Option Scheme 2003 as 10 years from the date of grant of Options.

5. The Company applies the intrinsic value based method of accounting for determining compensation cost for its stock- based compensation plan. Had the compensation cost been determined using the fair value approach, the Company's net Income and basic and diluted earnings per share as reported would have reduced to the proforma amounts as indicated:

Particulars	2012	2011
Net income as reported	**620.31**	1,385.09
Less: Stock-based employee compensation expense (fair value method)	**25.81**	95.83
Proforma net income	**594.50**	1,289.26
Basic earnings per share as reported (₹)	**1.44**	3.22
Proforma basic earnings per share (₹)	**1.38**	3.00
Diluted earnings per share as reported (₹)	**1.44**	2.91
Proforma diluted earnings per share (₹)	**1.38**	2.73

The key assumptions used to estimate the fair value of options are:

Dividend yield	0%
Expected Life	3-5 years
Risk free interest rate	6.50% to 9.06%
Volatility	0% to 75%

30. Managerial remuneration

Particulars	2012	2011
Salaries and allowances	**40.96**	46.59
Contribution towards retirement benefits	**1.39**	0.41
Perquisites	**-**	0.25
TOTAL	**42.35**	47.25

The above does not include provision for gratuity and leave encashment benefits as the provisions for these are determined for the Company as a whole and therefore separate amounts for the directors are not available

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

Computation of net profits in accordance with relevant provisions of the Companies Act, 1956 is as under.

	Amount
Profit after tax of Firstsource (Standalone)	453.59
Add:	
Payment / payable to Directors	48.65
Depreciation charged in the accounts	598.79
Provision for current and deferred tax	(35.01)
Provision for wealth tax	0.72
Loss on sale of fixed assets	0.93
Less:	
Profit on sale of investments	74.56
Depreciation as computed under Section 350 of the Act	598.79
Provision for doubtful debts, written back	6.10
Net profit as per Section 349 of the Act	388.22
10% of Net Profit	38.82
Payment to Dy. Managing Director *	15.32
Maximum payable to Managing Director	23.50
Payment to Managing Director **	27.03

* Remuneration paid to Dy. Managing Director is within the limit specified under Section 349 of the Act.

** Remuneration paid to Managing Director is as per approval received from the Central Government.

31. Related party transactions

Details of related parties including summary of transactions entered into during the year ended 31 March 2012 are summarized below:

Subsidiaries wherein control exists	• The related parties where control exists are subsidiaries as referred to in note 1 to the consolidated financial statements.
Key Managerial Personnel	• Alexander Matthew Vallance • Rajesh Subramaniam ** • Carl Saldanha *
Non Executive Directors	• Dr. Shailesh Mehta • Ananda Mukerji # • Charles Miller Smith • K.P.Balaraj • Mohit Bhandari • Y.H.Malegam • Donald Layden, Jr. • Pravir Vohra • Ram Chary

* Resigned during the year

** Additions during the year

Stepped down from Managing Director and CEO to Non-Executive director during the year ended 31 March 2011

Particulars of related party transactions:

Name of the related party	Description	Transaction value during the period ended		Receivable / (Payable) at	
		31 March 2012	31 March 2011	**31 March 2012**	31 March 2011
Non executive directors	Sitting fees paid	**1.24**	1.32	**-**	-
Key Managerial Personnel and relatives	Remuneration*	**90.62**	72.03	-	-

* Excludes ESOPs

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

List of transactions with key managerial personnel having total value more than 10% value of transactions:

Description	2012	2011
Ananda Mukerji	**-**	34.32
Alexander Matthew Vallance *	**68.97**	26.47
Rajesh Subramaniam	**15.32**	-
Carl Saldanha	**6.33**	11.24

* Includes ₹ 41.94 payable on retirement pursuant to non-compete contract in addition to managerial remuneration.

32. Segmental reporting

The Group has determined its primary reportable segment as geography identified on the basis of the location of the customer which, in management's opinion, is the predominant source of risks and rewards. The Group has determined industries serviced i.e. Banking, Financial Services and Insurance and Non – Banking, Financial Services and Insurance as its secondary segment as management perceives risk and rewards to be separate for these different industries.

Geographic segments

The Group's business is organized into four key geographic segments comprising United States of America and Canada, United Kingdom, India and Rest of the world.

Segment revenues and expenses

Revenues are attributable to individual geographic segments based on location of the end customer. Direct expenses in relation to the segments is categorized based on items that are individually identifiable to that segment while other costs, wherever allocable, are apportioned to the segments on an appropriate basis.

Un-allocable expenses

Certain expenses are not specifically allocable to individual segments as the underlying services are used interchangeably. The Group therefore believes that it is not practicable to provide segment disclosures relating to such expenses, and accordingly such expenses are separately disclosed as 'unallocated' and directly charged against total income.

Capital employed

Capital employed comprises debtors and unbilled receivables and goodwill on consolidation directly attributable to the reportable segments. As the fixed assets and services are used interchangeably between the segments by the Group's businesses and liabilities contracted have not been identified to any of the reportable segments, the Group believes that it is currently not practicable to provide segment disclosures relating to these assets and liabilities and hence, has been included under unallocated.

	2012	2011
Primary segment		
Segment revenue excluding other operating income		
UK	**7,071.98**	6,145.32
USA and Canada	**11,687.33**	11,529.20
India	**2,700.61**	2,225.40
Rest of the world	**1,088.59**	210.26
	22,548.51	20,110.18
Segment result		
UK	**1,161.71**	1,806.55
USA and Canada	**1,187.21**	1,669.63
India	**209.03**	166.27
Rest of the world	**108.79**	84.67
	2,666.74	3,727.12
Finance cost	**(584.88)**	(394.45)
Other un-allocable expenditure, net of un-allocable income	**(1,322.02)**	(1,579.66)
Profit before taxation and minority interest	**759.84**	1,753.01
Taxation	**(137.73)**	(349.34)
Minority interest	**(1.80)**	(18.58)
Profit after taxation and minority interest	**620.31**	1,385.09
Capital employed		
UK	**1,460.90**	1,126.85
USA and Canada	**23,710.59**	20,561.92
India	**334.80**	463.79
Rest of the world	**454.53**	22.48
Unallocated	**9,579.14**	7,043.87
	35,539.96	29,218.91

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

	Revenue excluding other operating income year ended		Capital employed	
	31 March 2012	31 March 2011	**31 March 2012**	31 March 2011
Secondary segment				
Banking, Financial Services & Insurance	**6,293.01**	5,293.83	**2,999.69**	2,251.49
Non-Banking, Financial Services & Insurance	**16,255.50**	14,816.35	**22,961.13**	19,923.55
Unallocated	**-**	-	**9,579.14**	7,043.87
	22,548.51	20,110.18	**35,539.96**	29,218.91

33. Employee benefit

a) *Gratuity Plan*

The following table sets out the status of the gratuity plan as required under AS 15. Reconciliation of opening and closing balances of the present value of the defined benefit obligation and fair value of planned assets:

Particulars	2012	2011	2010	2009	2008
Change in present value of obligations					
Obligations at beginning of the year	**99.15**	87.96	74.66	53.74	36.22
Service cost	**41.48**	27.55	55.70	24.01	22.53
Interest cost	**8.08**	6.55	5.77	4.56	2.73
Actuarial (gain)/loss	**(8.62)**	(7.28)	(41.47)	(3.19)	(4.16)
Benefits paid	**(20.20)**	(15.64)	(6.69)	(4.46)	(3.59)
Obligations at the end of the year	**119.89**	99.14	87.97	74.66	53.74
Change in plan assets					
Fair value of plan assets at beginning of the year	**70.88**	44.44	46.11	2.08	2.08
Expected return on plan assets	**5.99**	5.02	3.87	1.36	0.16
Actuarial gain/(loss)	**0.75**	(1.22)	0.66	1.57	(0.16)
Contributions	**10.03**	36.98	-	45.00	3.59
Benefits paid	**(19.22)**	(14.34)	(6.20)	(3.90)	(3.59)
Fair value of plan assets at end of the year	**68.43**	70.88	44.44	46.11	2.08
Reconciliation of present value of the obligation and the fair value of plan assets					
Present value of the defined benefit obligations at the end of the year	**119.89**	99.14	87.97	74.66	53.74
Fair value of plan assets at the end of year	**(68.43)**	(70.88)	(44.44)	(46.11)	(2.08)
Funded status being amount of liability recognised in the consolidated balance sheet	**51.46**	28.26	43.53	28.55	51.66
Gratuity cost for the year					
Service cost	**38.38**	27.55	55.70	24.01	22.53
Interest cost	**8.08**	6.55	5.76	4.57	2.73
Expected return on plan assets	**(4.99)**	(6.07)	(42.13)	(1.62)	(1.05)
Actuarial (gain)/loss	**(9.36)**	(5.02)	(3.87)	(1.36)	(3.12)
Net gratuity cost	**32.11**	23.01	15.46	25.60	21.10
Actual return on plan assets	**6.74**	3.80	4.53	2.93	-
Assumptions					
Interest rate	**8.60%**	8.30%	8.00%	7.86%	8.75%
Estimated rate of return on plan assets	**9.00%**	9.00%	8.00%	8.00%	8.70%
Rate of growth in salary levels	**10.00%**	10.00%	10.00%	10.00%	10.00%
Withdrawal rate	**25% reducing to 2% for over 20 years of service**	25% reducing to 2% for over 20 years of service	25% reducing to 2% for over 20 years of service	25% reducing to 2% for over 20 years of service	25% reducing to 2% for over 20 years of service

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

Experience Adjustments	2012	2011	2010	2009	2008
On plan liabilities (Gain) / Loss	**(8.93)**	(13.23)	(12.51)	(12.20)	(15.89)
On plan assets (Gain) / Loss	**(0.15)**	1.22	(0.66)	(1.57)	0.16

The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

Gratuity cost, as disclosed above, is included under 'Salaries, bonus and other allowances'. The Company expects to contribute approximately ₹ 20.00 to the gratuity trust during fiscal 2013.

b) Contribution to provident funds

The provident fund charge during the year amounts to ₹ 137.69 (31 March 2011: ₹ 110.67)

c) Compensated absences

Actuarial Assumptions	2012	2011	2010	2009	2008
Interest rate	**8.60%**	8.30%	8.00%	7.86%	8.75%
Rate of growth in salary levels	**10.00%**	10.00%	10.00%	10.00%	10.00%

34. Other operating income

Other operating income comprises net loss of ₹ 33.30 (31 March 2011: gain of ₹ 385.80) on restatement and settlement of debtor balances and related gain / loss on forward/option contracts and income of ₹ 34.71 (31 March 2011: ₹ 56.80) on account of grant income earned by FSL-UK.

35. Computation of number of shares for calculating diluted earnings per share

(No. of shares in millions)

	2012	2011
Number of shares considered as basic weighted average shares outstanding	**430.74**	429.90
Add: Effect of potential issue of shares/ stock options *	-	-
Add: Adjustment relating to Foreign currency convertible bonds*	**81.91**	90.37
Number of shares considered as weighted average shares and potential shares outstanding	**512.65**	520.27
Net profit after tax attributable to shareholders	**620.31**	1,385.09
Add: Interest on FCCB	**143.75**	129.03
Add: Exchange loss on FCCB	**-**	-
Net profit after tax for diluted earnings per share	**764.06**	1,514.12

* Not considered when anti-dilutive

36. Capital and other commitments and contingent liabilities

	2012	2011
The estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	**118.07**	53.42
Guarantees and letters of credit given	**25.00**	535.20

Direct tax matters

Income tax demands amounting to ₹ 113.70 (31 March 2011: ₹ 112.52) for the various assessment years are disputed in appeal by the Company in respect of which the Company has favorable appellate decisions supporting its stand based on the past assessment and hence, the provision for taxation is considered adequate. The Company has paid ₹ 10.00 (31 March 2011: ₹ 10.00) tax under protest against the demand raised for the assessment year 04-05.

Indirect tax matters

The Service tax demands amounting to ₹ 116.85 (31 March 2011: ₹ 23.57) in respect of service tax input credit and FCCB issue expenses is disputed in appeal by the Company. The Company expects favourable appellate decision in this regard.

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

37. Foreign Currency Convertible Bonds (FCCB)

37.1 Issue of FCCB:

On 3 December 2007, the Company issued US $ 275,000,000 Zero Coupon FCCB. The terms are as under:

Issue	0% FCCB due 2012
Issued on	3 December 2007
Issue amount	USD 275,000,000
Amount outstanding as on 31 March 2012	USD 169,800,000
Face value	USD 100,000
Conversion price per share and fixed exchange rate	₹ 92.2933 ₹ 39.27 = USD 1
Number of shares to be issued if converted	72,248,439
Exercise period	On or after 14 January 2008 upto 4 December 2012
Early conversion at the option of the Company subject to certain conditions	On or after 4 December 2009 and prior to 24 November 2012
Redeemable on	4 December 2012
Redemption percentage of the principal amount	139.37%
Bonds outstanding as on 31 March 2012	1,698

The proceeds from the issue of the bonds were utilised to subscribe for shares in a wholly owned subsidiary FG US (erstwhile FSL-USA). FG US has then utilised the funds received by it for repayment of debt taken by it in connection with the acquisition of MedAssist.

37.2 Buyback of FCCB

During the year ended 31 March 2012, pursuant to RBI notification, the Company has bought back and cancelled 426 FCCBs of the face value of USD 100,000 each at a discount on accreted book value under the Automatic route. Due to adverse foreign currency movement, the Company has recognised net loss of ₹ 67.62 (31 March 2011: Nil) on the said buyback which has been disclosed under “Other income”.

38. Adoption of AS 30

In December 2007, the ICAI issued AS 30, Financials Instruments: Recognition and Measurement which is recommendatory in respect of accounting periods commencing on or after 1 April 2009 and mandatory in respect of accounting periods commencing on or after 1 April 2011 for the Company.

In March 2008, ICAI announced that earlier adoption of AS 30 is encouraged. However, AS 30, along with limited revision to other accounting standards, has currently not been notified under the Companies (Accounting Standard) Rules, 2006.

In accordance with the announcement dated 27 March, 2008 issued by ICAI, the Company adopted AS 30 with effect from March 2008 in so far as it relates to derivatives. Similarly, the Company also adopted AS 30 with respect to hedging transactions with effect from 1 July, 2008. On 1 October, 2008, the Company has early adopted AS 30 in its entirety, read with AS 31, effective 1 April, 2008 and the limited revisions to other accounting standards.

AS 30 states that particular sections of other accounting standards; AS 4, Contingencies and Events Occurring after Balance sheet Date, to the extent it deals with contingencies, AS 11(revised 2003), The Effects of Changes in Foreign Exchange Rates, to the extent it deals with the ‘forward exchange contracts’ and AS 13, Accounting for Investments, except to the extent it relates to accounting for investment properties, would stand withdrawn only from the date AS 30 becomes mandatory (1 April 2011). In view of the Company, on an early adoption of AS 30, accounting treatment made on the basis of the relevant sections of Accounting Standards referred above viz. AS 4, AS 11 and AS 13 stands withdrawn as it believes that principles of AS 30 more appropriately reflect the nature of these transactions.

Pursuant to the early adoption of AS 30, the Company has discounted Non-interest-bearing deposits to their present value and the difference between original amount of deposit and the discounted present value has been disclosed as “Unamortised cost” under Other Assets, which is charged to the consolidated statement of profit and loss over the period of related lease. Correspondingly, interest income is accrued on these interest free deposits using the implicit rate of return over the period of lease and is recognised under “Interest income”.

In accordance with the transition provisions of AS 30, impact on first time adoption has been accounted in General Reserve.

Had the Company not early adopted AS 30 as stated above, and continued to record Non-interest-bearing deposits at transaction value, profit for the year ended 31 March 2012 would have been lower by ₹ 1.38 (31 March 2011: higher by ₹ 0.74).

As permitted by AS 30, the Company designated its FCCB along with premium payable on redemption as a hedging instrument to hedge its net investment in the non-integral foreign operations effective 1 July 2008. Accordingly, the translation loss on FCCB of ₹ 1,437.38 for the year ended 31 March 2012 (31 March 2011: gain of ₹ 98.94), which is determined to be effective hedge of net investment in non integral foreign operations, has been adjusted in Foreign Currency Translation Reserve. The amount recognised in Foreign Currency Translation Reserve would be transferred to the consolidated statement of profit and loss upon sale or disposal of non integral foreign operations. If the Company had continued to apply the provisions of AS 11 to the FCCB and not designated it as a cash flow hedge as permitted under AS 30 and the consequent limited revision to other accounting standards, the translation loss of ₹ 1,437.38 (gain of ₹ 98.94) on FCCB would have been recorded in the consolidated statement of profit and loss.

Further, the Company has accounted for embedded derivative option included in FCCB and revalued the same at the period end. The Company has charged ₹ 143.75 for the year ended 31 March 2012 (31 March 2011: ₹ 129.03) as amortised cost on the fair value of FCCB under "Finance cost" towards accretion of FCCB liability using implicit rate of return method over the repayment tenor of FCCB.

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

39. Derivatives

The Company has designated forward contracts to hedge highly probable forecasted transactions on the principles of set out in AS-30, Financials Instruments: Recognition and Measurement.

As at 31 March 2012, the Company has derivative financial instruments to sell USD 38,777,958 (31 March 2011: USD 18,358,483) having fair value loss of ₹ 63.64 (31 March 2011: gain of ₹ 30.84), GBP 43,503,845 (31 March 2011: GBP 35,500,000) having fair value loss of ₹ 180.81 (31 March 2011: gain of ₹ 44.81) and AUD 16,586,223 (31 March 2011: Nil) having fair value loss of ₹ 50.81 (31 March 2011: Nil) relating to highly probable forecasted transactions. As at 31 March 2011, the Company had derivative financial instruments to buy CAD 34,337,000 and GBP 10,000,000 which were taken to hedge the foreign currency loans. These derivative financial instruments had fair value gain of ₹ 28.86 and ₹ 9.99 respectively.

The Company has recognised mark to market loss of ₹ 285.94 (31 March 2011: gain of ₹ 59.65) relating to derivative financial instruments that are designated as effective cash flow hedges in the Hedging Reserve under Shareholders' funds (refer note 4) and loss of ₹ 27.04 (31 March 2011: gain of ₹ 15.99) has been taken to the consolidated statement of profit and loss.

Foreign currency exposures on loans and receivables that are not hedged by derivative instruments or otherwise are ₹ 219.62 (equivalent to USD 4.16 million, AUD 0.13 million and EUR 0.01 million) (31 March 2011: ₹ 158.22 (equivalent to USD 3.5 million, AUD 0.03 million, CAD 0.01 million and ZAR 0.01 million)).

40. Under the Micro Small and Medium Enterprises Development Act, 2006, (MSMED) which came into force from 2 October 2006 and on the basis of the information and records available with the Management:

	2012	2011
Principal amount and the interest due thereon remaining unpaid to any supplier as at the year end	**Nil**	Nil
Amount of interest paid by the Company in terms of section 16 of the MSMED, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year	**Nil**	Nil
Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED	**Nil**	Nil
Amount of interest accrued and remaining unpaid at the end of the accounting year	**Nil**	Nil
Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible	**Nil**	Nil

41. The Company is in the business of providing ITES and BPO services. Such services are not capable of being expressed in generic unit and hence, it is not possible to give the quantitative details required under paragraph 5(iii)(c) of general instructions for preparation of the statement of profit and loss as per revised schedule VI to the Companies Act, 1956.

42. Prior period comparatives

Till the year ended 31 March 2011, the Company was using pre-revised schedule VI to the Companies Act 1956, for preparation and presentation of its consolidated financial statements. During the year ended 31 March 2012, the revised schedule VI notified under the Companies Act 1956, has become applicable to the Company. Previous year's figures have been appropriately regrouped/ reclassified to conform to current year's presentation.

As per our report of even date attached.

For and on behalf of the Board of Directors

For **B S R & Co.**
Chartered Accountants
Firm's registration No: 101248W

Vijay Bhatt
Partner
Membership No: 036647

Mumbai
15 May 2012

Dr. Shailesh Mehta
Chairman

Ananda Mukerji
Vice Chairman

Alexander Matthew Vallance
Managing Director and CEO

Ram Chary
Director

Pravir Vohra
Director

Rajesh Subramaniam
Dy. Managing Director and CFO

Y.H.Malegam
Director

K.P.Balaraj
Director

Donald Layden Jr.
Director

Charles Miller Smith
Director

Mohit Bhandari
Director

Sanjay Gupta
Company Secretary

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES FOR THE YEAR ENDED 31 MARCH 2012

(₹ in million)

		Particulars	REV IT Systems Private Limited	Anunta Tech Infrastructure Services Limited	Firstsource Group USA, Inc $	Firstsource Business Process Services, LLC $	Firstsource Advantage LLC $	Twin Lakes Propert LLC-I $	Firstsource Solutions S.A.#	Firstsource Solutions UK Limited £	MedAssist Holding, Inc. $	Firstsource Solutions USA LLC $	Firstsource Transaction Services, LLC $	Firstsource BPO Ireland Limited €	Firstsource Dialog Solutions (Private) Limited ≤
1		The Financial Year of the Subsidiary Companies ended on	31.03.2012	31.03.2012	31.03.2012	31.03.2012	31.03.2012	31.03.2012	31.03.2012	31.03.2012	31.03.2012	31.03.2012	31.03.2012	31.03.2012	31.03.2012
2		Date from which they became subsidiary	31.03.2005	01.11.2010	25.11.2009	25.11.2009	22.09.2004	01.04.2010	25.09.2006	27.05.2002	20.09.2007	31.03.2010	31.05.2011	16.09.2011	13.05.2011
3		Country of Incorporation	India	India	USA	USA	USA	USA	Argentina	UK	USA	USA	USA	Ireland	Srilanka
4	a	Number of shares held by Firstsource Solutions Limited and/ or its nominees in the subsidiaries as on 31.03.2012	7,107,422 equity shares of ₹ 10 each	1,050,000 equity shares of ₹ 10 each	218,483 common stock with par value of USD 1 each	NA	@ 10,000 Units of USD 1 each	NA	□ 6,024,599 shares of ARS 1 each	2,834,672 equity shares of GBP 1 each	◊ 991.90773 Common Stock with par value USD 0.01 each	NA	NA	1 equity shares of EUR 1 each	6,823,570 equity shares of LKR 10 each
	b	Extent of Interest of Firstsource Solutions Ltd (holding Company) in the Subsidiaries as on 31.03.2012	100%	100%	100%	100%	@ 100%	^ 80%	□ 99.98%	100%	◊ 100%	+ 100%	∆100%	100%	74%
5		The net aggregate amount of the profits /(losses) of the subsidiaries so far as it concerns the members of Firstsource Solutions Limited and is not dealt with in the accounts of Firstsource Solutions Limited													
	a	For the financial year ended 31 March 2012	-	-	-	-	-	(1.19)	-	-	-	-	-	-	2.47
	b	For the previous financial years of the Subsidiary since it became a Subsidiary	-	-	-	-	-	1.91	-	-	-	-	-	-	-
6		The net aggregate amount of the profits /(losses) of the subsidiaries so far as it concerns the members of Firstsource Solutions Limited dealt with or provided for in the accounts of Firstsource Solutions Limited													
	a	For the financial year ended 31 March 2012 (PAT)	139.10	(69.43)	(66.94)	(0.36)	13.56	(4.77)	(3.71)	46.82	-	405.08	86.73	43.39	7.83
	b	For the previous financial years of the Subsidiary since it became a Subsidiary	692.95	(7.34)	663.27	326.96	383.44	7.62	(37.17)	566.58	-	769.80	-	-	-

Financial Information

Paid-up Share Capital	71.07	10.50	11.12	-	0.51	-	71.79	230.90	-	-	-	-	43.45
Reserves and Surplus	585.56	13.23	10,920.22	1,129.13	784.49	(3.58)	(41.69)	708.80	3,585.14	1,714.67	367.85	60.36	10.30
Total Assets	334.54	43.73	20,755.06	2,040.44	1,009.61	120.24	25.27	2,775.36	4,997.01	1,871.93	511.57	439.47	76.37
Total Liabilities (excluding Capital and Reserves)	133.62	32.00	9,823.72	911.31	224.61	123.82	4.77	1,835.66	1,411.87	157.26	143.72	379.11	22.62
Investments (excluding Investments in Subsidiaries)	455.71	12.00	-	-	-	-	9.60	-	-	-	-	-	-
Total Income	640.79	5.21	2,211.24	-	2,681.83	23.53	2.03	6,213.17	-	5,639.37	1,660.67	556.06	191.06
Profit / (Loss) Before Tax	203.69	(69.43)	(23.09)	(0.34)	13.56	(5.96)	(4.17)	83.18	-	430.08	86.73	51.19	10.78
Provision for Tax	64.59	-	43.85	0.02	-	-	(0.47)	36.36	-	25.00	-	7.80	0.48
Profit / (Loss) After Tax	139.10	(69.43)	(66.94)	(0.36)	13.56	(5.96)	(3.70)	46.82	-	405.08	86.73	43.39	10.30
Proposed Dividend (including Tax thereon)	-	-	-	-	-	-	-	-	-	-	-	-	-

Notes:

$ Converted to ₹ at the Exchange Rate,1 USD = ₹ 50.8750
# Converted to ₹ at the Exchange Rate,1 ARS = ₹ 11.9148
£ Converted to ₹ at the Exchange Rate,1 GBP = ₹ 81.4575
€ Converted to ₹ at the Exchange Rate,1 EUR = ₹ 67.8675
≤ Converted to ₹ at the Exchange Rate,1 LKR = ₹ 0.4072

@ Held by Firstsource Business Process Service LLC
^ Held by Firstsource Advantage LLC
□ Held by Firstsource Solutions UK Limited
◊ Held by Firstsource Group USA, Inc.
+ Held by MedAssist Holding, Inc.
∆ Held by Firstsource Solutions USA LLC

AUDITORS' REPORT

To the Members of
Firstsource Solutions Limited

We have audited the attached Balance Sheet of Firstsource Solutions Limited ('the Company') as at 31 March 2012 and the related Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. Without qualifying our opinion, we draw attention to Note 37 to the financial statements that describes the early adoption by the Company of Accounting Standard (AS) 30, Financial Instruments – Recognition and Measurements, read with AS 31, Financial Instruments – Presentation, as applicable, along with prescribed limited revisions to other accounting standards, issued by the Institute of Chartered Accountants of India, as in management's opinion, it more appropriately reflects the nature/ substance of the related transactions. The Company has accounted for assets and liabilities as per requirements of AS-30 including prescribed limited revisions to other accounting standards. AS 30 is not yet notified/ prescribed under the Companies (Accounting Standards) Rules, 2006, and therefore, can be applied only to the extent that it does not conflict with other accounting standards notified/ prescribed under the said rules. Consequent to adoption of AS 30, the profit after taxation and reserves and surplus as at the balance sheet date is higher by ₹ ('000000) 1,009 and ₹ ('000000) 2,134 respectively.

2. As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

3. Further to our comments in the Annexure referred to above, we report that:

   a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   c) the balance sheet, the statement of profit and loss and the cash flow statement dealt with by this report are in agreement with the books of account;

   d) in our opinion, the balance sheet, the statement of profit and loss and the cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act *except for the matters stated in paragraph 1 above*;

   e) on the basis of written representations received from directors of the Company as at 31 March 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and

   f) in our opinion, and to the best of our information and according to the explanations given to us, read with paragraph 1 above, the said accounts give the information required by the Act in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:

      i) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2012;

      ii) in the case of the statement of profit and loss, of the profit of the Company for the year ended on that date; and

      iii) in the case of the cash flow statement, of the cash flows of the Company for the year ended on that date.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

Vijay Bhatt
Partner
Membership No: 036647

Mumbai
15 May 2012

ANNEXURE TO THE AUDITORS' REPORT – 31 MARCH 2012

(Referred to in our report of even date)

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

   (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified annually. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

   (c) Fixed assets disposed off during the year were not substantial and, therefore, do not affect the going concern assumption.

2. The Company is a service company, primarily rendering contact centre, transaction processing and debt collection services. It does not hold any physical inventories. Accordingly, paragraph 4(ii) of the Order is not applicable.

3. (a) The following are the particulars of loans granted by the Company to parties covered in the register maintained under Section 301 of the Act:

Name of Party	Relationship with Company	Amount ₹ (mn)	Year end balance ₹ (mn)	Maximum balance outstanding ₹ (mn)
Firsrsource Group USA Inc.	Subsidiary	-	-	6,759.00
Firstsource BPO Ireland Limited	Subsidiary	251.11	251.11	251.11

   (b) In our opinion, the rate of interest and other terms and conditions on which the loan has been granted to the party listed in the register maintained under Section 301 of the Act are not, prima facie, prejudicial to the interest of the Company.

   (c) In case of the loan granted to the Companies listed in the register maintained under Section 301 of the Act, the borrower has been regular in repayment of interest. The terms of arrangement do not stipulate any repayment schedule and the loan is repayable on demand. According to the information and explanations given to us, the parties have repaid the interest and principal as and when demanded during the year.

   (d) According to the information and explanations given to us, there are no overdue amounts of more than one lakh in respect of loans granted to parties listed in the register maintained under Section 301 of the Act.

   (e) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, paragraphs 4(iii)(e) to 4(iii)(g) of the Order are not applicable.

4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and with regard to the sale of services. The activities of the Company do not involve purchase of inventory and sale of goods. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal control system.

5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangement referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.

   (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements referred to in (a) above and exceeding the value of ₹ 5 lakhs in respect of any party during the year are for the Company's specialised requirements for which suitable alternate sources are not available to obtain comparable quotations. However, on the basis of information and explanations provided, the prices appear reasonable.

6. The Company has not accepted any deposits from the public.

7. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.

8. The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Act for any of the services rendered by the Company.

9. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of accounts in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income tax, Wealth tax, Service tax, Customs duty, cess and other material statutory dues have been generally regularly deposited during the year with the appropriate authorities. As explained to us, the Company did not have any dues on account of Sales tax, Excise duty and Investor Education and Protection Fund.

   There were no dues on account of cess under Section 441A of the Act, since the date from which the aforesaid section comes into force has not yet been notified by the Central Government.

   According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Wealth tax, Service tax, Customs duty, Cess and other material statutory dues were in arrears as at 31 March 2012 for a period of more than six months from the date they became payable.

   (b) According to the information and explanations given to us, the following dues of Income tax and service tax have not been deposited by the Company on account of disputes:

Name of the Statute	Nature of the Dues	Amount ₹ (mn)	Period to which the amount relates	Forum where dispute is pending
Income-tax Act, 1961	Transfer pricing demand	40.93	2002-03	Commissioner of Income Tax -Appeals
Income-tax Act, 1961	Assessment under Section 143 (3)	37.04	2003-04	Commissioner of Income Tax- Appeals
Income-tax Act, 1961	Assessment under Section 143 (3) read with Section 147	0.21	2003-04	Commissioner of Income Tax
Income-tax Act, 1961	Assessment under Section 143 (3)	24.17	2006-07	Income Tax Appellate Tribunal
Income-tax Act, 1961	Assessment under Section 143 (3)	0.97	2007-08	Commissioner of Income Tax -Appeals
Service Tax Rules, 1994	Demand notice	23.57	2007-08	Commissioner of Service Tax
Service Tax Rules, 1994	Demand notice	93.27	2006-11	Commissioner of Service Tax

ANNEXURE TO THE AUDITORS' REPORT – 31 MARCH 2012

(Referred to in our report of even date)

10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.

11. In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of dues to its bankers, bondholders or to any financial institutions.

12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13. In our opinion and according to the information and explanations given to us, the Company is not a chit fund/nidhi/mutual benefit fund/society.

14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

15. In our opinion and according to the information and explanation given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks or financial institutions are, prima facie, not prejudicial to the interest of the Company.

16. In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.

17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.

18. In our opinion and according to the information and explanation given to us, the Company has not made preferential allotment of shares to parties covered in the register maintained under Section 301 of the Act.

19. According to the information and explanations given to us, the Company has not issued any secured debentures during the year.

20. The Company has not raised any money by public issues during the year.

21. According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the course of our audit.

For **B S R & Co.**
Chartered Accountants
Firm's Registration No: 101248W

Vijay Bhatt
Partner
Membership No: 036647

Mumbai
15 May 2012

BALANCE SHEET AS AT 31 MARCH 2012

(₹ in million)

	Note	2012	2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	**4,307.76**	4,306.38
Reserves and surplus	4	**4,493.22**	4,917.35
		8,800.98	9,223.73
Non-current liabilities			
Long-term borrowings	5	**101.33**	12,676.66
Long-term provisions	6	**-**	247.71
		101.33	12,924.37
Current liabilities			
Short-term borrowings	7	**366.74**	431.82
Trade payables	8	**628.46**	558.50
Other current liabilities	9	**12,927.66**	1,310.97
Short-term provisions	10	**101.22**	66.53
		14,024.08	2,367.82
		22,926.39	24,515.92
ASSETS			
Non-current assets			
Fixed assets	11		
Tangible assets		**758.43**	791.50
Intangible assets		**606.80**	782.83
Capital work-in-progress		**18.73**	0.18
		1,383.96	1,574.51
Non-current investments	12	**11,608.39**	10,063.77
Deferred tax assets	13	**392.84**	357.77
Long-term loans and advances	14	**975.38**	740.79
Other non-current assets	15	**312.26**	270.36
Current assets		**14,672.83**	13,007.20
Current investments	16	**307.00**	986.83
Trade receivables	17	**1,551.99**	1,529.88
Cash and bank balances	18	**5,563.29**	1,475.63
Short-term loans and advances	19	**599.76**	6,922.59
Other current assets	20	**231.52**	593.79
		8,253.56	11,508.72
		22,926.39	24,515.92
Significant accounting policies	2		

The accompanying notes from 1 to 41 are an integral part of the financial statement.

As per our report of even date attached.

For and on behalf of the Board of Directors

For **B S R & Co.**
Chartered Accountants
Firm's registration No: 101248W

Vijay Bhatt
Partner
Membership No: 036647

Mumbai
15 May 2012

Dr. Shailesh Mehta
Chairman

Ananda Mukerji
Vice Chairman

Alexander Matthew Vallance
Managing Director and CEO

Ram Chary
Director

Pravir Vohra
Director

Rajesh Subramaniam
Dy. Managing Director and CFO

Y.H.Malegam
Director

K.P.Balaraj
Director

Donald Layden Jr.
Director

Charles Miller Smith
Director

Mohit Bhandari
Director

Sanjay Gupta
Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2012

(₹ in million)

	Note	2012	2011
Revenue from operations	21	**7,542.56**	7,029.68
Other income	22	**1,019.23**	559.55
		8,561.79	7,589.23
Expenses			
Employee benefits expense	23	**4,264.82**	3,666.65
Finance cost	24	**655.65**	268.13
Depreciation and amortisation	11	**598.79**	573.80
Other expenses	25	**2,623.95**	2,385.05
		8,143.21	6,893.63
Profit before taxation		**418.58**	695.60
Less : Provision for taxation			
- Current tax (MAT)		**112.71**	155.15
Less: MAT credit entitlement		**(112.64)**	(68.34)
Net current tax		**0.07**	86.81
- Deferred tax credit		**(35.08)**	(54.08)
Profit after taxation		**453.59**	662.87
Earnings per share			
Weighted average number of equity shares outstanding during the year			
- Basic		**430.74**	429.90
- Diluted		**512.65**	520.27
Earnings per share (₹)			
- Basic		**1.05**	1.54
- Diluted		**1.05**	1.52
Nominal value per share (₹)		**10**	10
Significant accounting policies	2		

The accompanying notes from 1 to 41 are an integral part of the financial statement.
As per our report of even date attached.

For and on behalf of the Board of Directors

For **B S R & Co.**
Chartered Accountants
Firm's registration No: 101248W

Vijay Bhatt
Partner
Membership No: 036647

Mumbai
15 May 2012

Dr. Shailesh Mehta
Chairman

Ananda Mukerji
Vice Chairman

Alexander Matthew Vallance
Managing Director and CEO

Ram Chary
Director

Pravir Vohra
Director

Rajesh Subramaniam
Dy. Managing Director and CFO

Y.H.Malegam
Director

K.P.Balaraj
Director

Donald Layden Jr.
Director

Charles Miller Smith
Director

Mohit Bhandari
Director

Sanjay Gupta
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

(₹ in million)

	2012	2011
Cash flow from operating activities		
Net profit after tax	**453.59**	662.87
Adjustments for		
Depreciation and amortisation	**598.79**	573.80
Provision for current tax, net of MAT credit entitlement	**0.07**	86.81
Provision for doubtful debts / bad debts (written back) / written off, net	**(6.10)**	1.54
Loss on sale of fixed assets, net	**0.93**	14.98
Foreign exchange loss / (gain), net	**12.98**	(45.77)
Interest costs	**199.23**	268.13
Interest and dividend income	**(470.30)**	(391.22)
Deferred taxes	**(35.08)**	(54.08)
Profit on sale on investments	**(74.56)**	(156.23)
Loss on FCCB buyback, net	**67.62**	-
Rent expense on account of adoption of AS 30	**28.69**	23.91
Operating cash flow before changes in working capital	**775.86**	984.74
Changes in working capital		
Increase in trade receivables	**(13.32)**	(521.43)
Decrease in loans and advances and other assets	**260.96**	362.35
Increase in liabilities and provisions	**217.34**	212.91
Net changes in working capital	**464.98**	53.83
Income taxes paid	**(325.29)**	(253.69)
Net cash generated from operating activities (A)	**915.55**	784.89
Cash flow from investing activities		
Purchase of investment in mutual funds / government securities	**(8,808.49)**	(17,701.37)
Sale of investment in mutual funds / government securities	**9,556.86**	17,532.43
Interest and dividend income received	**419.88**	364.57
Capital expenditure	**(391.01)**	(252.87)
Sale of fixed assets	**13.64**	8.35
Investment in subsidiary	**(359.69)**	-
Loan repaid by subsidiary	**6,689.25**	-
Proceeds from sale of investment in subsidiary, net of expenses	**-**	328.26
Net cash generated from investing activities (B)	**7,120.44**	279.37
Cash flow from financing activities		
Repayment of unsecured loan – others	**(435.10)**	(17.83)
Proceeds from unsecured loan – others	**364.95**	-
Repayment of secured loan	**(1,256.15)**	-
Proceeds from secured loan	**-**	433.44
Repayment of unsecured loan – FCCB, including expenses	**(2,558.32)**	-
Proceeds from issuance of equity shares and share application money (net of share issue expenses)	**2.51**	18.52
Interest paid	**(66.22)**	(139.16)
Net cash (used in) / generated from financing activities (C)	**(3,948.33)**	294.97
Net increase in cash and bank balances (A+B+C)	**4,087.66**	1,359.23
Cash and bank balances at the beginning of the year	**1,475.63**	116.40
Cash and bank balances at the end of the year	**5,563.29**	1,475.63

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

(₹ in million)

Notes to the cash flow statement

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts.

	2012	2011
Balances with banks		
- in current accounts	**293.88**	462.62
- in deposit accounts less than three months	**365.50**	840.11
Cash on hand	**0.05**	0.09
Remittances in transit	**-**	172.81
	659.43	1,475.63
Cash and bank balances also include -		
Balances with banks		
- in deposit accounts more than three months but less than twelve months	**4,903.86**	-

As per our report of even date attached.

For **B S R & Co.**
Chartered Accountants
Firm's registration No: 101248W

Vijay Bhatt
Partner
Membership No: 036647

Mumbai
15 May 2012

For and on behalf of the Board of Directors

Dr. Shailesh Mehta
Chairman

Ananda Mukerji
Vice Chairman

Alexander Matthew Vallance
Managing Director and CEO

Ram Chary
Director

Pravir Vohra
Director

Rajesh Subramaniam
Dy. Managing Director and CFO

Y.H.Malegam
Director

K.P.Balaraj
Director

Donald Layden Jr.
Director

Charles Miller Smith
Director

Mohit Bhandari
Director

Sanjay Gupta
Company Secretary

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

1. Background

Firstsource Solutions Limited ('Firstsource' or 'the Company') was incorporated on 6 December 2001 and was promoted by ICICI Bank Limited. The Company is engaged in the business of providing contact center, transaction processing and debt collection services including revenue cycle management in the healthcare industry.

The Company has filed an application to stock exchanges for the merger of its wholly owned subsidiary, "Rev IT" with the Company effective 1 April 2011.

The list of subsidiaries as at 31 March 2012 with percentage holding is summarised below:

Subsidiaries	Country of incorporation and other particulars	Percentage of holding by the immediate parent
Firstsource Solutions UK Limited (FSL-UK)	A subsidiary of Firstsource Solutions Limited, organised under the laws of United Kingdom.	100%
Rev IT Systems Private Limited (Rev IT)	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of India.	100%
Firstsource Solutions S.A. (FSL-Arg)	A subsidiary of Firstsource Solutions UK Limited, incorporated under the laws of Argentina.	99.98%
Pipal Research Corporation (Pipal) *	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of the State of Illinois, USA (upto 30 November 2010).	51%
Pipal Research Analytics and Information Services India Private Limited (PRAISE) *	A subsidiary of Pipal Research Corporation, incorporated under the laws of India (upto 30 November 2010).	100%
Firstsource Group USA Inc. (FG US)	A subsidiary of Firstsource Solutions Limited, incorporated in the state of Delaware, USA.	100%
Firstsource Sherpa Asset LLC	A subsidiary of FG US, incorporated in the state of Delaware, USA. Effective 1 April 2010 merged with MedAssist LLC.	100%
Firstsource Business Process Services, LLC (FBPS)	A subsidiary of FG US, incorporated in the state of Delaware, USA (erstwhile FirstRing Inc, USA (FR-US) has been merged effective 31 December 2009).	100%
Firstsource Advantage LLC (FAL)	A subsidiary of FBPS, incorporated under the laws of the State of New York, USA.	100%
Twin Lakes Property LLC – I (Twinlakes – I)	A subsidiary of FAL, incorporated under the laws of the State of New York, USA.	80%
MedAssist Holding Inc. (MedAssist)	A Subsidiary of FG US, organised under the laws of the state of Delaware, USA.	100%
Firstsource Solutions USA LLC (earlier known as MedAssist LLC)	A subsidiary of MedAssist Holding Inc., incorporated in the state of Delaware, USA.	100%
Firstsource Financial Solutions LLC (FFS)	A subsidiary of MedAssist LLC, incorporated in the state of Delaware, USA. Effective 1 October 2011 merged with FAL.	100%
Anunta Tech Infrastructure Services Limited (Anunta)	A subsidiary of Firstsource Solutions Limited, incorporated on 1 November 2010 under the laws of India.	100%
Firstsource Transaction Services LLC (FTS)	A Subsidiary of Firstsource Solutions USA LLC, incorporated on 22 May 2011 in the state of Delaware, USA.	100%
Firstsource Dialog Solutions (Private) Limited (earlier known as Dialog Business Services (Private) Limited) (FDS)	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of Srilanka.	74%
Firstsource BPO Ireland Limited (FSL Ireland)	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of Ireland.	100%

*During the year ended 31 March 2011, the Company has disinvested its entire shareholding in Pipal and PRAISE.

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

2. Significant accounting policies

2.1. Basis of preparation

The financial statements have been prepared and presented under the historical cost convention (except for certain financial instruments, which are measured on fair value basis) on accrual basis of accounting, in accordance with accounting principles generally accepted in India and comply with the Accounting Standards notified in the Companies (Accounting Standard) Rules, 2006 issued by the Central government in consultation with the National Advisory Committee on Accounting Standards and with the relevant provisions of the Companies Act, 1956, to the extent applicable and Accounting Standard 30,'Financial Instruments: Recognition and Measurement' ('AS 30') read with Accounting Standard 31 – 'Financial Instruments: Presentation' (AS 31) issued by the Institute of Chartered Accountants of India. From 1 July 2008 effective 1 April 2008, the Company has early adopted AS 30 read with AS 31 issued by ICAI. The financial statements are presented in Indian rupees rounded off to the nearest millions.

2.2. Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles ('GAAP') in India requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amount of income and expenses for the year. Management believes that the estimates made in the preparation of financial statements are prudent and reasonable. Actual results could differ from those estimates. Any revision to accounting estimates are recognised prospectively in current and future periods.

2.3. Revenue recognition

Revenue from contact centre and transaction processing services comprises from both time/unit price and fixed fee based service contracts. Revenue from time/ unit price based contracts is recognised on completion of the related services and is billed in accordance with the contractual terms specified in the customer contracts. Revenue from fixed fee based service contracts is recognised on achievement of performance milestones specified in the customer contracts.

Unbilled receivables represent costs incurred and revenues recognised on contracts to be billed in subsequent periods as per the terms of the contract.

Dividend income is recognised when the right to receive dividend is established.

Interest income is recognised using the time proportion method, based on the underlying interest rates.

2.4. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and impairment, if any. Cost includes freight, duties, taxes and incidental expenses related to acquisition and installation of the fixed assets. Depreciation on fixed assets is provided pro rata to the period of use based on management's best estimate of useful lives of the assets (which are shorter than those prescribed under the Companies Act, 1956) as summarized below:

Asset category	Useful life (in years)
Tangible	
Leasehold improvements	Lease term or 5 years, whichever is shorter
Computers	3 – 4
Networking equipments	3 – 5
Furniture and fixtures and office equipments	3 – 5
Vehicles	2 – 5
Intangible	
Software	3 – 4
Domain name	3
Goodwill on acquired assets	5 or estimated useful life, whichever is shorter

Software purchased together with the related hardware is capitalised and depreciated at the rates applicable to related assets. Intangible assets other than above mentioned software are amortised over the best estimate of the useful life from the date the assets are available for use. Further, the useful life is reviewed at the end of each reporting period for any changes in the estimates of useful life and accordingly the asset is amortised over the remaining useful life.

Individual assets costing upto rupees five thousand are depreciated in full in the period of purchase.

Impairment of assets

a. Financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such indication exists, the Company estimates the amount of impairment loss. The amount of loss for short-term receivables is measured as the difference between the assets carrying amount and undiscounted amount of future cash flows. Reduction, if any, is recognised in the statement of profit and loss. If at the balance sheet date there is any indication that a previously assessed impairment loss no longer exists, the recognised impairment loss is reversed, subject to maximum of initial carrying amount of the short-term receivable.

b. Non-financial assets

The Company assesses at each balance sheet date whether there is any indication that a non-financial asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

2.5. Employee Benefits

Gratuity and leave encashment

The Company's gratuity scheme with insurer is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The present value of the obligation under such defined benefit plan is determined based on actuarial valuation by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan are based on the market yields on Government securities as at the Balance Sheet date. When the calculation results in a benefit to the Company, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. Actuarial gains and losses are recognised immediately in the statement of profit and loss.

Provision for leave encashment cost has been made based on actuarial valuation by an independent actuary at balance sheet date.

The employees of the Company are entitled to compensated absence. The employees can carry-forward a portion of the unutilized accrued compensated absence and utilize it in future periods or receive cash compensation at termination of employment for the unutilized accrued compensated absence. The Company records an obligation for

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

compensated absences in the period in which the employee renders the services that increase this entitlement. The Company measures the expected cost of compensated absence as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

Provident fund

All employees of the Company receive benefits from a provident fund, which is a defined contribution retirement plan in which both, the Company and the employees, contribute at a determined rate. Monthly contributions payable to the provident fund are charged to the statement of profit and loss as incurred.

2.6. Investments

Non-current investments are carried at cost and provision is made when in the management's opinion there is a decline, other than temporary, in the carrying value of such investments. Current investments are valued at the lower of cost and market value.

2.7. Taxation

Income tax expense comprises current tax expense and deferred tax expense or credit.

Current taxes

Provision for current income-tax is recognised in accordance with the provisions of Indian Income-tax Act, 1961 and is made annually based on the tax liability after taking credit for tax allowances and exemptions. In case of matter under appeal, full provision is made in the financial statements when the Company accepts liability.

Deferred taxes

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences that result from differences between the profits offered for income taxes and the profits as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and the tax laws that have been enacted or substantively enacted at the balance sheet date. The effect of a change in tax rates on deferred tax assets and liabilities is recognised in the period that includes the enactment date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in the future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of recognition of such assets. Deferred tax assets are reassessed for the appropriateness of their respective carrying values at each balance sheet date.

The Company has operations in Special Economic Zones (SEZ). Income from SEZ are eligible for 100% deduction for the first five years, 50% deduction for next five years and 50% deduction for another five years, subject to fulfilling certain conditions. In this regard, the Company recognises deferred taxes in respect of those originating timing differences which reverse after the tax holiday period resulting in tax consequences. Timing differences which originate and reverse within the tax holiday period do not result in tax consequence and, therefore, no deferred taxes are recognised in respect of the same.

2.8. Leases

Finance Lease

Assets acquired on finance leases, including assets acquired under sale and lease back transactions, have been recognised as an asset and a liability at the inception of the lease and have been recorded at an amount equal to the lower of the fair value of the leased asset or the present value of the future minimum lease payments. Such leased assets are depreciated over the lease term or its estimated useful life, whichever is shorter. Further, the payment of minimum lease payments have been apportioned between finance charge / (expense) and principal repayment.

Assets given out on finance lease are shown as amounts recoverable from the lessee. The rentals received on such leases are apportioned between the financial charge/ (income) and principal amount using the implicit rate of return. The finance charge/ (income) is recognised as income, and principal received is reduced from the amount receivable. All initial direct costs incurred are included in the cost of the asset.

Operating lease

Lease rentals in respect of assets acquired under operating lease are charged off to the statement of profit and loss as incurred on a straight line basis.

2.9. Foreign currency transactions, derivative instruments and hedge accounting

a. *Foreign currency transactions*

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Net exchange gain or loss resulting in respect of foreign exchange transactions settled during the year is recognised in the statement of profit and loss for the year. Foreign currency denominated assets and liabilities other than fiixed assets, at period end are translated at the period end exchange rates and the resulting net gain or loss is recognised in the statement of profit and loss.

b. *Derivative instruments and hedge accounting*

The Company is exposed to foreign currency fluctuations on net investments in foreign operations and forecasted cash flows denominated in foreign currencies. The Company limits the effects of foreign exchange rate fluctuations by following established risk management policies including the use of derivatives. The Company enters into derivative financial instruments, where the counterparty is a bank.

The use of foreign currency forward contracts is governed by the Company’s policies approved by the Board of Directors, which provides written principles on the use of such financial derivatives consistent with the Company’s risk management strategy. The Company does not use derivative financial instruments for speculative purposes.

The Company uses foreign currency forward contracts and currency options to hedge its risks associated with foreign currency fluctuations relating to certain forecasted transactions. The Company designates these as cash flow hedges.

Foreign currency derivative instruments are initially measured at fair value, and are re-measured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognised in shareholder’s funds and the ineffective portion is recognised in the statement of profit and loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of profit and loss as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time for forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in shareholder’s funds is retained there until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in shareholders’ funds is transferred to the statement of profit and loss for the period.

The impact of adoption of AS 30 has been described in note 37 and 38 to the financial statements.

c. *Non-derivative financial instruments and hedge accounting*

Financial assets of the Company include cash and bank balances, sundry debtors, unbilled revenues, finance lease receivables, employee travel and other advances, other loans and advances and derivative financial instruments with a positive fair value. Financial liabilities of the Company comprise secured and unsecured loans, sundry creditors, accrued expenses and derivative financial instruments with a negative

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

fair value. Financial assets / liabilities are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when all of risks and rewards of the ownership have been transferred. The transfer of risks and rewards is evaluated by comparing the exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred assets.

Short-term receivables with no stated interest rates are measured at original invoice amount, if the effect of discounting is immaterial. Non-interest-bearing deposits are discounted to their present value.

The Company also designates financial instruments as hedges of net investments in non-integral foreign operations. The portion of changes in fair value of financial instrument that is determined to be an effective hedge is recognised in statement of profit and loss together with the translation of the related investment. Changes in fair value relating to the ineffective portion of hedges are recognised in the statement of profit and loss as they arise.

The Company measures the financial liabilities, except for derivative financial liabilities, at amortised cost using the effective interest method. The Company measures the short-term payables with no stated rate of interest at original invoice amount, if the effect of discounting is immaterial.

2.10 Earnings per share

The basic earnings per equity share are computed by dividing the net profit or loss attributable to the equity shareholders for the period by the weighted average number of equity shares outstanding during the reporting period. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share, and also the weighted average number of equity shares which may be issued on the conversion of all dilutive potential shares, unless the results would be anti-dilutive.

2.11 Provisions and contingencies

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

2.12 Onerous contracts

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract. The provision is measured at lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.

2.13 Foreign currency convertible bonds (FCCB)

a) Foreign Currency Convertible Bonds are considered monetary in nature. These are designated as hedging instrument to hedge the net investment in non-integral foreign operation. Net gain or loss resulting from restatement of this liability at period end rates is accounted through Statement of profit and loss (refer note 35 and 37).

b) Premium payable on redemption of FCCB is amortised on pro-rata basis at implicit rate of return over the period of the bonds and charged to the Securities Premium account periodically (refer note 37).

	2012	2011
3. Share capital		
Authorised		
850,000,000 (31 March 2011: 850,000,000) equity shares of ₹ 10 each	**8,500.00**	8,500.00
	8,500.00	8,500.00
Issued, subscribed and paid-up		
430,776,307 (31 March 2011: 430,638,182) equity shares of ₹ 10 each, fully paid up	**4,307.76**	4,306.38
	4,307.76	4,306.38

a. Reconciliation of number of shares outstanding

	31 March 2012		31 March 2011	
	No. of shares	**Amount**	No. of shares	Amount
Shares outstanding at the beginning of the year	**430,638,182**	**4,306.38**	429,209,682	4,292.10
Shares issued during the year – Stock options	**138,125**	**1.38**	1,428,500	14.28
Shares outstanding at the end of the year	**430,776,307**	**4,307.76**	430,638,182	4,306.38

b. Details of shareholders holding more than 5% shares in the Company

	31 March 2012		31 March 2011	
	No of shares	**% of holding**	No of shares	% of holding
Aranda Investments (Mauritius) Pte Ltd	**81,073,488**	**18.83**	81,073,488	18.83
Metavante Invetments (Mauritius) Ltd	**78,265,863**	**18.17**	78,265,863	18.17
ICICI Bank Ltd	**77,963,471**	**18.10**	77,963,471	18.10

c. Shares reserved for issue under options

a. 54,046,595 (31 March 2011: 53,089,095) number of shares are reserved for issue under the employee stock options plan (ESOP) amounting to ₹ 540.47 (31 March 2011: ₹ 530.89). For terms of ESOP, refer note 27.

b. For details of shares reserved for issue on conversion of FCCB, refer note 35.1.

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

		2012	2011
4.	**Reserves and surplus**		
	Securities premium		
	Balance at the beginning of the year *	**2,346.94**	3,368.36
	Add : Premium on shares issued during the year	**1.13**	7.69
	Writeback of amortised premium on buyback of FCCB (refer note 35.2)	**99.12**	-
	Less: Amortisation of premium payable on redemption of outstanding FCCB including withholding tax, net (refer note 2.13b and 35.1)	**619.69**	1,029.11
	Balance at the end of the year	**1,827.50**	2,346.94
	Amalgamation deficit adjustment account	**(1,136.72)**	(1,136.72)
	General reserve		
	Transition adjustment on adoption of AS 30 (refer note 37)	**668.21**	668.21
	Hedging reserve (refer note 2.13a and 38)		
	Balance at the beginning of the year	**90.99**	416.69
	Movement during the year	**(358.28)**	(325.70)
	Balance at the end of the year	**(267.29)**	90.99
	Balance in statement of profit and loss		
	Balance at the beginning of the year	**2,947.93**	2,285.06
	Add: Net profit for the year	**453.59**	662.87
	Balance at the end of the year	**3,401.52**	2,947.93
	* Includes ₹ 39.27 (31 March 2011: ₹ 39.27) from acquisition of Customer Assets India Limited merged with the Company effective 1 April 2004.	**4,493.22**	4,917.35
5.	**Long-term borrowings**		
	Secured		
	Term loan – from banks		
	External commercial borrowings (ECB)	**-**	1,061.81
	Long-term maturities of finance lease obligations	**43.09**	48.69
	Unsecured		
	Bonds		
	Foreign currency convertible bonds (FCCB) *	**-**	11,562.68
	Other loans and advances		
	Loan from non-banking financing companies	**58.24**	3.48
		101.33	12,677.66

* Includes pro-rata premium payable on redemption of FCCB amounting to Nil (31 March 2012 ₹ 2,346.32). FCCB liability has been classified as current portion of long-term borrowings (refer note 11) as at 31 March 2012.

a. ECB has been prepaid in full in the year ended 31 March 2012. ECB carried interest @ LIBOR + 730 bps. As per original terms of ECB, it was repayable after 2 years from the date of its origination in 10 half yearly installments. ECB was secured against pari passu charge on all current and non-current assets of FG US. Further the loan was guaranteed by FG US and its subsidiaries and FSL UK.

b. Finance lease obligation carries interest in the range of 6%-12.5% for the period of 3 - 5 years from the date of its origination, repayable in quarterly instalments. This is secured by way of hypothecation of underlying fixed assets taken on lease, refer note 11.

c. For terms of FCCBs, refer note 35.1.

d. Loan from non-banking financing companies carries interest in the range of 7.5%-12.5% for the period of 3-4 years from the date of its origination, repayable in quarterly instalments from the date of its origination.

		2012	2011
6.	**Long-term provisions**		
	Withholding tax on premium payable on redemption of FCCB	**-**	247.71
		-	247.71
7.	**Short-term borrowings**		
	Unsecured		
	Other loans and advances		
	Working capital demand loan	**150.00**	-
	Export finance from banks	**216.74**	431.82
		366.74	431.82

a. Working capital demand loan carries interest rate of 13% p.a. The same is repayable on demand.

b. Export finance from banks carries interest @ LIBOR + 265 bps (31 March 2011: LIBOR + 150 bps). The same is repayable on demand / receipt from customers.

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

		2012	2011
8.	**Trade payables**		
	Trade payable (refer note 39 for details of amounts due to micro and small enterprises)	**628.46**	558.50
		628.46	558.50
9.	**Other current liabilities**		
	Current maturities of long-term borrowings		
	External commercial borrowings (ECB) - refer note 5(a)	**-**	188.10
	Finance lease obligation - refer note 5(b)	**21.85**	36.33
	Foreign currency convertible bonds – refer note 5(c) *	**11,421.37**	-
	Loan from non-banking financing companies – refer note 5(d)	**47.89**	19.08
	Interest accrued but not due	**0.84**	11.58
	Others		
	Amount payable to subsidiary	**857.98**	880.81
	Creditors for capital goods	**13.78**	39.00
	Book credit in bank account	**61.90**	80.65
	Tax deducted at source payable	**29.14**	19.76
	Employee related statutory dues	**39.46**	22.85
	Advance from customers	**150.60**	-
	Service tax	**-**	12.81
	Exchange loss on derivative contracts	**282.85**	-
	* Includes pro-rata premium payable on redemption of FCCB amounting to ₹ 2,881.89	**12,927.66**	1,310.97
10.	**Short-term provisions**		
	Provision for employee benefits		
	Gratuity (refer note 30)	**28.29**	3.30
	Leave encashment	**72.93**	63.23
		101.22	66.53

11. Fixed assets

	Tangible Assets						Intangible Assets				
	Leasehold improvements	Computers	Service equipments	Furniture, fixture and office equipments	Vehicles	Total	Goodwill	Domain name	Software	Total	Grand Total
Gross block (at cost)											
As at 1 April 2011	1,316.05	768.69	510.82	1,200.54	2.01	3,798.11	759.97	6.72	331.61	1,098.30	4,896.41
Additions during the year	109.20	25.93	53.60	174.39	0.96	364.08	-	-	40.17	40.17	404.25
Additions on account of business acquisitions	-	-	-	-	-	-	-	-	-	-	-
Deletions during the year	(235.12)	(95.39)	(18.84)	(97.74)	-	(447.09)	-	-	(0.03)	(0.03)	(447.12)
As at 31 March 2012	**1,190.13**	**699.23**	**545.58**	**1,277.19**	**2.97**	**3,715.10**	**759.97**	**6.72**	**371.75**	**1,138.44**	**4,853.54**
Accumulated depreciation / amortisation											
As at 1 April 2011	990.35	685.29	433.74	896.96	0.27	3,006.61	61.19	6.72	247.56	315.47	3,322.08
Accumulated depreciation on business acquisitions	-	-	-	-	-	-	-	-	-	-	-
Charge for the year	131.09	50.48	43.62	156.78	0.62	382.59	162.74	-	53.46	216.20	598.79
On deletions during the year	(224.82)	(95.68)	(18.35)	(93.68)	-	(432.53)	-	-	(0.03)	(0.03)	(432.56)
As at 31 March 2012	**896.62**	**640.09**	**459.01**	**960.06**	**0.89**	**2,956.67**	**223.93**	**6.72**	**300.99**	**531.64**	**3,488.31**
Net block											
As at 31 March 2012	**293.51**	**59.14**	**86.57**	**317.13**	**2.08**	**758.43**	**536.04**	**-**	**70.76**	**606.80**	**1,365.23**
As at 31 March 2011	325.70	83.40	77.08	303.58	1.74	791.50	698.78	-	84.05	782.83	1,574.33

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

The above assets include assets taken on lease as follows:

	Tangible Assets				Intangible Assets	
	Leasehold improvements	Computers	Service equipments	Furniture and fixtures	Software	Total
Gross block (at cost)						
As at 1 April 2011	17.91	60.34	88.16	31.84	2.54	200.79
As at 31 March 2012	**21.98**	**60.34**	**103.20**	**32.43**	**2.54**	**220.49**
Accumulated depreciation / amortisation						
As at 1 April 2011	0.90	50.40	59.96	1.73	0.93	113.92
As at 31 March 2012	**5.09**	**59.45**	**80.38**	**8.16**	**1.78**	**154.86**
Net block						
As at 31 March 2012	**16.89**	**0.89**	**22.82**	**24.27**	**0.76**	**65.63**
As at 31 March 2011	17.01	9.94	28.20	30.11	1.61	86.87

	2012	2011
12. Non-current investments		
Trade		
Investments in subsidiaries (Unquoted)		
2,834,672 (31 March 2011: 2,834,672) fully paid up equity shares of GBP 1 each of Firstsource Solutions UK Limited	**18.35**	18.35
7,107,422 (31 March 2011: 7,107,422) fully paid up equity shares of ₹ 10 each of Rev IT Systems Private Limited	**736.28**	736.28
218,483 (31 March 2011: 218,483) fully paid-up common stock of USD 1 each of Firstsource Group USA, Inc.	**10,673.72**	9,300.03
1,050,000 (31 March 2011: 50,000) fully paid-up common stock of ₹ 10 each of Anunta Tech Infrastructure Services Limited	**100.50**	0.50
6,823,570 (31 March 2011: Nil) fully paid-up common stock of LKR 10 each of Firstsource Dialog Solutions (Private) Limited	**46.18**	-
1 (31 March 2011: Nil) fully paid-up common stock of EUR 1 each of Firstsource BPO Ireland Limited	**17.36**	-
Non-trade (Unquoted)		
In Mutual Fund (Philippines Treasury bills) *	**16.00**	8.61
	11,608.39	10,063.77
* Securities have been earmarked in favour of SEC, Philippines in compliance with corporation code of Philippines.		
13. Deferred tax assets		
Difference between tax and book value of fixed assets	**332.38**	310.00
Gratuity and leave encashment	**60.46**	47.77
	392.84	357.77
14. Long-term loans and advances		
(Unsecured, considered good)		
Capital advances	**8.29**	1.84
Deposits (refer note 37)	**428.46**	407.55
Other loans and advances		
Prepaid expenses	**1.04**	6.07
Lease rentals receivable, net	**34.55**	34.88
Advance tax and of tax deducted at source (net of provision for tax ₹ 447.34 (31 March 2011: ₹ 334.69))	**503.04**	290.45
	975.38	740.79

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

		2012	2011
15.	**Other non-current assets**		
	Other bank balance - Fixed deposit maturing beyond 12 months*	**2.00**	2.00
	Accrued interest	**0.30**	0.15
	Recoverable on sale of subsidiary - Pipal	**-**	35.82
	Unamortised cost (refer note 37)	**7.50**	42.57
	Minimum alternate tax credit carried forward	**302.46**	189.82
	* Under lien for bank guarantees to the Customs authorities	**312.26**	270.36
16.	**Current investments (at lower of cost and fair value)**		
	Non-trade (Unquoted)		
	331,979 (31 Mar 2011: 6,374,624) units of Birla Sun Life Cash Plus - Institutional Premium Plan - Growth Option	**57.00**	100.00
	438,370 (31 Mar 2011:Nil) units of ICICI Prudential Money Market Fund - Cash Option - Growth	**65.00**	-
	Nil (31 March 2011: 2,368,950) units of ICICI Prudential Interval Fund V - Monthly Interval plan A Institutional Growth option	**-**	25.00
	2,167,182 (31 Mar 2011: Nil) units of Reliance Liquidity Fund- Growth Option	**35.00**	-
	Nil (31 March 2011: 7,543,943) units of Reliance Liquid Fund- Treasury Plan- Institutional Option- Growth Option	**-**	180.00
	2,848,678 (31 March 2011: 6,590,786) units of Kotak Floater Short Term Plan Growth Option	**50.00**	105.65
	59,328 (31 Mar 2011: 10,390,188) units of SBI Premier Liquid Fund - Super Institutional Plan - Growth Option	**100.00**	160.00
	Nil (31 March 2011: 10,353,618) units UTI Fixed Income Interval Fund - MIP - II - Institutional Growth Plan	-	106.18
	Nil (31 March 2011: 5,515,568) units of Religare Credit Opportunities Fund - IP Plan - Growth Option	-	60.00
	Nil (31 March 2011: 12,208,271) units of HDFC Cash Management Fund Savings Plan Growth Option	-	250.00
	(Net assets value of unquoted investments ₹ 307.14 (31 March 2011: ₹ 1,000.28))	**307.00**	986.83
17.	**Trade receivables**		
	(Unsecured)		
	Receivables outstanding for a period exceeding six months from the date they are due for payment		
	- considered good	**-**	19.60
	- considered doubtful	**5.29**	13.47
		5.29	33.07
	Less: Provision for doubtful debts	**5.29**	13.47
		-	19.60
	Others receivables		
	- considered good	**1,551.99**	1,510.28
		1,551.99	1,529.88
18.	**Cash and bank balances**		
	Cash and cash equivalents		
	Balances with banks		
	- in current accounts	**293.88**	462.62
	- in deposit accounts less than three months	**365.50**	840.11
	Cash on hand	**0.05**	0.09
	Remittances in transit	**-**	172.81
		659.43	1,475.63
	- in deposit accounts more than three months but less than twelve months	**4,903.86**	-
		5,563.29	1,475.63

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

		2012	2011
19.	**Short-term loans and advances**		
	(Unsecured, considered good)		
	Loans to subsidiaries		
	FG US	**-**	6,689.25
	FSL Ireland	**251.11**	-
	Advances to subsidiaries	**223.19**	98.24
	Others		
	Prepaid expenses	**55.54**	68.41
	Advances recoverable in cash or in kind or for value to be received	**49.21**	45.65
	Lease rentals receivable, net	**20.71**	21.04
		599.76	6,922.59
20.	**Other current assets**		
	Unbilled receivables	**138.02**	499.52
	Accrued interest	**29.46**	7.47
	Exchange gain on derivatives	**-**	78.84
	Unamortised costs (refer note 37)	**30.70**	7.96
	Recoverable on sale of subsidiary - Pipal	**33.34**	-
		231.52	593.79
21.	**Revenue from operations**		
	Sale of services	**7,596.70**	6,657.89
	Other operating income (refer note 31)	**(54.14)**	371.79
		7,542.56	7,029.68
22.	**Other income**		
	Profit on sale/redemption of current investments, net	**74.56**	78.50
	Profit on sale of investment in subsidiary	**-**	77.73
	Interest income	**470.30**	391.22
	Foreign exchange gain, net		
	- Translation gain / (loss) on FCCB	**(980.96)**	98.94
	- Exchange (loss) / gain on translation of investments (refer note 37)	**1,419.44**	(98.94)
	- Others	**23.25**	(8.13)
	Loss on FCCB buyback, net (refer note 35.2)	**(67.62)**	-
	Miscellaneous income	**80.26**	20.23
		1,019.23	559.55
23.	**Employee benefits expense**		
	Salaries and wages	**3,877.96**	3,374.17
	Contribution to provident and other funds	**293.56**	214.86
	Staff welfare expenses	**93.30**	77.62
		4,264.82	3,666.65
24.	**Finance cost**		
	Interest expense		
	- on External commercial borrowings	**39.52**	113.42
	- on Working capital demand loan and others	**4.37**	7.73
	Finance charges on leased assets	**5.72**	6.76
	Bank guarantee commission	**5.87**	11.19
	Amortised cost on fair value of FCCB (refer note 37)	**143.75**	129.03
		199.23	268.13
	Translation loss on FCCB	**456.42**	-
		655.65	268.13

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

		2012	2011
25.	**Other expenses**		
	Rent	**648.52**	606.48
	Rates and taxes	**10.81**	1.48
	Legal and professional fees	**134.61**	148.13
	Car and other hire charges	**360.07**	278.45
	Connectivity charges	**259.66**	267.29
	Maintenance and upkeep	**413.85**	330.13
	Recruitment and training expenses	**120.15**	99.04
	Electricity, water and power consumption	**242.76**	211.75
	Travel and conveyance	**182.27**	174.19
	Computer expenses	**76.88**	80.32
	Communication expenses	**64.21**	58.80
	Insurance	**41.57**	35.66
	Printing and stationery	**16.70**	26.32
	Auditors' remuneration		
	- Statutory audit	**11.50**	11.50
	- Other services	**1.53**	0.64
	- Reimbursement of expenses	**0.23**	0.30
	Loss on sale / write off of fixed assets, net	**0.93**	14.98
	Directors' sitting fees	**1.24**	1.32
	Provision for doubtful debts / bad debts (written back) / written off, net	**(6.10)**	1.54
	Bank administration charges	**3.99**	3.49
	Miscellaneous expenses	**38.57**	33.24
		2,623.95	2,385.05

26. Leases

Operating lease

The Company is obligated under non-cancelable operating leases for office space and office equipments which are renewable on a periodic basis at the option of both the lessor and lessee. Rental expenses under non-cancelable operating leases for the year ended 31 March 2012 aggregated to ₹ 326.30 (31 March 2011: ₹ 281.78). ₹ 0.90 (31 March 2011: ₹ 13.94) and Nil (31 March 2011: Nil) has been attributed to expenses prior to the related asset being ready to use and, accordingly, has been included as part of the related fixed assets and capital work in progress respectively.

The future minimum lease payments in respect of non-cancelable operating leases are as follows:

	2012	2011
Amount due within one year from the balance sheet date	**373.98**	305.74
Amount due in the period between one year and five years	**741.28**	351.06
	1,115.26	656.80

The Company also leases office facilities and residential facilities under cancelable operating leases that are renewable on a periodic basis at the option of both the lessor and lessee. Rental expenses under cancelable operating leases for the year ended 31 March 2012 aggregated ₹ 409.33 (31 March 2011: ₹ 318.82).

Finance lease

The Company has acquired certain capital assets under finance lease. Future minimum lease payments under finance lease as at 31 March 2012 are as follows:

	Minimum lease payments	Finance charges	Present value of minimum lease payments
As at 31 March 2012			
Amount due within one year from the balance sheet date	**25.58**	**3.73**	**21.85**
Amount due between one year and five years	**47.05**	**3.96**	**43.09**
	72.63	**7.69**	**64.94**
As at 31 March 2011			
Amount due within one year from the balance sheet date	41.56	5.23	36.33
Amount due between one year and five years	55.63	6.94	48.69
	97.19	12.17	85.02

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

The Company has given vehicles on finance lease to its employees as per policy. As at 31 March 2012, the future minimum lease rentals receivables are as follows:

	Minimum lease payments	Finance charges	Present value of minimum lease payments
As at 31 March 2012			
Amount receivable within one year from the balance sheet date	**25.66**	**4.94**	**20.72**
Amount receivable in the period between one year and five years	**39.01**	**4.47**	**34.54**
	64.67	**9.41**	**55.26**
As at 31 March 2011			
Amount receivable within one year from the balance sheet date	26.00	4.97	21.03
Amount receivable in the period between one year and five years	39.46	4.57	34.89
	65.46	9.54	55.92

27. Employee Stock Option Plan

Stock option scheme 2002 ('Scheme 2002')

In September 2002, the Board of the Company approved the ICICI OneSource Stock Option Scheme 2002 ("the Scheme"), which covers the employees and directors of the Company including its holding Company and subsidiaries. The Scheme is administered and supervised by the members of the Compensation cum Board Governance Committee (the 'Committee').

As per the Scheme, the Committee shall issue stock options to the employees at an exercise price equal to the fair value on the date of grant, as determined by an independent valuer. The Scheme provides that these options would vest in tranches over a period of four years as follows:

Period within which options will vest unto the participant	% of options that will vest
End of 12 months from the date of grant of options	25.0
End of 18 months from the date of grant of options	12.5
End of 24 months from the date of grant of options	12.5
End of 30 months from the date of grant of options	12.5
End of 36 months from the date of grant of options	12.5
End of 42 months from the date of grant of options	12.5
End of 48 months from the date of grant of options	12.5

Further, the participants shall exercise the options within a period of nine years commencing on or after the expiry of twelve months from the date of the grant of the options.

Employee stock option activity under Scheme 2002 is as follows:

Description	2012		2011	
	Shares arising out of options	Weighted Average period in months	Shares arising out of options	Weighted Average period in months
Exercise Range : 00.00 - 30.00				
Outstanding at the beginning of the year	**90,625**	**22**	91,875	34
Granted during the year	**-**	**-**	-	-
Forfeited during the year	**3,750**	**-**	-	-
Exercised during the year	**-**	**-**	1,250	-
Outstanding at the end of the year	**86,875**	**10**	90,625	22
Exercisable at the end of the year	**86,875**	**-**	90,625	-

Employee stock option scheme 2003 ('Scheme 2003')

In September 2003, the Board and the members of the Company approved the ICICI OneSource Stock Option Scheme 2003 ('Scheme 2003') effective 11 October 2003. The terms and conditions under this Scheme are similar to those under 'Scheme 2002' except for the following, which were included in line with the amended "SEBI (Employee stock option scheme and employee stock purchase scheme) guidelines, 1999":

- The Scheme would be administered and supervised by the members of the Compensation committee.
- Exercise price to be determined based on a fair valuation carried out at the beginning of every six months for options granted during those respective periods After the Company has been listed on any stock-exchange, the Exercise Price shall be determined by the Committee on the date the Option is granted in accordance with, and subject to, the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (as amended from time to time);

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

- Employee stock option activity under Scheme 2003 is as follows:

Description	Exercise Range	2012		2011	
		Shares arising out of options	**Weighted Average period in months**	Shares arising out of options	Weighted Average period in months
Outstanding at the beginning of the year	00.00 - 30.00	**25,325,524**	**101.59**	11,229,024	99.96
	30.01 - 60.00	**23,539,934**	**73.59**	30,827,701	87.69
	60.01 - 90.00	**4,133,012**	**79.61**	13,568,814	91.07
Granted during the year	00.00 - 30.00	**7,200,000**	**-**	17,150,000	-
	30.01 - 60.00	**-**	**-**	200,000	-
	60.01 - 90.00	**-**	**-**	-	-
Forfeited during the year	00.00 - 30.00	**3,463,125**	**-**	1,776,250	-
	30.01 - 60.00	**2,483,750**	**-**	7,487,767	-
	60.01 - 90.00	**153,750**	**-**	9,435,802	-
Exercised during the year	00.00 - 30.00	**138,125**	**-**	1,277,250	-
	30.01 - 60.00	**-**	**-**	-	-
	60.01 - 90.00	**-**	**-**	-	-
Outstanding at the end of the year	00.00 - 30.00	**28,924,274**	**95.24**	25,325,524	101.59
	30.01 - 60.00	**21,056,184**	**61.69**	23,539,934	73.59
	60.01 - 90.00	**3,979,262**	**67.52**	4,133,012	79.61
Exercisable at the end of the year	00.00 - 30.00	**10,752,399**	**-**	5,703,649	-
	30.01 - 60.00	**19,109,309**	**-**	19,646,184	-
	60.01 - 90.00	**3,979,262**	**-**	3,693,012	-

1. The Compensation Cum Board Governance Committee of the Company, at its meeting held on 27 April 2006, amended the vesting schedule for stock options granted on 1 May 2006 to General Managers and above grade employees and to non-executive directors. The vesting schedule for 15,980,000 stock options granted pursuant to the above is set forth below:

Period within which options will vest unto the participant	% of options that will vest
End of 24 months from the date of grant of options	50.0
End of 36 months from the date of grant of options	50.0

2. The aggregate stock option pool under Employee Stock Option Scheme 2002 and Employee Stock Option Scheme 2003 is 20% fully diluted equity shares as of 31 March 2012.

3. The Compensation Cum Board Governance Committee of the Company, at its meeting held on 22 November 2007 amended the scheme to include 'Executive Options'. 50% of the vesting for 'Executive Options' is time linked and the balance 50% is performance linked. The vesting schedule for time linked 'Executive Options' is set forth below:

Period within which Executive Options shall vest to the Option grantee	% of options that will vest
End of 24 months from date of grant of Options	20.0
End of 36 months from date of grant of Options	10.0
End of 48 months from date of grant of Options	10.0
End of 60 months from date of grant of Options	10.0

The vesting schedule for Performance Linked options is set forth below:

50% of 'Executive Options' which are performance linked shall vest in proportion to the achievement of 5 year performance targets to be decided by the Committee, with the first vesting being at the end of the second year from the date of grant of 'Executive Options'. The number of 'Executive Options' vesting at the end of each year would be in proportion to the percentage achievement against the targets and if the targets were not met, the vesting period would be extended beyond 5 years. If performance was better than targets, the Options would vest in less than 5 years.

4. The Compensation Cum Board Governance Committee of the Company, at its meeting held on 30 October 2008 prescribed the Exercise Period for stock options (other than Executive Options) whether already granted or to be granted to employees of the Company and its subsidiaries under Firstsource Solutions Employee Stock Option Scheme 2003 as 10 years from the date of grant of Options.

5. The Company applies the intrinsic value based method of accounting for determining compensation cost for its stock- based compensation plan. Had the compensation cost been determined using the fair value approach, the Company's net Income and basic and diluted earnings per share as reported would have reduced to the proforma amounts as indicated:

Particulars	2012	2011
Net income as reported	**453.59**	662.87
Less: Stock-based employee compensation expense (fair value method)	**25.81**	95.83
Proforma net income	**427.78**	567.04
Basic earnings per share as reported (₹)	**1.05**	1.54
Proforma basic earnings per share (₹)	**0.99**	1.32
Diluted earnings per share as reported (₹)	**1.05**	1.52
Proforma diluted earnings per share (₹)	**0.83**	1.09

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

The key assumptions used to estimate the fair value of options are:

Dividend yield	0%
Expected Life	3-5 years
Risk free interest rate	6.50% to 9.06%
Volatility	0% to 75%

28. Managerial remuneration

Particulars	2012	2011
Salaries and allowances	**27.30**	43.27
Contribution towards retirement benefits	**0.50**	0.25
Perquisites	**-**	0.25
TOTAL	**27.80**	43.77

The above does not include provision for gratuity and leave encashment benefits as the provisions for these are determined for the Company as a whole and therefore separate amounts for the directors are not available.

Computation of net profits in accordance with relevant provisions of the Companies Act, 1956 is as under.

	Amount
Profit after tax	453.59
Add:	
Payment / payable to Directors	48.65
Depreciation charged in the accounts	598.79
Provision for current and deferred tax	(35.01)
Provision for wealth tax	0.72
Loss on sale of fixed assets	0.93
Less:	
Profit on sale of investments	74.56
Depreciation as computed under Section 350 of the Act	598.79
Provision for doubtful debts, written back	6.10
Net profit as per Section 349 of the Act	388.22
10% of Net Profit	38.82
Payment to Dy. Managing Director *	15.32
Maximum payable to Managing Director	23.50
Payment to Managing Director (consolidated) **	27.03

* Remuneration paid to Dy. Managing Director is within the limit specified under section 349 of the Act.
** Remuneration paid to Managing Director is as per approval received from the Central Government.

29. Related party transactions

Details of related parties including summary of transactions entered into during the year ended 31 March 2012 are summarized below:

Subsidiaries wherein control exists	• The related parties where control exists are subsidiaries as referred to in note 1 to the financial statements.
Key Managerial Personnel	• Alexander Matthew Vallance • Rajesh Subramaniam ** • Carl Saldanha *
Non Executive Directors	• Dr. Shailesh Mehta • Ananda Mukerji # • Charles Miller Smith • K.P.Balaraj • Mohit Bhandari • Y.H.Malegam • Donald Layden, Jr. • Pravir Vohra • Ram Chary

* Resigned during the year
** Additions during the year
# Stepped down from Managing Director and CEO to Non-Executive director during the year ended 31 March 2011

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

Particulars of related party transactions:

Name of the related party	Description	Transaction value during the year ended 31 March		Receivable / (Payable) at 31 March	
		2012	2011	**2012**	2011
FSL-UK	Income from services	**2,003.09**	2,190.41	**351.15**	823.51
	Reimbursement of expenses	**32.74**	34.91	**-**	-
	Recovery of expense	**63.72**	50.92	**55.14**	3.42
	Investment in equity	**-**	-	**18.35**	18.35
	Goodwill on Asset Purchase	**-**	759.97	**(627.34)**	(754.00)
	Receipt of services	**1,531.32**	602.07	**(284.04)**	(130.23)
FAL	Income from services	**400.91**	290.03	**79.62**	96.36
	Reimbursement of expenses	**4.94**	0.15	**-**	-
	Recovery of expense	**44.78**	36.00	**44.09**	35.84
RevIT	Income from services	**-**	0.85	**-**	0.85
	Reimbursement of expenses	**1.26**	0.82	**-**	-
	Recovery of expense	**51.07**	16.11	**36.88**	7.78
	Investment in equity	**-**	-	**736.28**	736.28
	Sale of shares	**-**	119.48	**-**	-
Pipal	Recovery of expense	**-**	0.33	**-**	-
	Loan repayment	**-**	20.00	**-**	-
	Interest Income	**-**	0.60	**-**	-
	Sale of shares	**-**	208.93	**-**	-
MedAssist	Income from services	**44.59**	24.65	**44.59**	24.65
	Reimbursement of expenses	**0.66**	0.41	**-**	-
	Recovery of expense	**24.31**	39.36	**23.60**	36.87
FG US	Income from services	**879.89**	676.59	**332.04**	165.69
	Reimbursement of expenses	**5.01**	11.11	**-**	-
	Recovery of expense	**70.64**	19.67	**87.12**	10.07
	Investment in equity	**-**	-	**10,673.72**	9,300.03
	Interest income	**112.43**	322.36	**-**	-
	Loan repaid	**6,689.25**	-	**-**	6,689.25
FBPS	Loan repayment	**-**	416.12	**-**	-
	Interest income	**-**	16.67	**-**	-
Anunta	Recovery of expenses	**25.32**	7.68	**-**	7.68
	Reimbursement of expenses	**11.37**	-	**(1.07)**	-
	Investment in equity	**100.00**	0.50	**100.50**	0.50
FDS	Recovery of expenses	**7.48**	-	**1.59**	-
	Investment in equity	**46.18**	-	**46.18**	-
FTS	Income from services	**18.92**	-	**13.90**	-
	Recovery of expenses	**22.68**	-	**22.68**	-
FSL Ireland	Investment in equity	**17.36**	-	**17.36**	-
	Loan to Ireland	**251.11**		**251.11**	
	Interest Income	**1.80**		**1.82**	
	Recovery of expense	**5.43**		**6.57**	
Non executive directors	Sitting fees paid	**1.24**	1.32	**-**	-
Key Managerial Personnel	Remuneration*	**53.75**	55.01	**-**	-

* Excluding ESOPs

List of transactions with key managerial personnel having total value more than 10% value of transactions :

Description	2012	2011
Remuneration paid		
Ananda Mukerji	**-**	34.32
Alexander Matthew Vallance *	**32.10**	9.45
Rajesh Subramaniam	**15.32**	-
Carl Saldanha	**6.33**	11.24

* Includes ₹ 19.61 payable on retrement pursuant to non-compete contract in addition to managerial remuneration.

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

30. Employee Benefit

a) *Gratuity Plan*

The following table sets out the status of the gratuity plan as required under AS 15 Reconciliation of opening and closing balances of the present value of the defined benefit obligation and fair value of plan assets:

Particulars	2012	2011	2010	2009	2008
Change in present value of obligations					
Obligations at beginning of the year	**86.84**	78.22	66.10	46.87	30.20
Service cost	**31.65**	23.85	53.73	22.61	21.00
Interest cost	**6.41**	5.68	4.95	3.93	2.15
Actuarial (gain)/loss	**(8.99)**	(6.58)	(40.36)	(3.42)	(3.28)
Benefits paid	**(19.19)**	(14.33)	(6.20)	(3.89)	(3.20)
Obligations at the end of the year	**96.72**	86.84	78.22	66.10	46.87
Change in plan assets					
Fair value of plan assets at beginning of the year,	**70.88**	44.44	46.11	2.08	2.08
Expected return on plan assets	**5.99**	5.02	3.87	1.36	0.16
Actuarial gain/(loss)	**0.75**	(1.22)	0.66	1.57	(0.16)
Contributions	**10.00**	36.98	-	45.00	3.20
Benefits paid	**(19.19)**	(14.34)	(6.20)	(3.90)	(3.20)
Fair value of plan assets at end of the year,	**68.43**	70.88	44.44	46.11	2.08
Reconciliation of present value of the obligation and the fair value of plan assets					
Present value of the defined benefit obligations at the end of the year	**96.72**	86.84	78.22	66.10	46.87
Fair value of plan assets at the end of year	**(68.43)**	(70.88)	(44.44)	(46.11)	(2.08)
Funded status being amount of liability recognised in the balance sheet	**28.29**	15.96	33.78	19.99	44.79
Gratuity cost for the year					
Service cost	**31.65**	23.85	53.73	22.61	21.00
Interest cost	**6.41**	5.68	4.95	3.93	2.15
Expected return on plan assets	**(5.99)**	(5.02)	(3.87)	(1.36)	(0.16)
Actuarial (gain)/loss	**(9.74)**	(5.36)	(41.02)	(4.98)	(3.12)
Net gratuity cost	**22.33**	19.15	13.79	20.20	19.87
Actual return on plan assets	**6.74**	3.80	4.53	2.93	-
Assumptions					
Interest rate	**8.60%**	8.30%	8.00%	7.86%	8.75%
Estimated rate of return on plan assets	**9.00%**	9.00%	8.00%	8.00%	7.90%
Rate of growth in salary levels	**10.00%**	10.00%	10.00%	10.00%	10.00%
Withdrawal rate	**25% reducing to 2% for over 20 years of service**	25% reducing to 2% for over 20 years of service	25% reducing to 2% for over 20 years of service	25% reducing to 2% for over 20 years of service	25% reducing to 2% for over 20 years of service

Experience Adjustments	2012	2011	2010	2009	2008
On plan liabilities (Gain) / Loss	**(8.99)**	(5.45)	(10.64)	(10.66)	(7.57)
On plan assets (Gain) / Loss	**(0.46)**	1.22	(0.66)	(1.57)	0.16

The estimates of future salary increase, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

Gratuity cost, as disclosed above, is included under 'Salaries, bonus and other allowances'. The Company expects to contribute approximately ₹ 20.00 to the gratuity trust during fiscal 2013.

b) *Contribution to provident funds*

The provident fund charge during the year amounts to ₹ 129.86 (31 March 2011: ₹ 106.26)

c) *Compensated absences*

Actuarial Assumptions	2012	2011	2010	2009	2008
Interest rate	**8.60%**	8.30%	8.00%	7.86%	8.75%
Rate of growth in salary levels	**10.00%**	10.00%	10.00%	10.00%	10.00%

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

31. Other operating income

Other operating income comprises of net gain on restatement and settlement of debtor balances and related gain / loss on forward / option contracts.

32. Computation of number of shares for calculating diluted earnings per share

(No. of shares in millions)

	2012	2011
Number of shares considered as basic weighted average shares outstanding	**430.74**	429.90
Add: Effect of potential issue of shares/ stock options *	**-**	-
Add: Adjustment relating to Foreign currency convertible bonds*	**81.91**	90.37
Number of shares considered as weighted average shares and potential shares outstanding	**512.65**	520.27
Net profit after tax attributable to shareholders	**453.59**	662.87
Add: Interest on FCCB	**143.75**	129.03
Add: Exchange loss on FCCB	**17.94**	-
Net profit after tax for diluted earnings per share	**615.28**	791.90

* Not considered when anti-dilutive

33. Capital and other commitments and contingent liabilities

	2012	2011
The estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	**56.92**	45.50
Guarantees and letters of credit given	**11,649.40**	535.20

Direct tax matters

Income tax demands amounting to ₹ 113.70 (31 March 2011: ₹ 112.52) for the various assessment years are disputed in appeal by the Company in respect of which the Company has favorable appellate decisions supporting its stand based on the past assessment and hence, the provision for taxation is considered adequate. The Company has paid ₹ 10.00 (31 March 2011: ₹ 10.00) tax under protest against the demand raised for the assessment year 2004-05.

Indirect tax matters

The Service tax demands amounting to ₹ 116.85 (31 March 2011: ₹ 23.57) in respect of service tax input credit and FCCB issue expenses is disputed in appeal by the Company. The Company expects favourable appellate decision in this regard.

34. Supplementary statutory information (accrual basis)

		2012	2011
(i)	*Value of imports calculated on CIF basis*		
	Capital goods	**83.90**	56.82
(ii)	*Earnings in foreign exchange*		
	Income from services	**4,929.98**	4,454.44
	Interest income	**114.23**	339.03
	Other income	**73.67**	18.29
	Gain on sale of investment in subsidiary	**-**	52.02
(iii)	*Expenditure in foreign currency*		
	Marketing and support services	**0.16**	0.41
	Travel and conveyance	**34.85**	32.06
	Repairs and maintenance	**15.89**	20.28
	Interest	**138.68**	103.91
	Connectivity charges	**82.39**	79.42
	Legal and professional fees	**5.69**	19.78
	Other expenses (including expenses on FCCB buyback)	**0.44**	1.15

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

35. Foreign Currency Convertible Bonds (FCCB)

35.1 Issue of FCCB:

On 3 December 2007, the Company issued US $ 275,000,000 Zero Coupon FCCB. The terms are as under:

Issue	0% FCCB due 2012
Issued on	3 December 2007
Issue amount	USD 275,000,000
Amount outstanding as on 31 March 2012	USD 169,800,000
Face value	USD 100,000
Conversion price per share and fixed exchange rate	₹ 92.2933 ₹ 39.27 = USD 1
Number of shares to be issued if converted	72,248,439
Exercise period	On or after 14 January 2008 upto 4 December 2012
Early conversion at the option of the Company subject to certain conditions	On or after 4 December 2009 and prior to 24 November 2012
Redeemable on	4 December 2012
Redemption percentage of the principal amount	139.37%
Bonds outstanding as on 31 March 2012	1,698

The proceeds from the issue of the bonds were utilised to subscribe for shares in a wholly owned subsidiary FG US (erstwhile FSL-USA). FG US has then utilised the funds received by it for repayment of debt taken by it in connection with the acquisition of MedAssist.

35.2 Buyback of FCCB

During the year ended 31 March 2012, pursuant to RBI notification, the Company has bought back and cancelled 426 FCCBs of the face value of USD 100,000 each at a discount on accreted book value under the Automatic route. Due to adverse foreign currency movement, the Company has recognised net loss of ₹ 67.62 (31 March 2011: Nil) on the said buyback which has been disclosed under “Other income”.

36. Segmental Reporting

In accordance with paragraph 4 of Accounting Standard 17 "Segment Reporting" prescribed in the Companies (Accounting Standards) Rules, 2006, issued by the Central Government, the Company has presented segmental information only on the basis of the consolidated financial statements (refer note 32 of the consolidated financial statements).

37. Adoption of AS 30

In December 2007, the ICAI issued AS 30, Financials Instruments: Recognition and Measurement which is recommendatory in respect of accounting periods commencing on or after 1 April 2009 and mandatory in respect of accounting periods commencing on or after 1 April 2011 for the Company.

In March 2008, ICAI announced that earlier adoption of AS 30 is encouraged. However, AS 30, along with limited revision to other accounting standards, has currently not been notified under the Companies (Accounting Standard) Rules, 2006.

In accordance with the announcement dated 27 March, 2008 issued by ICAI, the Company had made an early adoption of AS 30 with effect from March 2008 in so far as it relates to derivatives. The Company also made an early adoption of AS 30 in so far as it relates to hedging with effect from 1 July, 2008. On 1 October, 2008, the Company has early adopted AS 30 in its entirety, read with AS 31, effective 1 April, 2008 and the limited revisions to other accounting standards which come into effect upon adoption of AS 30.

AS 30 states that particular sections of other accounting standards: AS 4, Contingencies and Events Occurring after Balance sheet Date, to the extent it deals with contingencies, AS 11(revised 2003), The Effects of Changes in Foreign Exchange Rates, to the extent it deals with the ‘forward exchange contracts’ and AS 13, Accounting for Investments, except to the extent it relates to accounting for investment properties, would stand withdrawn only from the date AS 30 becomes mandatory (1 April 2011). In view of the Company, on an early adoption of AS 30, the Accounting Standards referred above viz. AS 4, AS 11 and AS 13 are being treated as if they stand withdrawn.

Pursuant to the early adoption of AS 30, the Company has discounted Non-interest-bearing deposits to their present value and the difference between original amount of deposit and the discounted present value has been disclosed as “Unamortised cost” under Other Current and Non-Current Assets, which is charged to the Statement of profit and loss over the period of related lease. Correspondingly, interest income is accrued on these interest free deposits using the implicit rate of return over the period of lease and is recognised under “Interest income”.

In accordance with the transition provisions of AS 30, impact on first time adoption has been accounted in General Reserve.

Had the Company not early adopted AS 30 as stated above, and continued to record Non-interest-bearing deposits at transaction value, profit for the year ended 31 March 2012 would have been lower by ₹ 1.07 (31 March 2011: lower by ₹ 0.91).

As permitted by AS 30, the Company designated its FCCB along with premium payable on redemption as a hedging instrument to hedge its net investment in the non-integral foreign operations effective 1 July, 2008. Accordingly, the translation loss on FCCB of ₹ 1,437.38 for the year ended 31 March 2012 (31 March 2011: gain of ₹ 98.94), has been charged to Statement of profit and loss. Correspondingly, the gain of ₹ 1,419.44 for the year ended 31 March 2012 (31 March 2011: loss of ₹ 98.94) on translation of investment in non- integral foreign operations has been credited to Statement of profit and loss (refer note 22 and 24). If the Company had continued to apply the provisions of AS 11 to the FCCB and not designated it as a cash flow hedge as permitted under AS 30 and the consequent limited revision to other accounting standards, the net loss of ₹ 1,437.38 (31 March 2011: gain of ₹ 98.94) on FCCB would have been recorded in the Statement of profit and loss.

Further, the Company has accounted for embedded derivative option included in FCCB and revalued the same at the period end. The Company has charged ₹ 143.75 for the year ended 31 March 2012 (31 March 2011: ₹ 129.03) as amortised cost on the fair value of FCCB under "Finance cost" towards accretion of FCCB liability using implicit rate of return method over the repayment tenor of FCCB.

NOTES TO THE ACCOUNTS AS AT 31 MARCH 2012

(₹ in million)

38. Derivatives

The Company has designated forward contracts to hedge highly probable forecasted transactions on the principles of set out in AS-30, Financials Instruments: Recognition and Measurement.

As at 31 March 2012, the Company has derivative financial instruments to sell USD 25,796,100 (31 March 2011: USD 14,358,483) having fair value loss of ₹ 43.26 (31 March 2011: gain of ₹ 24.03), GBP 43,503,845 (31 March 2011: GBP 35,500,000) having fair value loss of ₹ 180.81 (31 March 2011: gain of ₹ 44.81) and AUD 16,586,223 (31 March 2011: Nil) having a fair value loss of ₹ 50.81 (31 March 2011: Nil) relating to highly probable forecasted transactions. The Company also has derivative financial instruments to sell EUR 3,700,000 (31 March 2011: Nil) having a fair value loss of ₹ 7.96 (31 March 2011: Nil) relating to loans given.

During 31 March 2011, the Company also had derivative financial instruments of GBP 10,000,000 which has been taken to hedge the foreign currency loans. The Company had recognised mark to market gain of ₹ 9.99 relating to derivative financial instruments that was designated as effective cash flow hedges in the Hedge Reserve account under Shareholders' funds (refer note 4).

The Company has recognised mark to market loss of 267.29 (31 March 2011: gain of ₹ 54.56) relating to derivative financial instruments that are designated as effective cash flow hedges in the Hedge Reserve account under Shareholders' funds (refer note 4) and loss of ₹ 25.31 (31 March 2011: gain of ₹ 14.28) has been taken to statement of profit and loss.

Foreign currency exposures on loans and receivables that are not hedged by derivative instruments or otherwise are ₹ 397.50 (equivalent to USD 7.52 million, AUD 0.13 million, EUR 0.01 million and LKR 3.90 million) (31 March 2011: ₹ 58.85 (equivalent to USD 1.31 million and CAD 0.01 million)).

39. Under the Micro Small and Medium Enterprises Development Act, 2006, (MSMED) which came into force from 2 October 2006 and on the basis of the information and records available with the Management:

	2012	2011
Principal amount and the interest due thereon remaining unpaid to any supplier as at the year end	**Nil**	Nil
Amount of interest paid by the Company in terms of section 16 of the MSMED, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year	**Nil**	Nil
Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED	**Nil**	Nil
Amount of interest accrued and remaining unpaid at the end of the accounting year	**Nil**	Nil
Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible	**Nil**	Nil

40. The Company is in the business of providing ITES and BPO services. Such services are not capable of being expressed in generic unit and hence, it is not possible to give the quantitative details required under paragraph 5(iii)(c) of general instructions for preparation of the statement of profit and loss as per revised schedule VI to the Companies Act, 1956.

41. Prior period comparatives

Till the year ended 31 March 2011, the Company was using pre-revised schedule VI to the Companies Act 1956, for preparation and presentation of its financial statements. During the year ended 31 March 2012, the revised schedule VI notified under the Companies Act 1956, has become applicable to the Company. Previous year's figures have been appropriately regrouped/ reclassified to conform to current year's presentation.

As per our report of even date attached.

For and on behalf of the Board of Directors

For **B S R & Co.**
Chartered Accountants
Firm's registration No: 101248W

Vijay Bhatt
Partner
Membership No: 036647

Mumbai
15 May 2012

Dr. Shailesh Mehta — *Chairman*
Ananda Mukerji — *Vice Chairman*
Alexander Matthew Vallance — *Managing Director and CEO*

Ram Chary — *Director*
Pravir Vohra — *Director*
Rajesh Subramaniam — *Dy. Managing Director and CFO*

Y.H.Malegam — *Director*
K.P.Balaraj — *Director*
Donald Layden Jr. — *Director*

Charles Miller Smith — *Director*
Mohit Bhandari — *Director*
Sanjay Gupta — *Company Secretary*

NOTICE

NOTICE is hereby given that the Eleventh Annual General Meeting of the members of Firstsource Solutions Limited will be held at Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai - 400 025 on Tuesday, July 31, 2012 at 10.30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2012, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint **Mr. Ananda Mukerji**, as a Director of the Company, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint **Mr. Donald W. Layden Jr.**, as a Director of the Company, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint **Mr. Ram V. Chary**, as a Director of the Company, who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

   "RESOLVED THAT M/s. B S R and Co., Chartered Accountants, bearing Registration Number: 101248W, be and are hereby appointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, on a remuneration to be fixed by the Board of Directors or Audit Committee of the Board of the Company."

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

   "**RESOLVED THAT** pursuant to provisions of sections 198, 269, 309, 310 & 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and other applicable laws and subject to approval of the Central Government, if required, and such other approvals as may be necessary, approval of the Company be and is hereby accorded to the appointment of Mr. Rajesh Subramaniam as the Managing Director and CEO ("MD & CEO") of the Company from May 16, 2012 to July 31, 2016 at a remuneration and other terms and conditions, details of which are given in the Explanatory Statement annexed hereto.

   RESOLVED FURTHER THAT the aggregate amount of remuneration payable to Mr. Rajesh Subramaniam as MD & CEO, by the Company in a financial year, will be subject to the ceiling laid down in Section 198, 309 and Schedule XIII to the Act, unless approved by the Central Government.

   RESOLVED FURTHER THAT Mr. Rajesh Subramaniam, during his aforesaid tenure, subject to the provisions of the Act and Articles of Association of the Company, shall not be liable to retire by rotation.

   RESOLVED FURTHER THAT the Board of Directors (hereinafter referred to as the 'Board' which term shall include any Committee of the Board), be and is hereby authorised to determine/ increase/ alter/ modify/ vary from time to time, the terms of remuneration of Mr. Rajesh Subramaniam, MD & CEO, within the ceiling limit as approved by the members herein.

   RESOLVED FURTHER THAT pursuant to applicable provisions, if any, of the Act and subject to the approval of the Central Government, if required, the remuneration as determined by the Board for a financial year, be paid as minimum remuneration to Mr. Rajesh Subramaniam, MD & CEO, in the event of loss or inadequacy of profits in that financial year, notwithstanding that such remuneration exceeds the ceiling limit for minimum remuneration laid down in Sections 198, 309 and Schedule XIII of the Act.

   RESOLVED FURTHER THAT the Board be and is hereby authorised to settle any question, difficulty or doubt that may arise in respect of the aforesaid, do all such acts, deeds, matters and things as it may, at its absolute discretion, deem necessary and execute all documents and writings as may be necessary to give effect to this resolution."

By Order of the Board of Directors

Registered Office:
5th Floor, Paradigm 'B' Wing,
Mindspace, Link Road,
Malad (West),
Mumbai 400 064

Sanjay Gupta
Vice President – Corporate Affairs
and Company Secretary

June 3, 2012

NOTES:

1. **A member entitled to attend and vote at the Annual General Meeting (AGM) is entitled to appoint a proxy to attend, and on a poll, to vote instead of himself. Such a proxy need not be a member of the Company. Proxies, in order to be valid and effective, must be delivered at the Registered Office of the Company not later than forty-eight hours before the commencement of the AGM.** Proxies submitted on behalf of companies, bodies corporate, societies etc. must be supported by certified copy of appropriate resolution/authority as applicable.
2. Corporate members intending to send their authorised representatives to attend the AGM are requested to send a certified copy of the appropriate resolution/authority, as applicable, authorising their representatives to attend and vote on their behalf at the AGM.
3. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to Special Business under Item No.6 set out in the Notice is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will be closed from Tuesday, July 24, 2012 to Tuesday, July 31, 2012 (both days inclusive).
5. All the documents referred to in the Notice and Explanatory Statement will be available for inspection by the Members at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on all working days upto the date of the AGM.
6. Members are requested to bring their duly filled Attendance Slip along with the copy of Annual Report at the AGM.
7. In case of joint holders attending the AGM, only such joint holder who is higher in the order of names will be entitled to vote.
8. Members holding shares in electronic (dematerialised) form are advised to send the requests for change of address, bank particulars, bank mandate, residential status or requests for transmission of shares etc. to their Depository Participants. The Company or its Registrars can not act on any such requests received directly from the members holding shares in electronic form.
9. Pursuant to the requirement of Corporate Governance Code under the Listing Agreement with the Stock Exchanges, the information about the Directors proposed to be appointed/ re-appointed at the AGM is given in the Annexure to this Notice.
10. Members desirous of getting any information about the accounts and operations of the Company are requested to write to the

Company atleast 7 days before the AGM to enable the Company to keep the information ready at the AGM.

11. The Ministry of Corporate Affairs had taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and had issued circulars stating that service of notice/ documents including Annual Report can be sent by e-mail to its members. To continue to support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to register their e-mail address with Registrar and Transfer Agent of the Company.

EXPLANATORY STATEMENT

(Under Section 173(2) of the Companies Act, 1956)

Item No. 6

Mr. Rajesh Subramaniam was appointed as Deputy Managing Director and Chief Financial Officer ("Dy MD & CFO") of the Company, for a period of five years with effect from August 1, 2011. On resignation of Mr. Alexander Matthew Vallance, Managing Director & Chief Executive Officer ("MD & CEO") effective May 15, 2012, the Board approved appointment of Mr. Rajesh Subramaniam, as the MD & CEO of the Company from May 16, 2012 to July 31, 2016 to succeed Mr. Alexander Matthew Vallance.

Mr. Rajesh Subramaniam has a deep understanding of Company's business, industry and customers and has a rich and varied experience in Corporate Finance and Strategy. He is responsible for implementing a corporate strategy that carefully balances strong expense control and investments to drive the growth of Company's core businesses. Before joining Walden in 2008, he was CFO of the Company. During his previous tenure in the Company from 2002 to 2008, he was instrumental in building the Company to its IPO and was also responsible for Strategy, M&A and Corporate Development. Brief resume of Mr. Rajesh Subramaniam is given in the Annexure to this Notice.

The details of the remuneration, as recommended by Compensation cum Board Governance Committee of the Board of Directors (Board) payable to MD & CEO, during the period from May 16, 2012 to July 31, 2016 are as under:

Salary and fixed Allowances:

An amount in the range of ₹ 9 lacs to ₹ 20 lacs per month.

Perquisites

Mr. Rajesh Subramaniam will also be entitled to perquisites (evaluated as per Income-Tax Rules, wherever applicable, and at actual cost to the Company in other cases) like rent free furnished/ unfurnished residential accommodation leased/ rented by the Company together with benefit of gas, electricity, water, repairs & maintenance, club fees, personal insurance, use of car, telephone at residence or reimbursement of expenses in lieu thereof, medical reimbursement, leave and leave travel concession, provident fund, superannuation fund, gratuity and other benefits, in accordance with the scheme(s) and rule(s) applicable to the senior executives of the Company from time to time, for the aforesaid benefits.

Stock Options:

Such number of Stock Options as may be decided by the Compensation cum Board Governance Committee of the Board, subject to such approvals as may be necessary.

Variable Compensation including Performance Pay and Incentives:

In addition to above salary and perquisites, Mr. Rajesh Subramaniam will also be entitled to variable compensation including performance pay/ Bonus and incentives, based on individual and Company performance and such performance parameters as may be laid down by the Board of Directors (hereinafter referred to as the 'Board' which term shall include any Committee of the Board) and subject to such other approvals as may be necessary.

The remuneration to Mr. Rajesh Subramaniam, to be paid by the Company, in a financial year, shall be within the limits prescribed under Sections 198, 309 and Schedule XIII of the Act, unless approved by the Central Government. Further, the remuneration as determined by the Board for a financial year, shall be paid as minimum remuneration to Mr. Rajesh Subramaniam, in the event of loss or inadequacy of profits in that financial year, subject to the approval of the Central Government, if required, notwithstanding the ceiling limit for minimum remuneration laid down in Sections 198, 309 and Schedule XIII of the Act.

The Board may determine/ increase/ alter/ modify/ vary from time to time the terms of remuneration of Mr. Rajesh Subramaniam, within the limits as approved by members hereto. Mr. Rajesh Subramaniam shall not be entitled to any sitting fee for attending meetings of the Board and/ or Committee of Board of Directors. Subject to the provisions of the Act and Articles of Association of the Company, he shall not be liable to retire by rotation.

The above may also be treated as an abstract of the terms of appointment of Mr. Rajesh Subramaniam as MD & CEO of the Company pursuant to the provisions of Section 302 of the Act.

The Board recommends the Resolution set out at Item No. 6 of the Notice for approval of the members.

None of the Directors of the Company, except Mr. Rajesh Subramaniam, is in any way concerned or interested in this resolution.

By Order of the Board of Directors

Registered Office:
5th Floor, Paradigm 'B' Wing,
Mindspace, Link Road,
Malad (West),
Mumbai 400 064

Sanjay Gupta
Vice President – Corporate Affairs and
Company Secretary

June 3, 2012

ANNEXURE TO THE NOTICE

RESUMES OF DIRECTORS PROPOSED TO BE APPOINTED/ RE-APPOINTED AT THE ANNUAL GENERAL MEETING

MR. ANANDA MUKERJI

Mr. Ananda Mukerji, age 53 years, has a Post Graduate Diploma in Management (PGDM) from the Indian Institute of Management (IIM), Kolkata and a Graduate Degree from the Indian Institute of Technology (IIT), Kharagpur. He has over 27 years experience.

Mr. Ananda Mukerji was Managing Director and Chief Executive Officer of the Company for the period from April 17, 2002 to July 27, 2010. He was responsible for spearheading the Company's growth over the years. Besides his experience in the outsourcing industry, he also has extensive experience in finance and strategy. During his tenure at the erstwhile ICICI Limited (since merged with ICICI Bank Limited), he set up and managed a number of new businesses for it, including the infrastructure, structured finance and advisory businesses. He also had short stints with Enron India Limited and BPL Communications Limited. Currently, he is Group Director – Business Development, Bharti Enterprises Limited.

Mr. Ananda Mukerji is Vice Chairman of the Company and is also a Director in Anunta Tech Infrastructure Services Limited, wholly owned subsidiary of the Company and Anunta Technology Management Services Limited. He is the member of Audit Committee and Compensation cum Board Governance Committee of the Board of the Company. He holds 414,300 equity shares and 8,821,910 stock options in the Company. He is not related to any other Director of the Company.

MR. DONALD W. LAYDEN JR.

Mr. Donald W. Layden Jr., 54 years, has Bachelor's Degree in Economics and Political Science and also has Juris Doctorate Degree with Honours from Marquette University Law School. He is currently an Operating Partner with Baird Venture Partners and Baird Capital Partners. He is also a partner in corporate services practice in Quarles & Brady LLC, a leading national law firm in US, headquarters in Milwaukee.

In the past, he has been Senior Executive Vice President, General Counsel and Secretary and President, International Group of Metavante Technologies, Inc. (NYSE:MV) and its principal operating subsidiary, Metavante Corporation. He directed Metavante's enterprise risk management, compliance, internal audit, legal and corporate development activities, including mergers & acquisitions and its international business. He also served as an Advisor to Warburg Pincus, a US based leading global private equity firm. Mr. Donald W. Layden Jr. has held senior management positions with Fiserv (President, Lending Systems Division), Marshall & Ilsley Corporation (Senior Vice President and Chief Executive Officer, Trust and Investment Management Group). He began his career practicing law as a partner in the Quarles & Brady LLP law firm, where he concentrated his practice in corporate law and mergers and acquisitions. He holds directorships in Firstsource Solution Group, USA, Inc., wholly owned subsidiary of the Company, Online Resources Corporation, USA, FEI Behavioral Health, USA, Catholic Financial Life Insurance Company, TxVIA, Inc. and several non-profit entities. He does not hold any shares in the Company. He holds 650,000 stock options in the Company. He is not related to any other Director of the Company.

MR. RAM V. CHARY

Mr. Ram V. Chary, 41 years, has an undergraduate degree in Economics from the University of Colorado and MS in Finance and Operations Management from the Krannert School at Purdue University. He has led the global delivery operations of Global Commercial Services (FIS) handling off-shore resources, global contact centers, technology, global supply chain operations, commercial technology services, etc. He had been with IBM Global Services for 13 years in infrastructure outsourcing & technology consulting and has served in a number of leadership roles in global operations and finance. He also serves on the Board of Trustees of the Leukemia and Lymphoma Society. He does not hold any shares or stock options in the Company. He is not related to any other Director of the Company.

MR. RAJESH SUBRAMANIAM

Mr. Rajesh Subramaniam, 40 years, has done MBA from the Richmond College, London and Graduation in Commerce from Madras University. He has close to 17 years of work experience. Prior to joining the Company in August 2011, he was Managing Director of Walden India Advisors Private Limited and was responsible for leading all investment initiatives and management of portfolio companies. Before joining Walden in 2008, he was CFO of the Company. During his previous tenure in the Company from 2002 to 2008, he was instrumental in building the Company to its IPO and was also responsible for Strategy, M&A and Corporate Development. His prior experience includes working with organizations such as ICICI Bank, KPMG, E&Y, Franklin Templeton and GIV Venture Partners in leadership roles. He is also Director on the Board of Firstsource Solutions UK Limited, Firstsource Group USA, Inc., Firstsource Dialog Solutions Private Limited, Anunta Tech Infrastructure Services Limited and Rev IT Systems Private Limited, subsidiaries of the Company. He is also a member of Shareholders'/ Investors' Grievance Committee of the Board of the Company. He does not hold any share in the Company. He holds 6,000,000 stock options in the Company. He is not related to any other Director of the Company.

FIRSTSOURCE SOLUTIONS LIMITED

Registered Office : 5th Floor, Paradigm 'B' Wing, Mindspace, Link Road, Malad (West), Mumbai 400 064

ELEVENTH ANNUAL GENERAL MEETING

Tuesday, July 31, 2012

ATTENDANCE SLIP

I/We hereby record my/our presence at the 11th Annual General Meeting of the Company held on Tuesday, July 31, 2012 at 10.30 a.m. at Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai - 400 025 and at any adjournment thereof.

________________________ Member's/Proxy's Name

________________________ Member's/Proxy's Signature

________________________ Folio / DP ID & Client ID No. :

Note : **Please sign the attendance slip and hand it over at the entrance of the meeting hall.**

FIRSTSOURCE SOLUTIONS LIMITED

Registered Office : 5th Floor, Paradigm 'B' Wing, Mindspace, Link Road, Malad (West), Mumbai 400 064

FORM OF PROXY

I/We____of__________________ in the District of______________________________ being a Member(s) of Firstsource Solutions Limited, hereby appoint ________________________________of________________in the District of____________________or failing him/her________________of________________in the District of________________as my/our Proxy to attend and vote for me/us and on my/our behalf at the 11th Annual General Meeting of the Company, to be held on Tuesday, July 31, 2012 at 10.30 a.m. and at any adjournment(s) thereof.

Dated this ____________________ day of ____________________ 2012

For Office Use Only	
Proxy No. Folio / DP ID & Client ID No. :	No. of Shares :

Affix 15 Paise Revenue Stamp

Notes:
1. **The Proxy Form should be signed by the Member(s) across the Revenue Stamp as per specimen signature(s) registered with the Company / Depository Participant.**
2. **The Proxy Form must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the Meeting.**
3. **A Proxy need not be a member**

Firstsource Solutions Ltd.
5th floor, Paradigm 'B' Wing, Mindspace, Link Road, Malad (West), Mumbai - 400 064. India.