TRULY GLOBAL

firstsource

ANNUAL REPORT 2008-09

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REGISTERED OFFICE: 6th Floor, Peninsula Chambers, Ganpatrao Kadam Marg, Lower Parel, Mumbai 400 013, India. www.firstsource.com **STATUTORY AUDITORS:** BSR and Co; Chartered Accountants, KPMG House, Kamala Mills Compound, 448, Senapati Bapat Marg, Lower Parel, Mumbai 400 013, India. **REGISTRARS AND TRANSFER AGENTS:** 3i Infotech Limited, Tower # 5, 3rd to 6th Floors, International Infotech Park, Vashi, Navi Mumbai 400 703, India.

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ANNUAL REPORT 2008-09

CORPORATE INFORMATION

BOARD OF DIRECTORS

SEATED FROM L TO R: **Shikha Sharma*#**, **Ananda Mukerji,** Managing Director & CEO, **Dr. Ashok Ganguly,** Chairman **Lalita D. Gupte.** **STANDING FROM L TO R:** **Dr. Shailesh Mehta, Charles Miller Smith, Y. H. Malegam, K. P. Balaraj* Donald Layden Jr.,* Mohit Bhandari.***

BOARD COMMITEES

AUDIT COMMITTEE :

Y. H. Malegam, Chairman

Mohit Bhandari, Charles Miller Smith

Lalita D. Gupte

COMPENSATION CUM BOARD GOVERNANCE COMMITTEE :

Dr. Ashok Ganguly, Chairman

K. P. Balaraj, Charles Miller Smith

Dr. Shailesh J. Mehta

INVESTORS GRIEVANCE COMMITTEE :

Dr. Ashok Ganguly, Chairman

Ananda Mukerji, Mohit Bhandari

SENIOR MANAGEMENT TEAM

STANDING FROM L TO R: **Matthew Vallance,** President, BFSI, Telecom & Media and MD, Europe
Sanjeev Sinha, SVP, BFSI, **Chandeep Singh,** EVP, Process Excellence
Vrinda Walavalkar, VP, Corporate Communication, **Sanjiv Dalal,** Chief Technology Officer
Ananda Mukerji, Managing Director & CEO, **Aashu Calapa,** EVP, Human Resources
Chandra Iyer, EVP, Asia Business, **Michael A. Shea,** President, Healthcare and CEO, North America
Santanu Nandi, EVP, Telecom & Media, **Carl Saldanha,** Global CFO

* Shareholder Director. # Resigned w.e.f. May 26 2009

LETTER FROM THE CHAIRMAN

The year under review was one of the most turbulent ones for economies around the world. Many businesses were adversely affected by the turbulence. In comparison, your Company has reasonably weathered the storm to achieve this year's performance. The important features of this year's performance include the continued growth in terms of revenues, people, capacity and clients, the major initiatives to make the company more efficient and responsive to the market and the continued investment in new and promising business segments.

The economic environment continues to be challenging although there are clear signs that countries like India and China would weather it better than other countries. There are also early signs of bottoming out of the downturn in the developed economies. I believe the economic environment would present opportunities and Firstsource is well placed to take advantage of them.

All this has been made possible under the dynamic leadership of Ananda Mukerji, the MD and CEO and his dedicated team of managers in India and abroad. Credit also goes to all our employees who are the core of the Company's strength, competitiveness and reputation.

I wish to record appreciation for the continued support received from shareholders.

The Board wishes to acknowledge the achievements during an extremely difficult year and looks forward to improved performance in the current year.

A S Ganguly

LETTER FROM THE MANAGING DIRECTOR & CEO

The year in review has been a year of truly momentous changes in the global economy. Initial concerns about a slowdown in the developed economies evolved into a severe world-wide recession reminiscent of the Great Depression of 1929-30. While the brunt of the problem was faced by the financial services sector, with venerable institutions in the US and Western Europe either failing or having to be rescued, other industries also faced brutal slowdown and readjustment. In an increasingly globalised world with free capital flows, every country, even outside of the developed economies, was significantly affected with growth rates in countries like China and India falling sharply.

This obviously presented a challenging environment for companies such as Firstsource whose business depends largely on the performance its clients. As a result all IT and BPO companies have seen slowdown in their growth from historical levels and most companies, including Firstsource, were forced to revise their growth expectations downwards during the year. However, despite this we have successfully grown our business during the year. Our revenue for the year at Rs. 17,494 million, was up 34.7% from the previous year and we continued to add clients as well as grow in terms of people and delivery centers. Our relationship with our client base remains very strong with 7 of our top 10 customers increasing business with us and I am happy to share that according to the year-end Customer Satisfaction Survey, 94% of our customers rated themselves as satisfied or highly satisfied with our services. Our profitability during the year, however, was depressed on account of pressures caused by the economic downturn on some of our business lines as also investments made in new businesses.

At this time it is difficult for anyone to predict how long the current negative economic environment will continue. While there are early signs that the worst could possibly be over for the global economy it is likely that any recovery would be slow and hence it would be prudent to assume that the current year would continue to see slow growth and profitability pressures. However, the fundamentals of the BPO business have never been stronger and we believe that the global slowdown, in the medium term, will present a lot of opportunities as companies worldwide look at managing costs and improving efficiencies. Accordingly there was a lot of focus during the year in making your Company even more competitive and market-responsive.

One of the important steps we took in this direction was a major organizational restructuring. After careful thought and considerable planning, we restructured into four largely independent business units: the Healthcare vertical, Telecoms & Media vertical, the Banking, Financial Services & Insurance (BFSI) vertical and the Asia Business Unit. The new organization structure is expected to facilitate the development of a business strategy that mirrors industry opportunities and dynamics, a renewed focus on strengthening the domain expertise we have developed and acquiring new capabilities, the development of new and customized products & services tailor-made for the industry, a more client-driven approach to sales and business development, a better synchronized delivery structure and closer management of financial goals.

Another important step we took was to embark on an ambitious operational excellence project aimed at increasing productivity and efficiency to the top quartile of industry players. This project, which was piloted in India, has shown encouraging results in terms of increased productivity, infrastructure utilization, seat utilization, training yields and decreased direct costs. We intend to build on the gains realized and a second phase of this project is currently underway and a further deepening of this program to global delivery operations continues. While retaining tight control on costs in a difficult business environment, we continue to invest in areas which require it such as sales & marketing.

The nature of your Company's business is such that it generates strong positive and stable cash flows as most of our contracts tend to be long term and non-project based. Internally generated cash is more than adequate to take care of projected capital expenditure. The company also has no immediate liabilities which need to be addressed. The largest liability is the Foreign Currency Convertible Bonds (FCCB) which were issued in December 2007 and are due for redemption, if not converted, in December 2012. Taking advantage of the fact that global convertible bonds were trading at attractive valuations the Company has bought back USD 49.7 million face value of FCCBs at an attractive discount. Outstanding FCCBs now stand at USD 225.3 million compared to the originally issued USD 275 million.

In summary, today's business environment is probably unprecedented in recent times and all companies need to adjust to it. We believe that the short term outlook for the business will be challenging in terms of both growth and profitability. However the fundamentals of the business and growth prospects continue to be very good in the medium and long term. We believe we have made the right strategic and tactical moves to deal with the current environment. At the end of the day recession is a business cycle just as growth is but we are confident of our resolve to come out of it with even better client relationships, more competitive operations and innovative abilities that we can leverage to even greater advantage in times of growth.

Sincerely,

Ananda Mukerji

COMPANY HIGHLIGHTS

UNDERTOOK A MAJOR ORGANIZATION RESTRUCTURING into four independent business verticals - Healthcare, Telecoms & Media, Banking, Financial Services & Insurance (BFSI) and Asia Business Unit (ABU) effective March 2009. The new organization structure is expected to further facilitate development of domain expertise and a business strategy that mirrors industry opportunities.

EXPANDED RELATIONSHIPS WITH EXISTING CLIENTS. Of the top 10 clients, 7 clients have grown during the year. Added marquee client logos with significant growth potential — leading Australian, UK and Indian telecom service providers; won new clients in Healthcare and BFSI.

CONTINUED TO GROW INDIA BUSINESS with revenues from India growing 40% Y-o-Y to reach Rs 1,885 million in fiscal 2009.

STRENGTHENED INDIA DELIVERY footprint by adding eight delivery centers in India during the year. Seat capacity of 18,932 seats worldwide as of March 31, 2009.

CONTINUED TO SCALE OPERATIONS with 21,570 employees as on Mar 31, 2009 with 4,201 employees added during the year.

BOUGHT BACK USD 49.7 MILLION FACE VALUE OF FCCBs at an attractive discount. Outstanding FCCBs now at USD 225.3 million compared to the originally issued USD 275 million.

LAUNCHED THE FIRST WAVE OF PROCESS REENGINEERING AND PRODUCTIVITY IMPROVEMENT INITIATIVES directed towards streamlining Operations delivery. Three parameters that cut across all deliveries – direct costs, productivity and costs related to infrastructure and IT were targeted. The project has been a resounding success.

GLOBAL RECOGNITION

Firstsource has always benchmarked itself against the best in the world. In past years, the capability to continuously improve the productivity of clients' processes has garnered praise and recognition from industry leaders. This year was no different. Firstsource was the the winner at the London IQPC awards and a finalist (in most IQPC awards there is only one winner in each category) in as many as seven categories in various IQPC award forums.

This past year Firstsource won an award at the Everest outsourcing Excellence awards. This award recognizes our business partnership with one of our top clients, Lloyds TSB. It captures the Firstsource value proposition — customer centricity and the ability to work with a sense of ownership and involvement. Adding a feather to Firstsource's awards cap is the ERE 2009 award as Recruitment Department of the Year. Conferring this award at a ceremony in San Diego, USA, the judges remarked, "Firstsource has an extremely strong recruiting department. We liked their innovative usage of new sourcing methodologies and creative usage of traditional methods such as employee referrals."

AWARDS

- **RECOGNIZED AMONGST THE TOP 3 COMPANIES GLOBALLY** at the ERE 2009 as Recruitment Department of the Year.
- **WINNER OF THE EVEREST GROUP OUTSOURCING EXCELLENCE AWARD** 2008 for the Most Flexible Partnership.
- **FINALISTS IN MASTER BLACK BELT** of the year and Best Startup Program categories at the IQPC Six Sigma Excellence Awards, Orlando.
- **WINNER OF THE IEXCELLENCE AWARDS** for Workforce Deployment (Europe, Middle East and Africa region) in two categories – Single Site Process Improvement and Multi Site Best Practice.
- **FINALIST IN 5 CATEGORIES** at The Global Six Sigma Awards (TGSSA) 2009, Orlando.
- **WINNER IN TRANSACTION & SERVICES CATEGORY** at IQPC Six Sigma Excellence Awards, London.
- **RECOGNIZED AS AMONG THE TOP 25 COMPANIES** in India by Institute of Company Secretaries of India (ICSI) for Excellence in Corporate Governance 2008.

Firstsource wins at the ERE Awards, USA.

Firstsource receiving The Everest award.

Firstsource at the TGSSA award, Orlando.

At the IQPC Six Sigma Excellence Award, UK.

FINANCIAL HIGHLIGHTS

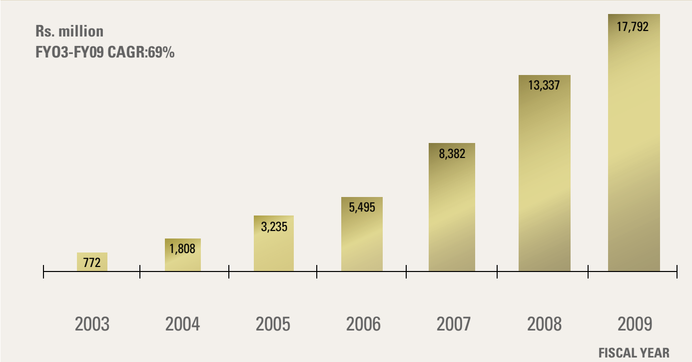
CONSOLIDATED FINANCIAL PERFORMANCE			
RUPEES MILLION, EXCEPT PER SHARE DATA	FISCAL 2009	FISCAL 2008	GROWTH
Revenue from operations	17,494	12,988	35%
Other Income	298	349	-15%
Total Income	17,792	13,337	33%
Operating EBITDA(Earnings before Interest, Tax and Depreciation)	2,198	2,309	- 5%
Operating EBIT(Earnings before Interest and Tax)	1,237	1,449	-15%
Profit before Tax	507	1,432	-65%
Profit after Tax	307	1,316	-77%
Earnings per share (EPS) - Basic	0.72	3.09	-77%
Earnings per share (EPS) - Diluted	0.72	2.83	-75%

CONSOLIDATED FINANCIAL POSITION		
RUPEES MILLION	FISCAL 2009	FISCAL 2008
Goodwill	22,876	18,880
Fixed Assets	2,261	2,226
Investments	18	221
Net Current Assets	2,499	(1,523)*
Deferred Tax Asset	141	185
Application of Funds	27,795	19,989
Shareholders Funds	13,794	7,400*
Minority Interest	55	37
Loan Funds	13,946	12,552
Source Of Funds	27,795	19,989

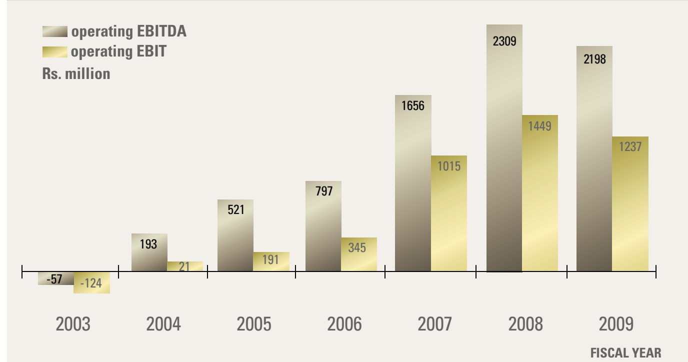
*In Fiscal 2008, the entire premium payable on redemption of Foreign Currency Convertible Bonds was charged upfront to Securities premium account under Shareholders funds and reflected as provisions under Net current assets. During the year, the Company has adopted AS30 and accordingly the premium payable on redemption is amortised on pro-rata basis over the period of the bonds by debiting Securities premium account for the year and the pro-rata credit or accrued premium is reflected as part of Foreign currency convertible bonds (FCCB) under Unsecured loans.

FINANCIAL HIGHLIGHTS

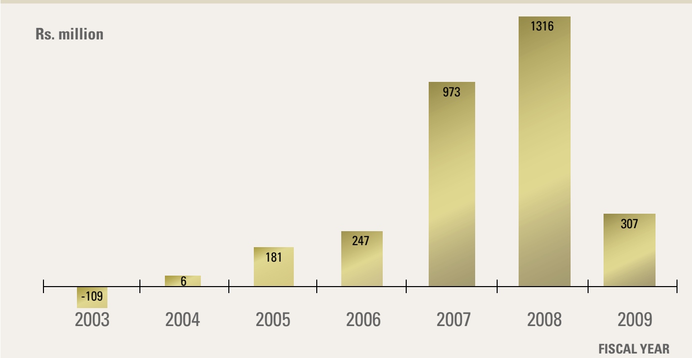
TOTAL INCOME



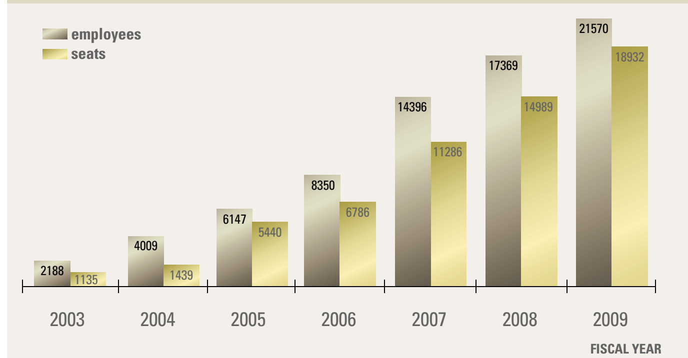
OPERATING EBITDA & OPERATING EBIT



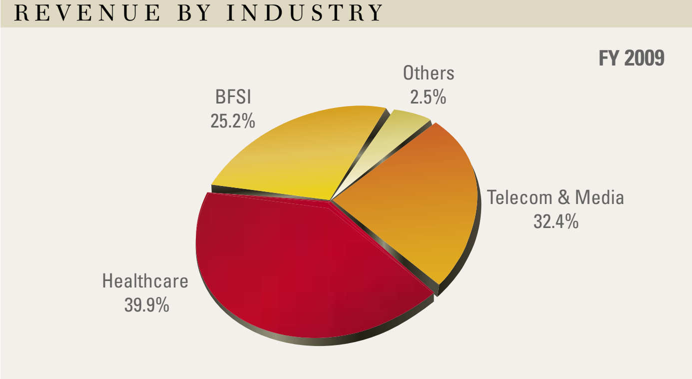
PROFITS AFTER TAX

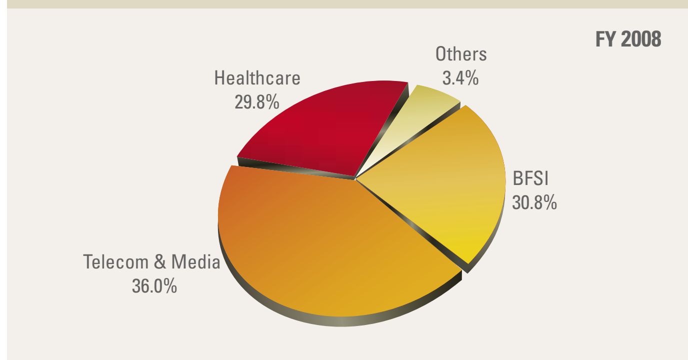


EMPLOYEES, SEATS

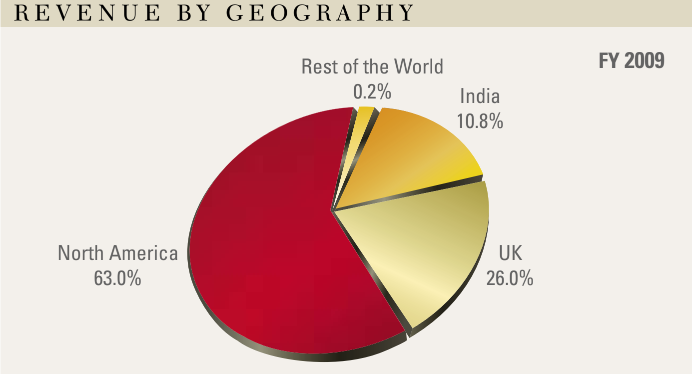


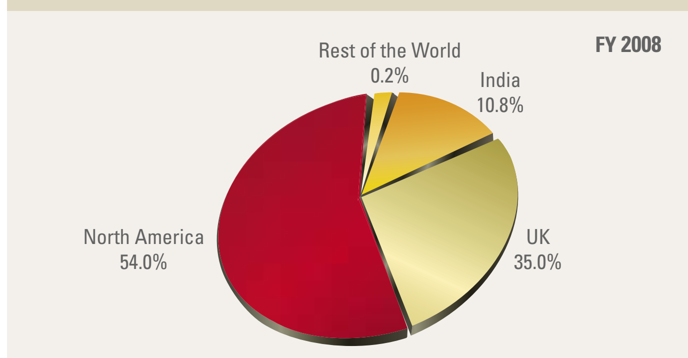
REVENUE BY INDUSTRY





REVENUE BY GEOGRAPHY





GLOBAL SOLUTIONS

The BPO Industry in India is just about a decade old. In its early years the industry concentrated on delivering business processes from India to global companies in countries like the US & UK. At the centre of the offshoring proposition was the labour arbitrage arising out of lower wages and associated costs derived from operating in India. This has evolved into delivering quality and productivity improvements as well as strategic business impact.

Companies like Firstsource also recognized early that to be credible players in the global Business Process outsourcing (BPO) industry it would be imperative to be able to deliver services from across the globe. A delivery proposition that transcended offshoring benefits and included the ability to deliver process improvement onshore, nearshore or offshore, wherever processes were best delivered from, would be critical to leadership.

Among the Indian pure-play BPO companies, Firstsource was the first to build strong onshore - UK & US operations. Today, with over a dozen delivery centres in the US, two in the UK, and one each in Manila & Argentina, Firstsource is a global provider of outsourcing services and advocates the concept of rightshoring.

Rightshoring offers clients operational flexibility, robust Business Continuity Planning, optimal operational costs and leverages global talent. This helps companies remain agile and meet customer expectations. Examples from each of the Company's verticals, make the benefits of rightshoring clear.

CASE I: VERTICAL : TELECOM & MEDIA.

CLIENT : BSKYB, UK's leading entertainment & communications company

DELIVERY LOCATIONS : MUMBAI AND BENGALURU (INDIA) & LONDONDERRY (NORTHERN IRELAND, UK)

BSkyB (Sky) was one of Firstsource's first clients and remains one of the company's major clients. Sky's corporate objective is to be consumers' first choice for entertainment and communications, and with subscriber numbers currently standing at over 9 million in the UK, Sky needs to work with its strategic partners to achieve this aim and continue to grow its customer base. Firstsource helps Sky achieve its goals by:

- Providing Operational excellence to strengthen service delivery
- Improving efficiency
- Delivering process improvement to achieve a better level of service to customers

Firstsource's work with Sky started with a pilot project in 2001 and has expanded significantly over the years to now operate from three delivery locations. Firstsource carries out a wide range of services on behalf of Sky covering technical support, customer service and back office administration.

"We really value our partnership with Firstsource as it has given us a great deal of flexibility and agility to respond to different business conditions." — David Jermyn, BSkyB, Head of Upgrades.

CASE II: VERTICAL : BANKING & FINANCIAL SERVICES AND INSURANCE (BFSI).

CLIENT : CAPITAL ONE, US' leading card Issuer

DELIVERY LOCATIONS : MUMBAI (INDIA) & AMHERST (NY, USA)

Capital One is one of the leading credit card issuers with more than 44 million card holders in the US, Canada, and UK. When Firstsource acquired Accounts Solution Group (ASG) in 2005, it inherited Capital One as one of its clients. ASG had been working with Capital One as far back as 1998 and the services it delivered were primary post charge off recoveries and had 150 full time collectors working from Amherst, NY on this account. Today, Capital One is a top 10 client for Firstsource. Services provided are a full range of comprehensive recovery solutions for Capital One in the following markets: Primary Core, Primary Low Value, Primary Legal Core and Secondary Low Value.

In 2006 Firstsource convinced Capital One to allow expanding delivery of recovery solutions from Mumbai. Starting with 10 collectors in Mumbai, today the operation has grown to 60. By delivering a combination of onshore and offshore Collections capability, Firstsource has -

- Helped the client reduce operations cost and
- Improved the effectiveness of their recovery organization.

CASE III: VERTICAL : HEALTHCARE.
CLIENT : FORTUNE 100 HEALTH INSURER.
DELIVERY LOCATIONS : FORT SCOTT, LEAWOOD, KINGSTON, LOUISVILLE, ROCKFORD AND SALT LAKE CITY (US) CHENNAI, PONDICHERRY AND TRICHY (INDIA)

This client is a Fortune 100 US Health insurer that manages benefits for over seven million employees globally and counts over half of America's largest 100 companies as its clients. Firstsource started working with this client in 2003 with a mere 20 employees devoted to this account.

Since then Firstsource's partnership has increased to 555 employees processing close to 4.5 million transactions per month. Today Firstsource delivers a range of services from mailroom management, and E sorting, to data capture to claims adjudication. These services are delivered out of six different locations in the US — Fort Scott, Leawood, Kingston, Louisville, Rockford and Salt Lake City and out of three in India — Chennai, Pondicherry and Trichy. So for example, while mailrooms necessarily have to be onshore, data capture can be run offshore and claims adjudication is handled both onshore and offshore.

Firstsource has consistently topped quality standards among all of this client's partners and has won two IQPC International Six Sigma awards for projects done on the Client's processes which have increased productivity and improved service levels. For two years in a row, Firstsource has topped the Client's Internal Six Sigma deployment awards as well.

The client's aim is to deliver high quality cost effective service to its members and providers. Firstsource helps achieve that by:

- Leveraging technology and management skills to run multi-site processes.
- Continuously improving process efficiency to improve service levels

"I appreciate Firstsource's partnership in the journey of continuous improvement. Firstsource has a direct hand in the service experience that we deliver to our customers. Firstsource's committment to six sigma methodology has enabled us to meet/exceed our customer's high expectations. I look forward to our continued partnership in the days ahead"— Senior Quality Consultant, Fortune 100 Health Insurer.

Firstsource recognized early that to be a credible player in the global Business Process outsourcing industry it would be imperative to be able to deliver services from across the globe.

A delivery proposition that transcended offshoring and instead included the ability to manage operations and deliver process improvement and efficiency onshore, nearshore or offshore, wherever processes were best delivered from, would be critical to leadership.

GLOBAL MANAGEMENT PRACTICES

It is axiomatic that the fundamentals of a well run business rests on three pillars - people, process and technology. Often taken for granted until a deal is lost or a crisis strikes, these are usually the less glamorous areas of organizational discipline when compared to say products or services development or mergers & acquisitions.

Yet, unless these work day in and day out with a very high degree of predictability it is impossible to execute on the BPO proposition. For example, providing operational flexibility to a client is predicated on being able to hire and train new employees, often in hundreds, in tight and predictable timeframes. Similarly a client can experience a catastrophic loss of revenue and customers if the telecom network or the applications architecture is not up and running when it is needed. And of course the need to constantly deliver on a client's brand promise at every stage in its customer life cycle is the key to a successful business partnership. This section gives a glimpse of how Firstsource manages these crucial building blocks to meet the exacting standards of its global customers.

TECHNOLOGY: Firstsource's technology solutions have to meet the Computing, Security, Business Continuity, and Scalability needs of its business. It is one of the pillars on which the success of service delivery rests and it is also one of the main factors behind the competitiveness of the Company's proposition. Challenges in fulfilling these needs range from providing the best technology to remote sites, to managing decentralized structures with multiple control levels to helping manage costs of replicating unique set-ups. Innovation therefore is key to delivering on high organizational expectations.

Firstsource is one of the world's early adopters of a Virtual Desktop & Server environment known colloquially as Virtualization. The entire virtualization of the Firstsource network was designed and architected internally. The adoption of virtual desktop technology and use of remote desktop support has enhanced the organization's business agility and enabled the Company to resolve technical problems faster, increased responsiveness, improved failover/disaster recovery scenarios, as well as optimized infrastructure utilization and increased operational efficiencies. Firstsource's business model has become more reliable, scalable and predictable.

Another important initiative Firstsource has embarked on is building a state-of-the-art Enterprise Network Operation Centre. This will allow centralized network, telecom and desktop monitoring, management and provisioning.

OPERATIONS: Firstource today runs 43 delivery centers across 5 geographies and handles more than 30 million transactions per month for various customers, managing over 600 Service Level Agreements on a daily basis. In addition to complying with Indian laws and regulatory requirements, the Company complies with multiple regulatory requirements such as HIPAA, SAS 70, Financial Services Authority – Prevention of Crime and Proceeds Act (POCA), Data Protection Act (DPA), FDC Regulations, The Fair Debt Collections Practices Act (FDCPA), The Gramm-Leach-Bliley Act (GLBA), The Fair and Accurate Credit Transactions Act (FACTA), The Fair Credit Reporting Act (FCRA) and numerous state regulations in the course of delivering services to clients in the US and UK.

The company provides a comprehensive range of services to clients across the customer life cycle spanning from back office to inbound and

The entire virtualization of the Firstsource network was designed and architected internally. This took a huge amount of planning with grounds up design. The adoption of the virtual desktop technology and use of remote desktop support has enhanced the organization's business agility and enabled us to resolve technical problems faster, increased responsiveness, improved failover and disaster recovery scenarios, as well as optimized infrastructure utilization and increased operational efficiencies.

outbound voice to email and web chat. In the Healthcare vertical the type of processes Firstsource handles ranges from mailrooms to transaction processing to adjudication, in BFSI from account maintenance to collections to fraud analysis and in Telecom from customer service to billing and tech support to fulfillment. For example, In the BFSI vertical, for one of its clients, the Company handles mortgage origination aggregating over USD 25 billion annually on a mortgage portfolio of over USD 100 billion. In the telecom vertical, Firstsource handles 80% of tech support for a media company with an over nine million customer base and handles over 70% of broadband tech support calls for a large UK telco having a 1.5 million customer base. In Healthcare, Firstsource operates mailrooms that scan 36 million claims per year for a client and processes and settles around 26 million claims per year for another client.

Operations management is a complex task and ensuring consistently outstanding operations delivery requires various elements like Recruitment, Training, Work Force Management (WFM), Technology and Quality to seamlessly combine to deliver the desired outcomes to the client and to the Company. Firstsource uses global frameworks like COPC and BPMS in Operations management and has built an organization-wide Six Sigma discipline. Over 85% of Firstsource's operation leaders are Green Belt trained, 66% of the organization is Yellow Belt certified and 54% is Green Belt certified. The Company has built a strong expertise in all aspects of WFM from forecasting and staffing to scheduling. A centralized work force team handles forecasting and planning with local teams taking care of rostering and real time adherence for over 15000 employees on a daily basis. The year also saw the successful completion of the first phase of an enterprise-wide Operations Excellence project aimed at increasing productivity to the top quartile of industry players. The project showed encouraging results in achieving targeted increased productivity and controlling of costs.

Firstsource is proud that 94% of its customers rated themselves as satisfied or highly satisfied in the latest Customer Satisfaction Survey. A significant part of the company's business in any year comes from existing customers and consistent with past trends, during the past year no less than 7 of the Company's top 10 clients increased their business with the Company.

PEOPLE: At Firstsource, the human capital function collaborates with the Operations team as effective business partners. With over

21,000 employees as of March 31 2009, Firstsource has employee engagement, recruitment and training and development engines that work across domains, geographies and cultures. The main challenge for HR professionals in the BPO industry lies in supporting the people needs of a dynamic business environment; where winning a new business could necessitate hiring and training people in geographically dispersed locations in aggressive timeframes so that operations targets are met from Day 1.

This past year Firstsource received more than 2,00,000 applicants & close to 20,000 people were hired to meet manpower requirements. This scalability and the ability to attract and select the right talent involved not only scaling up conventional channels like Employee Referrals but developing innovative recruiting practices like the 'Career on Wheels' – a one of its kind Mobile recruitment van that created high awareness about Firstsource and took jobs to job seekers – and using innovative mediums like Talent hubs and Talent scouts. The Talent Acquisition team won several accolades during the year including being recognised amongst the top 3 companies globally at the ERE Awards, USA in the 'Recruiting Department of the Year' category.

To support the large scale operations and the movement of people, the year saw the launch of the ERP platform 'Peoplesoft' in India and Philippines. The ERP solution has helped better control over headcount management, the movement of people within the organization as well as improved process administration.

Firstsource is committed to attaining organizational excellence by developing and inspiring the true potential of human capital. The transformation and development team successfully trained 22,097 people out of which 18,588 were certified and moved to Operations. Over 50 leadership development workshops were held which saw 3000 participants at managerial positions. New programs like the Firstsource Leaders' Program was introduced for the top 30 high performers and high potential pool of employees at middle management level. This program included a 5-day residential leadership program in collaboration with IIT Madras' School of Management along with an intensive coaching initiative for 6 months. Similar initiatives are being taken to develop the middle and junior management cadre through in-house certifications and academies.

GLOBAL GOVERNANCE

Proper corporate governance of companies is today as crucial as the proper governance of countries. Firstsource believes that good governance is the recipe for long-term and sustainable growth.

GOVERNANCE CODE: The concept of Corporate Governance at Firstsource hinges on total transparency, integrity and accountability of the Board and the management team. With the objective of conducting its business in a highly professional and ethical manner and thereby enhance trust and confidence of all its stakeholders, the Company has devised a framework for compliance to statutory Corporate Governance norms.

GOVERNANCE BY BOARD OF DIRECTORS: The Board of Directors is at the core of our corporate governance practice and oversees how the management serves and protects the interests of all stakeholders. The Board of Directors adhere to the best corporate governance practices and, even prior to going public, the Board put in place statutory practices on corporate governance in the company.

The Board comprises of a number of independent Directors with long years of professional expertise in national and international Boards such as Unilever, HSBC, Providian, ICICI Bank and British Airways. Firstsource board has 10 Directors out of which 9 are Non-Executive Directors and 5 out of 10 are Independent Directors. Board meetings to discuss the company's performance and governance are held at regular intervals with the gap between two meetings not exceeding four months.

COMMITTEES OF THE BOARD: Apart from governance by the Board, the Board has constituted committees to focus on specific areas and make decisions within the authority delegated to each of the committees by the Board. Each Board committee is guided by its charter, which defines the scope, powers and composition of the committee. All decisions and recommendations of the committees are placed before the board either as information or for approval. Firstsource has the following committees of the Board:

1) Audit Committee comprising of a Chairman and members who are financially competent and who possess accounting and related financial management expertise and are primarily responsible for monitoring auditing and accounting matters, including the review of the financial statements, adoption of accounting standards, overseeing internal audits and related party transactions.

2) Compensation-cum-Board Governance committee or Remuneration committee, which reviews and recommends to the Board the overall compensation structure and policies of the company and approves the compensation payable to the executive directors, in addition to approving the grant of options to employees/Directors and administration of the whistle blower policy.

3) Shareholder's/Investor's Grievance committee which oversees the redressal of shareholder/Investor complaints.

INFORMATION FLOW TO BOARD MEMBERS: Accuracy, transparency and completeness of information and making these available to all stakeholders is the cornerstone to effective corporate governance. The Company has a comprehensive mechanism to provide to the Board all requisite information pertaining to the operations of the company besides the information as required under Annexure IA to clause 49 of the Listing Agreement with the Indian Stock Exchanges.

Some of the important information regularly provided to the board members include:

- Annual strategic plans, operating plans and budgets.
- Quarterly review and approval of consolidated and standalone financial results post review by the audit committee.
- Quarterly business reviews to update on status of each business segment, sales pipeline, operational performance and any new initiatives.
- Quarterly results and performance analysis of our operating divisions or business segments

- Presentations with regard to any proposed acquisitions, important managerial decisions and statutory matters such as compliance, litigations etc.
- Minutes of meetings of audit, remuneration, investors' grievance committees and other committee meetings as well as abstracts of circular resolutions passed.
- Financials, Board minutes and consents of the subsidiary companies.
- Report on cases of sexual harassment, whistle blowing and employee grievance and action taken thereof.
- Review of Internal audit reports and Action taken reports on the key observations of the audit committee.
- Risk assessment report and steps taken towards risk mitigation

As a process, in most cases information to directors' is submitted along with the agenda papers well in advance of the Board meeting to enable adequate preparedness. In some instances, documents are tabled during the course of the board meetings or the appropriate committees of the board. Senior Management and functional heads also present to the Board on various strategic and operational matters.

OTHER GOVERNANCE PRACTICES: As a part of Firstsource's commitment to follow best practices, it also adheres to the following governance practices:

- The board has laid down Codes of conduct for Executive directors, Non-Executive directors and senior management of the company. The code of conduct as applicable to them is circulated to all members of the board and senior management and the compliance of the same is affirmed by them annually.
- Firstsource has comprehensive Code on prevention of insider trading in line with Securities & Exchange Board of India's (SEBI's) guidelines on prevention of Insider trading.
- Firstsource has implemented a comprehensive "Enterprise Risk Management" framework in order to anticipate, identify, measure, mitigate, monitor and report the risks to meet the strategic business objectives. The company also has ensured that robust internal audit and internal control systems commensurate with the company's size are in place.
- The Board has adopted a Whistle Blower policy and have established necessary mechanisms for employees to report unethical behaviour.

INFORMATION FLOW TO SHAREHOLDERS: Firstsource firmly believes in the shareholders' right to information and hence ensures timely and speedy dissemination of information to the shareholders'. The Company has established modes for dissemination of information to shareholder's either directly or through publication in newspapers or through the Company's website. Apart from official news releases and announcements to stock-exchanges, the Company's website www.firstsource.com is kept up-to-date with all the key developments and changes in the company that is material to the shareholders and has the quarterly results, fact sheet, press release and Earnings presentations, all of which would provide direction to the shareholders on the company's performance. The quarterly results and material information on any latest developments are also intimated to the stock exchanges and can be found on the websites of the stock exchanges where the company's shares are listed; viz; www.nseindia.com and www.bseindia.com As a policy, we do not provide any differential information to small and large investors. The company provides the tentative calendar for declaration of quarterly results for the coming fiscal year as part of the corporate governance report in the annual report.

DIRECTORS' REPORT

Dear Members,

The Directors take great pleasure in presenting their Eighth Annual Report on the business and operations of the Company and the audited financial statements for the year ended March 31, 2009.

FINANCIAL RESULTS

The performance of the Company for the financial year 2008-09 is summarised below:

(Rs. in million)

Particulars	Consolidated		Standalone	
	Fiscal 2009	Fiscal 2008	**Fiscal 2009**	Fiscal 2008
Total Income	**17,791.9**	13,337.2	**5,993.9**	5,046.9
Profit Before Interest and Depreciation	**2,496.5**	2,658.7	**1,323.1**	1,124.8
Interest	**1,028.3**	366.0	**668.7**	123.2
Depreciation	**961.3**	860.8	**522.5**	532.8
Profit Before Tax	**506.9**	1,431.9	**131.9**	468.8
Provision for Taxation (including Deferred Tax Charge/Credit)	**199.1**	126.5	**(19.2)**	(107.6)
Profit After Tax Before Minority Interest	**307.8**	1,305.4	**151.1**	576.4
Minority Interest	**1.1**	(10.2)	–	–
Net Profit After Tax	**306.7**	1,315.6	**151.1**	576.4
Balance Brought Forward	**2,607.1**	1,296.9	**1,460.6**	884.2
Appropriations	–	5.4	–	–
Accumulated Balance in Profit & Loss Account	**2,913.8**	2,607.1	**1,611.7**	1,460.6
Earning Per Share (Rs.) – Basic	**0.72**	3.09	**0.35**	1.35
Earning Per Share (Rs.) – Diluted	**0.72**	2.83	**0.35**	1.24

RESULT OF OPERATIONS

The consolidated total income increased from Rs.13,337.2 million to Rs.17,791.9 million, a growth of 33.4% over the previous financial year. The consolidated Net Profit After Tax declined from Rs.1,315.6 million to Rs.306.7 million, down by 76.69% over the previous financial year. The detailed analysis to the consolidated results forms part of the MD&A report provided separately as part of the Annual Report.

The standalone total income increased from Rs.5,046.9 million to Rs.5,993.9 million, a growth of 18.76% over the previous financial year. The standalone Profit After Tax declined from Rs.576.4 million to Rs.151.1 million, down by 73.79% over the previous financial year. The decline in Net Profit is mainly on account of non-cash mark to market loss on Foreign Currency Convertible Bonds (FCCBs) amounting to Rs.778.2 million and mark to market Foreign exchange loss on undesignated derivative financial instruments of Rs.236.2 million in fiscal 2009. There was also a net gain of Rs.635 million on account of FCCBs buy-back of USD 49.7 million in fiscal 2009.

There was also an overall increase in the cost of operations of the Company mainly due to the addition of over 7,000 employees and eight new facilities primarily towards increasing its business from Indian domestic market, the gains from which, the Directors' believe, will accrue to the shareholders' in future.

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 do not recommend any dividend for fiscal 2009.

INCREASE IN SHARE CAPITAL

During the year, the Company issued 876,718 equity shares of the face value of Rs.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 427,312,964 shares to 428,189,682 shares of Rs.10 each as of March 31, 2009.

REORGANISATION

During the year, the Company reorganised its business units into four largely independent business units/ verticals viz. Healthcare, Telecoms and Media, Banking, Financial Services & Insurance (BFSI) and Asia Strategic Business Unit. While the first three business verticals have been organised around industries, the fourth is organised by geography, due to different characteristics of the business.

The new organisation structure is expected to facilitate development of a business strategy that mirrors industry opportunities and dynamics, renewed focus on strengthening the domain expertise, acquiring new capabilities and a more client-driven approach to sales and business development.

Under this structure, Business unit heads are responsible for market strategy, development of products and services, deployment of resources to capture market share, revenue growth and profitability goals. The heads of these business units would set a market vision based on business demand and define a services portfolio keeping in mind customer needs.

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. The FCCBs are listed on Singapore Exchange Securities Trading Limited.

Upto March 31, 2009, the Company had repurchased and cancelled its FCCBs of the nominal amount of USD 49.7 million to avail the benefits of the prevailing discount in the rates of FCCBs. The repurchase was made at an average discount of 52% and was funded out of External Commercial Borrowing (ECB) from ICICI Bank, UK. The nominal amount of Bonds outstanding after cancellation is USD 225.3 million.

GLOBAL DELIVERY FOOTPRINT

The Company on a consolidated basis has increased the number of its global delivery centers from 36 as of March 31, 2008 to 43 as of March 31, 2009. The centers are located across India, USA, UK, Argentina and Philippines. 25 of the Company's delivery centers are located in 15 cities in India, 14 are in the USA (including seven operational hubs of MedAssist), 2 are in the UK and 1 center each in Argentina and Philippines. The Company's established global delivery footprint enables it to deliver wide range of services and deepen relationships with existing customers.

During the year, the Company incurred capital expenditure of Rs.1,053.9 million (including increase in leased assets of Rs. 80.5 million) mainly towards leasehold improvements, furniture and fixtures, equipments, computers & software and fixed assets in connection with the establishment of the Company's delivery centers in India.

QUALITY INITIATIVES

The Company follows the global best practices for process excellence and is certified by COPC (Customer Operations Performance Center). During the year, the Company's delivery centers at Chennai (Tidel Park), Bangalore (Millers Road) and Bangalore (RMZ) have been certified with version 4.1 COPC 2000® Standard for Healthcare and Publishing verticals, Inbound Customer Service vertical and Inbound Customer Service and BPO (Non-Media and Entertainment) respectively. The Company also follows process improvement methodologies like SIX SIGMA, Lean and Kaizen.

AWARDS AND ACCOLADES

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

- Secured first position in the "Best Service & Transaction Process Improvement Project" category at International Quality and Productivity Center (IQPC) Process Excellence Awards at London, UK.
- Stood Finalists in the "Best Start up Program" and "Master Black Belt of the Year" categories at IQPC Process Excellence Awards, Orlando Summit, US.
- Recognised amongst the Top 3 companies globally at the ERE 2009 Recruiting Excellence Awards in the "Best Recruiting Department of the year" category.
- Winner of the Everest Group Outsourcing Excellence Award 2008 for the Most Flexible Partnership.
- Winner of the IEXcellence Awards for Workforce Deployment (Europe, Middle East and Africa region) in two categories– Single Site Process Improvement and Multi Site Best Practice.
- Secured first position in the "Professional Excellence of the Year" category at Indiatimes BPO 2008 awards, New Delhi, India.
- Secured Runners up in the "DMAIC (Define Measure Analyze Improve Control) Services" category at Sakaal Lean & Six Sigma Excellence Awards '08 organised by Symbiosis Centre for Management & Human Resource Development (SCMHRD), Pune, India.
- Recognised amongst the top 25 companies in India by Institute of Company Secretaries of India (ICSI) in 2008 for Excellence in Corporate Governance.

HUMAN RESOURCES

On a consolidated basis, the Company has grown from 17,369 full-time employees as of March 31, 2008 to 21,570 employees as of March 31, 2009. The statement of particulars required pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) (Amendment) Rules, 2002, forms part of the Report. However, as permitted under the Companies Act, 1956, the 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

Dr. Shailesh J. Mehta, Mrs. Lalita D. Gupte and Mrs. Shikha Sharma retire by rotation at the forthcoming AGM and are eligible for re-appointment.

During the year, Mr. Mohit Bhandari was appointed as Director, representing equity investor Aranda Investment (Mauritius) Pte. Limited (Aranda) in place of Mr. Dinesh Vaswani. Mr. Mohit Bhandari has also been appointed as a member of the Audit Committee, Shareholders'/Investors' Grievance Committee and Committee for Issue of Securities (FCCBs) of the Board of the Company in place of Mr. Dinesh Vaswani. Mr. Mohit Bhandari, 32 years, is a Director of Temasek Holdings Advisors India Private Limited. He has completed Computer Engineering from Mumbai University and MBA from IIM Calcutta. Temasek is the holding Company of Aranda. He had been with DSP Merrill Lynch as part of the Investment Banking/M & A team for 8 years.

Further, Mr. Raju Venkatraman, Jt. Managing Director and COO has resigned w.e.f. April 1, 2009. The Board places on record its appreciation for the valuable services rendered by Mr. Dinesh Vaswani and Mr. Raju Venkatraman during their tenure as Directors.

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 Employees Stock Option Scheme (ESOS), namely, the Firstsource Solutions Employees 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.

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 below:

Sr. No.	Description	ESOS 2003	
1.	Total number of options under the Plan		68,373,547
2.	Options granted during the year 2008-2009		7,770,000
3.	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.	
4.	Options vested during the year 2008-2009		12,058,843
5.	Options exercised during the year 2008-2009		865,468
6.	Total number of shares arising as a result of exercise of options during the year 2008-2009		865,468
7.	Options lapsed during the year 2008-2009		23,073,097*
8.	Variation of terms of options during the year 2008-2009		Nil
9.	Money realised by exercise of options during the year 2008-2009 (Amount in Rs.)		23,259,337
10.	Total number of options in force		55,662,413
11.	Employee wise details of options granted to:		
	i) Senior Managerial personnel during the year 2008-2009	Michael Shea	1,200,000
		Carl Saldanha	1,000,000
		Frank Stellato	700,000
		Thomas Watters	500,000
		Anthony J. Pino	250,000
		Farid Kazani	200,000
		Sandeep Bhalla	175,000
		Dinesh Jain	150,000
		Joseph Fazzini	125,000
		Namit Kaushal	100,000
	ii) Any other employee, who has been granted options amounting to 5% or more of options granted during the year 2008-2009.	Nil	
	iii) Identified employees who were granted options, equal to or exceeding 1% of the issued capital of the Company during the year 2008-2009.	Nil	
12.	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'	Standalone EPS - Rs. 0.35 per share. Consolidated EPS - Rs. 0.72 per share.	

Sr. No.	Description	ESOS 2003
13.	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 Schedule No. 20 of the Standalone Financial Statements.
14.	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.	Weighted average exercise price – Rs. 43.38 per option.** Weighted average fair value as per the Black Scholes Model – Rs. 14.75 per option.
15.	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 volatility d) expected dividends and e) the price of the underlying share in market at the time of option grant	Please refer to Schedule No. 20 of the Standalone Financial Statements.

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

** Prior to the Initial Public Offering (IPO), the Company has 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/shares are issued, on that Stock Exchange where there is highest trading volume on the said date.

Information on ESOS 2002:

Sr. No.	Description	ESOS 2002
1.	Total number of options under the Plan	2,408,125
2.	Options granted during the year 2008-2009	Nil
3.	Options vested during the year 2008-2009	Nil
4.	Options exercised during the year 2008-2009	11,250
5.	Total number of shares arising as a result of exercise of option during the year 2008-2009	11,250
6.	Options lapsed during the year 2008-2009	10,000
7.	Variation of terms of options during the year 2008-2009	Nil
8.	Money realised by exercise of options during the year 2008-2009 (Amount in Rs.)	128,537
9.	Total number of options in force	99,375

SUBSIDIARY COMPANIES

As on March 31, 2009, the Company had 13 subsidiaries:

Domestic subsidiaries:

1. RevIT Systems Private Limited
2. Pipal Research Analytics and Information Services India Private Limited (A wholly owned subsidiary of Pipal Research Corporation, USA).

International subsidiaries:

1. Firstsource Solutions USA Inc.
2. Firstsource Solutions UK Limited
3. Firstsource Solutions S.A., Argentina
4. FirstRing Inc., USA
5. Firstsource Advantage LLC, USA (A subsidiary of FirstRing Inc.)
6. Pipal Research Corporation, USA

7. MedAssist Holding, Inc., USA
8. MedAssist Intermediate Holding, Inc., USA (A subsidiary of MedAssist Holding, Inc.)
9. MedAssist, Incorporated, USA (A subsidiary of MedAssist Intermediate Holding, Inc.)
10. Firstsource Financial Solutions Inc., USA (A subsidiary of MedAssist, Incorporated)*
11. Twin Medical Transaction Services, Inc., USA (A subsidiary of MedAssist, Incorporated)

* The name of Firstsource Healthcare Advantage, Inc. has been changed to Firstsource Financial Solutions Inc. w.e.f. April 15, 2009.

Pursuant to internal Corporate restructuring in January 2009, Business Process Management, Inc., MedPlans 2000, Inc., MedPlans Partners, Inc. and Sherpa Business Solutions, Inc., step down subsidiaries of the Company in USA, have eventually merged with Firstsource Solutions USA Inc., wholly owned subsidiary of the Company. The Merger is effective w.e.f. February 1, 2009 and the said merged entities have ceased to be in existence w.e.f. the said date.

PARTICULARS UNDER SECTION 212 OF THE COMPANIES ACT

In terms of the approval received from the Central Government vide their letter dated April 13, 2009 under Section 212(8) of the Companies Act, 1956, the Balance Sheet, Profit and Loss Account, Reports of the Board of Directors and Auditors of the subsidiaries have not been attached with the Balance Sheet of the Company. However, as directed by the Central Government, the financial data of the subsidiaries have been furnished under 'Details of Subsidiaries' forming part of the Annual Report. Further, pursuant to Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements of the Company and its subsidiaries for the year ended March 31, 2009, together with reports of Auditors thereon and the statement pursuant to Section 212 of the Companies Act, 1956, are attached. The financial statements of subsidiaries will be available on a request made by any member of the Company and 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 embarked on a journey to make its delivery centers energy efficient. The Company has embraced the use of Thin Clients' across all its delivery centers set up during the year. Energy conservation is being driven across the Company. The Company's delivery center at Bangalore has been certified to confirm to the Environmental Management System Standard, ISO 14001 : 2004. Practices such as daily monitoring and analysis of the units consumed at the key centers of the Company for ensuring optimal running of utilities and awareness through stickers/ posters for energy conservation has led to reduction in energy consumption upto 5%.

B) Absorption of Technology

The Company is committed to 'Technological Innovation'. During the year, the key centers of the Company in USA has received ISO 27001 certification. The Company continues to use virtual desktop technology for its operations in Tier II cities to improve security and availability of IT infrastructure at these locations.

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, 62.71% of the Company's revenues was 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 were as under:

(Standalone figures in Rs. millions)

Particulars	**Fiscal 2009**	Fiscal 2008
Foreign exchange earnings	**3,601.2**	3,710.7
Foreign exchange outgo (including capital goods and imports)	**188.6**	243.3

AUDITORS

M/s. B S R & Co., Chartered Accountants, who were appointed as the Statutory Auditors of the Company by shareholders at their previous AGM, shall be retiring on conclusion of the forthcoming AGM and are eligible for re-appointment. Members are requested to consider their re-appointment for the financial year ending March 31, 2009 at a remuneration to be decided by the

Board of Directors or Committee thereof. The Company has received written 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.

AUDITORS' REPORT

With regard to the qualifications contained in the Auditors' Report, the Board gives the following information and explanations:

1. (a) The auditors have opined that the financial statements comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the the Companies Act, 1956 (Act), except for the matters stated in paragraph 2 of their report.

   (b) Paragraph 2 of their report refers to the fact that as stated in Schedule 30 to the financial statements, the Company has made early adoption of Accounting Standard (AS) 30 read with AS 31, issued by the Institute of Chartered Accountants of India. The Auditors have opined that "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".

   (c) The Board does not agree with the Auditors' Opinion for the following reasons:

      (i) Sub-section (3C) of Section 211 of the Act defines "Accounting Standards" as the standards prescribed by the Central Government and the proviso to that sub-section states that the standards specified by the Institute of Chartered Accountants of India "shall be deemed to be the Accounting Standards until the Accounting Standards are prescribed by the Central Government under this sub-section". Therefore, until equivalent standards are prescribed by the Central Government, AS 30 and AS 31 have the same force as standards prescribed by the Central Government.

      (ii) Though AS 30 and AS 31 are not yet notified to be in force, early application of the standards is recommended and the Company has acted on that recommendation.

      (iii) An early application of a standard must have the same effect as if the standard has come into force as otherwise the early application would be meaningless.

2. (a) The Auditors have qualified their opinion in paragraph (f) as "subject to paragraph 3 above and consequent adjustments, if any".

   (b) Paragraph 3 of the Auditors' Report invites attention to the fact as explained in Schedule 21 to the standalone financial statements that "an application has been made to the Central Government seeking approval for remuneration to the Managing Director & CEO and the Jt. Managing Director & COO in excess of the limits prescribed under the Act, for which approval is awaited".

   (c) The full facts have been disclosed in Schedule 21.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm:

1. That 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. That the Directors had 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. That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. That the annual accounts were prepared on a going-concern basis.

ACKNOWLEDGEMENTS

The Board of Directors thanks the Company's customers, vendors, bankers and business associates for their support and assistance. 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. Ashok S. Ganguly
Chairman

Mumbai
April 28, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Company's financial statements included 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 MD&A pertains to Firstsource Solutions Limited and its subsidiaries (the Company) on a consolidated basis, unless otherwise stated.

INDUSTRY STRUCTURE, DEVELOPMENTS AND OUTLOOK

The meltdown in the U.S. financial markets that first emerged in mid-2007 transformed itself into a wide-spread global financial crisis in 2008. As the crisis intensified, there was a rapid deterioration in the global macroeconomic conditions and a sharp moderation in the economic activity. There was a very high aversion to risks which in turn sent credit spreads soaring, equity markets tumbling, exchange rates falling and capital flows declining. The situation further worsened in mid-2008, with the collapse of several venerable financial institutions in the United States and raising fears that escalating financial pressures could pose a systemic risk to the international financial system. What started off as turmoil in the financial sector of the advanced economies has snowballed into a massive financial and economic crisis of the last 60 years. As investors repatriated overseas assets and credit conditions were tightened, firms around the world had to scale-back production and postpone capital spending plans. With unemployment rates too rising across the globe, consumers curbed spending, further bringing down demand for consumer goods, automobiles and the like. The speed at which the crisis has spread has called into question several fundamental assumptions and beliefs governing economic resilience and financial stability.

All countries have been affected by the recessionary environment and global GDP is projected to contract for the first time since World War II, anywhere between 0.5 and 1.0 per cent, according to the March 2009 forecast of the International Monetary Fund (IMF). The World Trade Organisation (WTO) has forecast that global trade volume will contract by 9.0 per cent in 2009. As per World Bank's March 2009 estimates, global GDP is expected to contract by 1.7 percent in 2009. Governments and central banks around the world have responded to the crisis through both conventional and unconventional fiscal and monetary measures. The global financial situation remains uncertain and the global economy continues to cause anxiety for several reasons. There is as yet no clear estimate of the quantum of troubled assets, and doubts still remain on whether the initiatives underway are sufficient to restore the stability of the financial system. Many major central banks have nearly or totally exhausted their conventional weaponry of calibrating policy interest rates and are now resorting to unconventional measures such as quantitative and credit easing.

Like all emerging economies, the Indian economy has also been impacted by the recessionary trends, with a slowdown in GDP growth to six to seven per cent levels for FY2009 after clocking an annual growth of 8.9 per cent on an average over the last five years (2003-08). The services sector, which has been the country's prime growth engine for the last five years, is slowing. Dampened demand has impacted corporate margins while the uncertainty surrounding the crisis has affected business confidence. Investment demand has also decelerated. However, despite the adverse impact as noted above, there are several comforting fundamental factors that have helped India isolate the severity of the crisis. Indian financial markets, particularly banks, have continued to function normally. India's comfortable foreign exchange reserves provide confidence and ability to manage balance of payments notwithstanding lower export demand and dampened capital flows. Headline inflation has declined sharply and domestic consumption specially, rural demand continues to be robust. Notwithstanding the contraction of global demand, growth prospects in India continue to remain favourable compared to most other countries. The median forecast of real GDP growth, according to the Reserve Bank of India's latest professional forecasters' survey, for FY2010 is 5.7 per cent, which though lower compared to previous years, is still significantly higher compared to most other countries.

Despite the global recessionary environment, the Indian Business Process Outsourcing (BPO) industry has continued its positive growth momentum over the past one year, albeit at a slower pace. FY2009 was a transformational year for the Business Process Outsourcing (BPO) industry, as it began to re-engineer itself to face the challenges presented by an unprecedented macro-economic environment. In addition to near term volume reductions and pricing pressures, additional challenges during the year were cross currency fluctuation, terror attacks, corporate governance and some protectionist tendencies impacting short-term growth. However, there were some positives too including the extension of the STPI scheme, lower inflation and wage moderation. While many of the challenges faced by the sector still persist and there is likely to be some turbulence in the short term, the Indian BPO has demonstrated its ability to overcome them and reinforce the conviction in its fundamentally strong and sustainable value proposition.

The current environment provides BPO industry an ideal opportunity to transform business globally by providing superior value and improved cost efficiencies. From a fundamental point of view, despite the tough global conditions, the drivers for global sourcing remain strong in the near future. Through innovative business models, the BPO industry will also capture growth from currently untapped markets by expanding its service offerings and diversifying into newer geographies. The Company believes that the current global slowdown that is being itnessed should not have any long term negative impact on the BPO industry as:

- Offshore BPO market is highly under penetrated
- BPO services are sticky in nature as these are processes which in any case need to be performed by the customers
- BPO spending is an operating expense and not a capital expenditure for the customers, hence BPO decisions are neither discretionary in nature and nor subject to annual budget increases

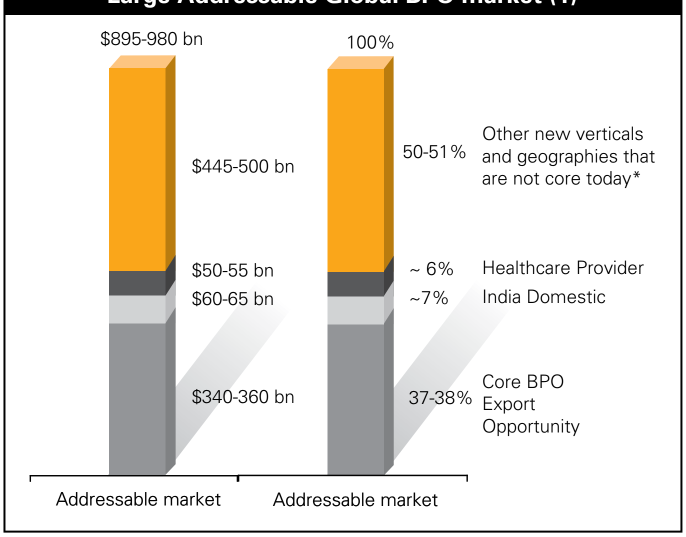
The Company hence believes that the current global slowdown that is being witnessed should not have any long term negative impact on the BPO industry and the Company. Infact pressure to cut costs and streamline operations will eventually lead clients to outsource more work however, in the short run, customers are preoccupied in dealing with internal issues such as new business growth and risk management and hence there will be some delays in outsourcing decisions. This is likely to result in moderating industry and company's growth rates in next 2-3 years.

According to the NASSCOM - Perspective 2020 report, Business Services (i.e. BPO) will overtake technology services and become the largest export oriented opportunity with a total addressable export market of USD 615-670 billion by 2020. In addition to that, domestic BPO opportunity of USD 280-310 billion is estimated to emerge in new geographies such as BRIC countries (Brazil, Russia, India and China), taking the overall global sourcing and domestic BPO opportunity to USD 895-980 billion.

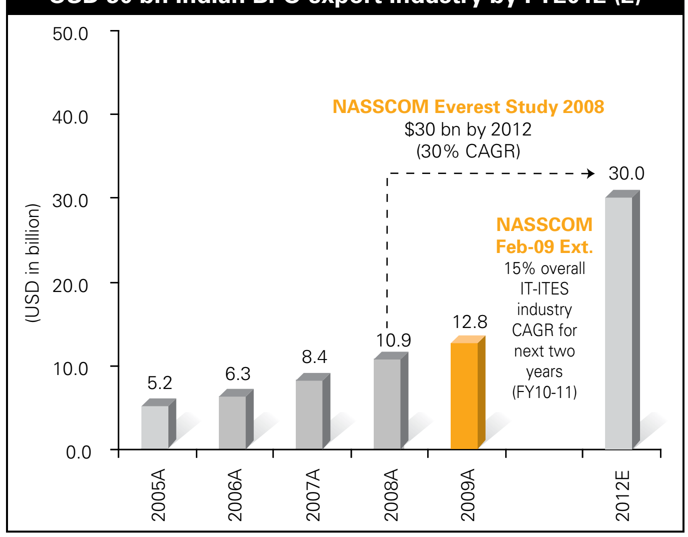
Of the USD 615-670 billion export opportunity, 'Core addressable business services or BPO market' is estimated to be between USD 340-360 billion by 2020, twice as large as the core technology services market opportunity by then. Core markets are markets that have been the prime focus of the global sourcing industry so far, i.e. enterprises from North America and Western Europe in verticals such as BFSI, telecom, manufacturing, retail, travel and pharmaceuticals. Remaining export opportunity of USD 275-310 billion is expected to come from markets those are not core today, such as new verticals in developed countries (i.e. Healthcare provider, public sector etc) or new customer segments (i.e. small and medium businesses). Specifically, total addressable BPO market for healthcare provider vertical is estimated to be USD 50-55 billion. Of the USD 280-310 billion domestic BPO opportunity, India domestic BPO addressable market is estimated to be USD 60-65 billion. Current penetration levels, both for export and India domestic BPO opportunity is extremely low and that presents a huge opportunity for Indian BPO service providers. The estimated size of the India's BPO export and domestic BPO market is USD 12.8 billion and USD 2.0 billion, respectively in fiscal 2009 signifying a huge untapped potential.

NASSCOM-Everest India BPO Study, conducted by Everest Research Institute and NASSCOM in 2008, estimated overall BPO export to reach to USD 30 billion by 2012, implying a 30% CAGR. However, subsequently NASSCOM in February, 2009 had separately revised the BPO industry growth forecast to 15% for FY09-11 compared to earlier projected 30+% growth levels, chiefly due to the impact of the US economic slowdown and other recessionary factors and pressures across the globe, though assuring that there are no concerns for long term growth which still remain robust.

Large Addressable Global BPO market (1)



USD 30 bn Indian BPO export industry by FY2012 (2)



(1) Source: NASSCOM Perspective 2020 Report, 2009

(2) Source: NASSCOM - Everest India BPO Study by Everest Research Institute (2008) and NASSCOM

* *Includes export opportunity form other new verticals such as public sector, publishing and utilities, export opportunity from new customer segments such as small and medium businesses (SMBs) and domestic BPO opportunity in other BRIC countries (excluding India).*

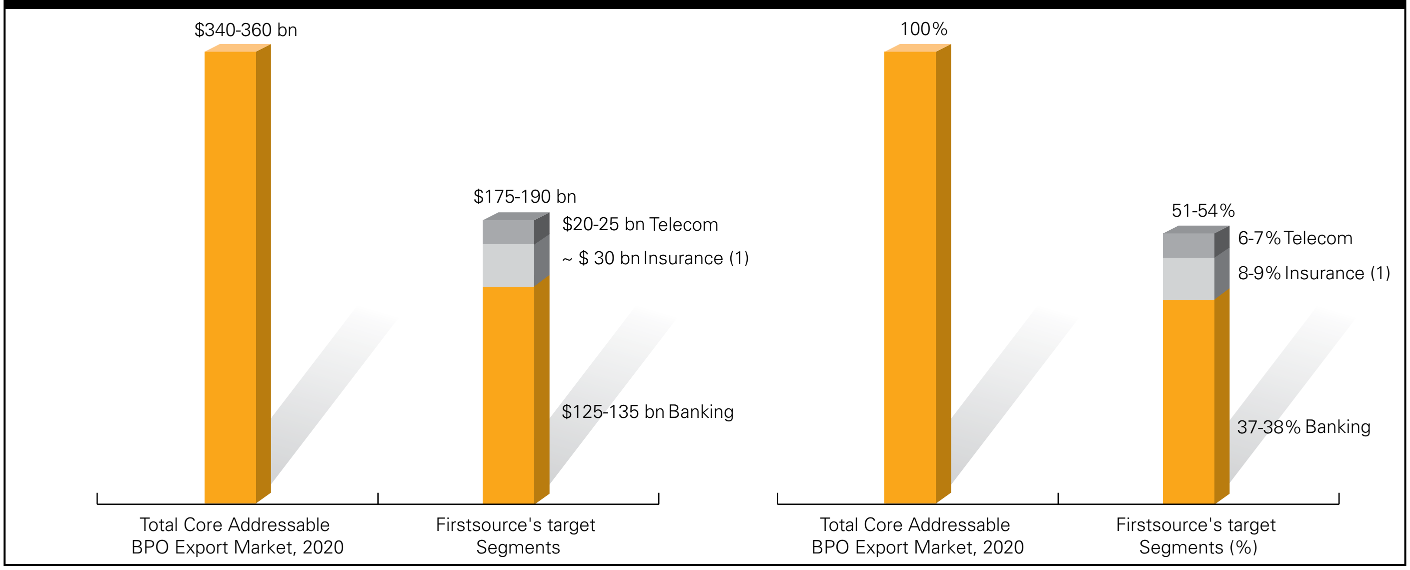
The key verticals the Company focuses on and has built strong operating skills and domain expertise are Banking, Financial Services and Insurance (BFSI); Telecommunications and Media; and Healthcare. As per the NASSCOM-Perspective 2020 study, Banking and Financial services, Insurance and Telecommunications industries are expected to be approximately 51-54% of the total core addressable opportunity of USD 340-360 billion. Again vertical-specific services relating to the core business of companies in industries such as BFSI, Insurance, Manufacturing, Retail, Travel, Telecommunications etc. are estimated to constitute 70% of the opportunity while horizontal-specific services like Finance and Accounting (F&A), Human Resource Management (HR), Payroll Processing, Procurement Services etc. are expected at constitute 30%.

The above again is aside from the domestic BPO opportunity from India of USD 60-65 billion and the Healthcare provider addressable market of USD 50- 55 billion, both of which the company operates in.

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

Banking, Financial Services and Insurance (BFSI)

Addressing key verticals in the core BPO export market



(1) Includes Life and Pensions, property & Casualty and Health

Source: NASSCOM Perspective 2020 Report, 2009

The BFSI vertical represents a large BPO opportunity. According to the NASSCOM-Perspective 2020 study, the addressable export opportunity for Banking for Indian BPO service providers is estimated to be USD 125-135 billion and Insurance is estimated to be USD 30 billion and is two of the largest addressable segments of the global offshore BPO market.

The financial services industry pioneered offshoring in the early 90s and since then, more and more financial institutions have embraced offshoring as a part of their business strategy. With the growing maturity of vendors, functions with increasing complexity are being off-shored. Moreover as new destinations emerge, offshoring will spread beyond the preferred destinations of today.

This large market with current low penetration levels offers large growth potential to BPO service providers. The key industry trends being witnessed in the company's target BFSI segments are as under:

Credit cards - Increasing levels of unemployment and pressure on US salaries have resulted in increasing delinquencies. Liquidation rates continue to remain soft.

Retail banking - Twenty-five US banks have failed in 2008, far more than in the previous five years combined. Governments and central banks across the globe are intervening to try and fix the problem through radical restructuring initiatives. It is still premature to ascertain the long term impact and structural changes that this will bring about in this segment.

Mortgages - Gross mortgage landing has fallen 2/3rd over last six quarters in the Company's key market – UK. This segment is witnessing fewer lenders now taking bulk of the market share. Origination work continues to be low.

General insurance - Aggregators and price comparison websites are increasingly becoming dominant. Slow down in new car sales and lower consumer spending due to recessionary trends has impacted growth.

Telecommunications and Media

According to the NASSCOM-Perspective 2020 study, the addressable opportunity for Telecommunications for Indian BPO service providers is estimated to be USD 20-25 billion. Technology has radically transformed this Industry and telecom service providers in advanced markets are in the process of upgrading their networks to data intensive 3G wireless networks, which will facilitate the provision of complex data services. The key industry trends being witnessed in the company's target telecommunications and media segments are as under:

Mobile / Wireless - Top-line growth and Average Revenues Per User (ARPU) are tapering off with players now focusing on consolidation and efficiencies through reengineering initiatives and cost reductions. Outsourcing/right-shoring is finding increased interest.

Broadband / High speed internet - With new customer additions having slowed down, time for land-grab is over and ISPs are now focusing on margin expansion

Fixed / Wireline - Enterprise revenues are showing some decline in line with current economic environment

DTH / Pay TV - Under the current recessionary environment, the segment is gaining importance as customers are cutting back on going out and prefer to stay at home resulting in higher service usage. There is also a demand for bundled packages and triple play. Business volumes are showing a positive trend.

Healthcare

Within the Healthcare vertical, the Company serves the payer market represented by the Insurance companies and the provider market represented by hospitals. According to the NASSCOM-Perspective 2020 study, the addressable opportunity for Healthcare providers for Indian BPO service providers is estimated to be USD 50-55 billion. Additionally, the addressable opportunity for Insurance (including Health insurance or payer market) for Indian BPO service providers is estimated to be USD 30 billion.

US healthcare reforms are a key priority for the new US administration. Cost of healthcare is a concern shared by government, consumers and businesses, the latter of which is now faced with loss of competitiveness as healthcare consumes more of the profits. Although a number of healthcare reform models are under discussion, there is little debate that some type of change must occur.

This vertical is relatively recession proof due to the very nature of the spends not being entirely discretionary. The key industry trends being witnessed in the company's target segments in this vertical are as under:

Healthcare provider – On the healthcare provider side, where the company works with hospitals and physician groups towards enabling them getting reimbursements from the state governments towards the treatments rendered to uninsured or underinsured patients, payments cycles from state governments have of late increased sharply primarily due to budgetary pressures faced by them on account of lower tax receipts.

Healthcare payer – On the healthcare payer side too, there has been a reduction in the overall insurance claim volumes due to increasing unemployment and the resultant increase in the underinsured and uninsured population. US healthcare reforms, which is key priority for the new US administration, should present opportunities in the medium to long-term.

Asia

The Company continues to sharpen its focus and strengthen its value proposition for the emerging Indian domestic market which it believes is a large growth opportunity. According to the NASSCOM-Perspective 2020 study, the addressable opportunity for Domestic BPO in India is estimated to be USD 60-65 billion.

The India outsourcing landscape is showing positive growth despite global slow down with telecom and BFSI maintaining growth trajectory. Several other segments of industry are yet to start outsourcing and that presents a large and nascent market opportunity. Outsourcing is relatively an emerging industry in India and there is clearly a gradual shift from cost focus to value based service from tier-1 service providers. There is also a simultaneous move to innovative outcome based pricing models as opposed to input based pricing. Clients are also deepening reach to tier II cities and beyond and a compelling service proposition and competitive pricing will be the critical success factors to grow in this segment.

COMPANY OVERVIEW

The Company is a leading global provider of BPO services to clients primarily in the BFSI, Telecommunications and Media, and Healthcare industries. The Company provides BPO services mostly to clients in North America, the United Kingdom and Asia Pacific regions. The Company's clients include 5 of the Top 10 U.S. banks, 7 of the Top 10 general purpose credit card issuers in the U.S., largest bank and mortgage lender in the U.K., one of the Top 3 motor insurers in the U.K., 2 of the Top 10 U.S. telecom companies, 2 of the Top 5 mobile service providers in the U.K., largest pay TV operator in the U.K., 3 of the Top 5 mobile service providers in India, 5 of the Top 10 health insurers and managed care companies in the U.S. and over 800 hospitals in the U.S. Based on the annual rankings by NASSCOM, the Company was the seventh largest BPO provider in India in fiscal 2008 in terms of revenues and is amongst the top "pure-play" BPO provider (BPO providers that are not affiliated with information technology companies).

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 centres and in administering, managing and further improving these processes for its clients. The Company's key service offerings across its target verticals are depicted in the adjacent page:

Healthcare Payer

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

Healthcare Provider	Patient services	Eligibility services	Receivables management	Collections services
Hospitals Physician Groups	• Patient contact and registration • Insurance verification and certification • Patient visit management	• 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	• Ongoing and Clean-up Projects for all Payor 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	• Custom 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

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	• Inbound sales • Outbound sales • Lead generation • Cross sell/Up	• Provisioning • Order and returns • Logistics coordination • Porting support • Credit vetting • Order input • Account administration • Internal actioning requests	• General enquiries • Information requests • Customer service • Welcome calls • Account management • Technical support • Help desk	• Invoice requests and complaints • Billing disputes • Process queries for charges • Billing • Billing issues • Technical support	• Overdue collections • Credit limit/expiry • Inbound internal handoff calls • High usage management	• Dispute resolution • Increasing customer awareness for chosen plan • Increase tolling • Billing issues

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

Banking, Financial Services and Insurance (BFSI)

Financial Services	Customer service & fulfilment	Transaction processing		Collections
Credit Cards Custody Retail Banking Mortgage General & Life Insurance	• 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.	• Check, remittance and item processing • Funds transfer and forex transactions • Custody operations & fund service - Portfolio valuation and reconciliations - Contract note generation - Settlements - Corporate actions - Billing support - Performance audit	• Mortgage - Origination - Loan vault conversion - Collateral review - Underwriting - Loan booking • Insurance - Application processing - Policy amendments - Policy amendment/cancellation - Data and trend analysis	• 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

The Company services its clients through its global delivery capabilities both onshore and offshore. The Company has 43 delivery centres across India, US, UK, Argentina and the Philippines supported by a robust and scalable infrastructure network that can be tailored to meet its clients' specific needs. 25 of the Company's global delivery centres are located in fifteen cities in India, fourteen are in the United States (including seven operational hubs of MedAssist), two are in the United Kingdom, one is located in Argentina and one is located in Philippines. This gives the Company proximity to its clients, multi-lingual capabilities 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 21,570 as of March 31, 2009. As of March 31, 2008, the Company had 17,369 employees. As of March 31, 2009, 16,859 of the Company's employees are based out of India, 2,961 are based out of the U.S., 1,278 are based out of the U.K., 245 are based out of Argentina and 227 are based out of Philippines. 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, 2009, the Company had nine clients with annual billing of over Rs. 500 million compared to seven as of March 31, 2008 and none as of March 31, 2003. The Company's client concentration has continued to diversify. For fiscal 2009, the largest client contribution was at 10.3% of total income from services as compared to 14.4% in fiscal 2008 and 41.6% in fiscal 2003. The contribution from top 5 clients was at 31.2% of total income from services in fiscal 2009 as compared to 37.4% in fiscal 2008 and 82.5% in fiscal 2003.

The Company's total income has grown at a compound annual growth rate of 69% from 771.5 million in fiscal 2003 to Rs. 17,791.9 million in fiscal 2009. Over the same period of time, the profits after tax have increased from a loss of Rs. 109.5 million in fiscal 2003 to a profit of Rs. 306.7 million in fiscal 2009. The Y-o-Y growth in Total income of the Company in fiscal 2009 over fiscal 2008 is 33.4%. 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. 96.8% of the Company's income from services during fiscal 2009 was derived from existing clients (clients existing as on March 31, 2009).

Fiscal 2009 has been a significant year in the Company's evolution. Key developments in fiscal 2009 are:

- Continued expansion of delivery footprint with setting up of eight new centres in India and addition of 3,943 seats
- Continue to scale operations
  - o Added 4,201 employees during the year. 3,700 additions in India and 501 additions outside India
  - o Expanding relationship with existing clients. Seven of the top 10 clients have grown during fiscal 2009
  - o Added marquee client logos those have significant growth potential such as Leading Australian, UK and Indian telecom service providers; new wins in Healthcare (provider) and BFSI (Collections)

- Reorganisation - Getting vertically aligned
    - o Reorganised into four independent business units - Healthcare industry vertical, Telecoms & Media industry vertical, Banking, Financial Services & Insurance (BFSI) industry vertical, and Asia Strategic Business Unit (ASBU) effective March 2009
    - o The new organisation structure is expected to further strengthen the company's domain expertise and facilitate development of a business strategy that mirrors industry opportunities and dynamics
- FCCB Buyback
    - o Bought back USD 49.7 million face value of FCCBs, outstanding FCCB is now at USD 225.3 million compared to original issue of USD 275 million
    - o Opportunistic buy back, funded through fresh ECB
        - Buyback executed at attractive discount
        - Repayment obligation is spread over a longer time frame
- Significant awards and recognition
    - o Recognised amongst the Top 3 companies globally at the ERE 2009 as Recruitment Department of the Year
    - o Winner of the Everest Group Outsourcing Excellence Award 2008 for the Most Flexible Partnership
    - o Finalists in Master Black Belt of the year and Best Startup Program categories at the IQPC Six Sigma Excellence Awards, Orlando
    - o Winner of the IEXcellence Awards for Workforce Deployment (Europe, Middle East and Africa region) in two categories – Single Site Process Improvement and Multi Site Best Practice
    - o Finalist in 5 categories at The Global Six Sigma Awards (TGSSA) 2009, Orlando
    - o Winner in Transaction & Services Category at IQPC Six Sigma Excellence Awards, London
    - o Recognized as among the top 25 companies in India by Institute of Company Secretaries of India (ICSI) for Excellence in Corporate Governance 2008.

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 seventh largest BPO provider in India in fiscal 2008 in terms of revenues and amongst the top "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 small number of customers. The company's earns revenues from the US, UK and APAC geographies and chiefly services the BFSI, Telecommunication and Media and Healthcare industries.

- Early entrant in to Indian domestic BPO market

    The Company has been an early mover in the Indian BPO market, which is very nascent and has significant growth potential. During fiscal 2009, Income from services from India grew 40% compared to previous fiscal and currently contributes 10.8% of the company's income from services.

- Strategic positioning in the target industry sectors

    The Company is strategically positioned to benefit from the growth opportunities in its key target industries – BFSI, Telecommunications and Media, and Healthcare. The Company's key strengths within these sectors are its size, deep domain expertise, proven track record, ability to provide end-to-end services, multi-shore capabilities and its marquee client base.

- 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 U.S. 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, 2009, 39.9% 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 43 delivery centres, including 25 located in fifteen different cities in India, fourteen in the United States, two in the United Kingdom, one delivery centre in Argentina and one delivery centre in Philippines. The company has over this fiscal year diversified into Tier II delivery locations across India. 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 will create competitive advantage.

- Established relationships with large global companies

  The Company works with over 1000 clients as of March 31, 2009, including over 800 hospitals in the US, of which over 25 are "Fortune Global 500", "Fortune 500" and "FTSE 100" companies. Many of these relationships have strengthened over time as the Company obtains ongoing work from these clients and gains a greater share of their processing 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 69% from fiscal 2003 to fiscal 2009 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

  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 healthcare industry. Reorganization towards a vertical structure is a step in that direction. Additionally the company continues to invest heavily in industry and client specific trainings and, establishing knowledge management system towards the same.

- Strong focus on existing client relationships

  Existing client relationships are extremely crucial as existing clients contributes majority of the revenues. In fiscal 2009, 96.8% of the company's income from services was derived from existing clients. In the current turbulent times, 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 believe that this will lead to increased business opportunities for the company from its existing client base.

- 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. However, with the emergence of India as one of the largest economies in the world, the Indian domestic outsourcing market is also emerging as an attractive target market. 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.

- Maintain focus on process excellence

  The Company 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 Six Sigma and TQM increases its value proposition to the customer.

- 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. The Company intends to continue to invest in developing and grooming its middle management talent.

- Continue to invest in proprietary technology platforms

  The Company believes that outsourcing companies with significant process and domain knowledge will be in the best position to provide efficient and effective outsourcing solutions to their customers. The Company intends to continue to invest in developing its own proprietary technology platforms and develop capabilities around technology platforms through strategic partnerships.

Human Resources

The Company is committed to attaining organizational excellence by developing and inspiring the true potential of human capital and providing opportunities for growth, innovation and enrichment. The emphasis is on creating a value based organization by inculcating a culture of learning, creativity and aligning business priorities with the aspirations of its people. The Company's corporate values of respect, teamwork, people centricity, integrity, transparency and fun are woven into every aspect of human resource management.

The focus during the year was not only on integrating human capital initiatives across the globe but also on creating motivated human capital business partners in each business vertical. The Company continued to strengthen its human resource practices and systems along with developing staff excellence through training and coaching. Towards this endeavour, the Firstsource Leaders' Program was held for the top performers and high potential pool of employees in the company, followed by an intensive coaching initiative. PeopleSoft has been rolled-out in India and Philippines and is currently being used as the company's HRMS. The performance management system was revamped to manage organizational and individual performance. The Company continues to strengthen its market position globally and leverage the power of the diverse employee base; the employee strength went up from 17,369 to 21,570 during fiscal 2009.

The Company constantly renews its practices and innovates in order to make a difference to every single Firstsource employee. This year the Company was recognized amongst the Top 3 companies globally at the ERE 2009 Recruiting Excellence Awards in the "Best Recruiting Department of the Year" category. The Company was also recognized for its innovative recruitment initiatives like the "Career On Wheels" (Mobile Recruitment Van), "The Career Hubs initiative", "The Talent Scout Program" and the "TOMTOM Portal" at the 'Employer Branding Awards 2009'. The Company strives to remain committed to pushing its boundaries and moving from Good to Great.

OPPORTUNITIES AND THREATS

The Industry Structure, Development and Outlook section has described the potential of the BPO industry. It is important to note that the industry is still at a very nascent stage with less than 5% of the total addressable market being captured.

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

- Cost pressures in current economic environment
- 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 focuses 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:

- 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 25 "Fortune Global 500", "Fortune 500" and "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.

- As per the NASSCOM-Perspective 2020 study, Banking and Financial services, Insurance and Telecommunications industries are expected to be approximately 51% to 54% of the total addressable export opportunity of USD 340 – 360 billion. The above again is aside from the domestic BPO opportunity from India of USD 60-65 billion and the Healthcare provider addressable market of USD 50-55 billion, both of which the company operates in. The Company's strategic positioning and scale in its target industry sectors of BFSI, telecommunications and media, healthcare and specific focus on India Domestic market as well puts it in a strong position for capitalizing on the growth potential.

Competition

The market for BPO services is rapidly evolving and is highly competitive. The Company expects that the competition it faces will continue to intensify. The Company faces competition from:

- offshore BPO providers, particularly in India;
- BPO providers competing in the Indian domestic market;
- the BPO divisions of global IT companies and global "pure play" BPO providers located in the United States;
- the BPO divisions of IT companies located in India; and
- companies, including certain of its clients, that choose to perform their own business processes internally through offshore captive business processing units established specifically for this purpose.

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 countries such as China and the Philippines. 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.

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 authorized share capital of the Company is Rs. 8,500 million, divided into 600 million Equity shares of Rs. 10 each and 250 million participatory optionally convertible preference shares of Rs.10 each. The paid up share capital at March 31, 2009 stands at Rs. 4,281.9 million compared to Rs. 4,273.1 million at March 31, 2008.

The details of increase in equity share capital by Rs. 8.8 million from Rs. 4,273.1 million as at March 31, 2008 to Rs. 4,281.9 million as at March 31, 2009, is as below.

	Number of Shares (million)	Amount (Rs. million)
Shares issued by way of conversion of Options to Employees under ESOP scheme	0.88	8.8
	0.88	8.8

Reserves and Surplus. The Reserves and surplus of the Company increased from Rs. 3,127.3 million to Rs. 9,512.4 million. The details of increase in Reserves and surplus by Rs. 6,385.1 million, is as below:

	Amount (Rs. million)
Increase on account of :	
Profit for the year less appropriations	306.7
Premium on shares issued during the year	14.6
Premium payable on redemption of FCCB accounted up-front entirely last year reversed for period post March 31, 2008 due to change in accounting policy to amortise the premium payable pro-rata each year	4,095.8
Premium payable on redemption of FCCB reversed on FCCB buyback	44.8
Increase in General reserve due to transition adjustment on adoption of AS 30	667.9
Increase in Translation Reserve due to exchange difference on consolidation of non-integral subsidiaries, net of exchange difference on FCCB translation	1,959.4
Decrease on account of :	
Hedging Reserve Account as per AS 30	8.0
Premium payable on redemption of FCCB for the year	696.1
Net Increase in Reserves and surplus	6,385.1

Minority Interest

Minority interest is created on account of 51% consolidation of Pipal Research Corporation, ("Pipal") a subsidiary of Firstsource Solutions Limited, incorporated under the laws of the State of Illinois, USA and Pipal Research Analytics and Information Services India Private Limited ("PRAISE") (formerly known as Satvik Research and Analytics India Private Limited), a subsidiary of Pipal Research Corporation, incorporated under the laws of India.

Minority interest as at March 31, 2009 increased to Rs. 54.7 million from Rs. 36.4 million as at March 31, 2008.

Loan funds

Secured loans represents balance amount payable under External commercial borrowings (ECB), finance lease obligation, term loan and other secured debts. Unsecured loans represent mainly working capital demand loan, term loan, FCCB and debt from others. Secured loans outstanding as at March 31, 2009 was Rs. 1,855.6 million as compared to Rs. 596.6 million as at March 31, 2008. The increase in secured loans was on account of ECB raised for FCCB buyback net of earlier ECB repayment Rs. 1,161.7 million and Increase in finance lease and term loans offset partly by reduction in other secured debts of Rs. 97.3 million.

Unsecured loans outstanding as at March 31, 2009 was Rs. 12,090.0 million as compared to Rs. 11,955.2 million as at March 31, 2008. The increase in unsecured loans was due to the restatement of Foreign Currency Convertible Bonds on account of variation in exchange rates, net of FCCB buyback of USD 49.7 million, amounting to Rs. 863.9 million which was partially offset by the reduction in term loan by Rs. 803.8 million, increase in Working capital demand loan by Rs. 41.8 million and increase in debt from others by Rs. 32.9 million.

Goodwill

Goodwill as at March 31, 2009 was Rs. 22,875.6 million as compared to Rs. 18,880.0 million as at March 31, 2008.

The increase in Goodwill during the year was Rs. 3,995.6 million. This increase was primarily due to the restatement of goodwill on non-integral subsidiaries at year end exchange rates and an adjustment to deferred taxes and a correspondent increase in goodwill on MedAssist acquisition. There was also a compensation paid to erstwhile members of BPM based on performance criterion achievement as stipulated in the SPA of Rs. 196.1 million and an additional payment of Rs. 6.2 million made to erstwhile shareholders of MedAssist.

Fixed Assets

The net block of fixed assets and capital work-in-progress was Rs. 2,261.0 million as at March 31, 2009 as compared to Rs. 2,226.1 million as at March 31, 2008, representing an increase of Rs. 34.9 million. This increase constituted of capital expenditure incurred by the Company during the year of Rs. 1,053.9 million (including increase in leased assets of Rs. 80.5 million) , net assets deleted amounting to Rs. 57.7 million, and depreciation for the year Rs. 961.3 million. The major items of capital expenditure during fiscal 2009 were Leasehold improvements, furniture and fixtures, equipments, computers and software, including fixed assets purchased in connection with the establishment of the Company's delivery centres in Airoli, Bhubaneshwar, Jalandhar, Siliguri, Coimbatore, Bangalore, Chennai and other Tier II centres in India added towards the end of previous fiscal.

Investments

The Company had investments amounting to Rs. 18.2 million as at March 31, 2009 as compared to Rs. 221.2 million as at March 31, 2008. All the company's investments as at March 31, 2009 are non-trade investments which are short term in nature and constitute investments in liquid debt market mutual funds. The decrease is due to liquidation of investments utilised chiefly towards repayment of the company's loans.

Deferred Tax Asset

Deferred tax asset, net as at March 31, 2009 was Rs. 140.5 million as compared to Rs. 184.5 as at March 31, 2008. The significant component of deferred tax asset is business losses carried forward, difference between tax and book value of fixed assets, accrued expenses and provision for doubtful debts. Deferred tax asset on business losses carried forward has been recognized only to the extent that there is virtual certainty of the realization of the assets in the future. Deferred tax asset is net of deferred tax liability. There was an increase in deferred tax liability too due to the full year impact of amortisation of goodwill of MedAssist.

Current assets, loans and advances

Sundry Debtors and unbilled revenues. Sundry debtors amount to Rs. 2,379.5 million (net of provision for doubtful debts amounting to Rs. 143.7 million) as at March 31, 2009 as compared to Rs. 2,053.8 million (net of provision for doubtful debts amounting to Rs. 44.0 million) as at March 31, 2008. 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, 2009 (calculated based on per-day sales in the last quarter) were 46 days, compared to 49 days as at March 31, 2008.

Unbilled revenues represent costs incurred and revenues recognized on contracts not billed as of year end and to be billed in subsequent periods as per the terms of the contract. The unbilled revenues as at March 31, 2009 and 2008 amounted to Rs 605.0 million and Rs. 400.2 million respectively. Including the unbilled revenues, debtors represented an outstanding of 57 days as at March 31, 2009 as compared to 59 days as at March 31, 2008.

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 expenditure. 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, 2009 was Rs. 966.9 million as compared to Rs. 1,024.7 million as at March 31, 2008.

Loans and advances. Loans and advances as at March 31, 2009 were Rs. 1,187.1 million as compared to Rs. 1,050.6 million as at March 31, 2008. Significant items of loans and advances include payment towards security deposits for various rental premises, loans to employees, prepaid expenses, advances paid for value and services to be received in future, Lease rentals, advance income tax paid, minimum alternate tax credit, unamortised cost and accrued interest on loans and deposits. The increase in loans and advances of Rs. 136.5 million was chiefly on account of increase in advance Income tax of Rs. 132.3 million, increase in unamortised cost Rs. 93.1 million, (refer schedule 32 of the consolidated financial statements), increase in prepaid expenses Rs. 34.3 million, minimum alternative tax credit carried forward Rs. 25.0 million offset by decrease in advances recoverable of Rs. 145.3 million and others Rs. 2.9 million.

Current liabilities and provisions

Current liabilities. Current liabilities as at March 31, 2009 was Rs. 2,167.8 million as compared to Rs. 1,432.7 million as at March 31, 2008, representing an increase of Rs. 735.1 million. This increase was chiefly contributed by an increase in sundry creditors for expenses and capital goods by Rs. 522.6 million, increase in exchange loss on derivatives by Rs. 207.9 million and other current liabilities (net of increases and decreases) increase by an amount of Rs. 4.6 million.

Provisions. Provisions include provisions for taxation, gratuity, leave encashment and Premium payable on redemption of FCCB.

Provision for taxation represents estimated income tax liabilities both in India and abroad. Provision for taxation as at March 31, 2009 was Rs. 330.0 million as compared to 185.0 million as at March 31, 2008. This increase was chiefly due to an increase in the Company's overseas operations in taxable jurisdictions.

In accordance with Indian regulations, the Indian entities have adopted a policy to provide for gratuity, a defined benefit retirement plan, covering all its eligible employees. Provision in respect of gratuity is determined based on actuarial valuation by an independent actuary at balance sheet date. Provision for leave encashment cost has been made based on actuarial valuation by an independent actuary at balance sheet date. Provision for gratuity valued on an actuarial basis as at March 31, 2009 was Rs. 74.7 million as compared to Rs. 51.7 million as at March 31, 2008. Provision for leave encashment valued on an actuarial basis as at March 31, 2009 was Rs. 66.7 million as compared to Rs. 39.3 million as at March 31, 2008. The increase in the actuarial valuation amounts was chiefly on account of increase in the number of employees in India from over 13,000 employees as at end of fiscal 2008 to around 17,000 employees as at end of fiscal 2009.

During the year, the Company has adopted AS 30 and changed its accounting policy relating to premium payable on redemption of FCCB. Accordingly, the premium payable on redemption is amortised on pro-rata basis over the period of the bonds by debiting Securities premium account for the year (as permitted by Section 78 of the Companies Act, 1956) as against the earlier policy of charging the entire premium payable on redemption to the Securities premium Account upfront in the year of issue of bonds. Also, the pro-rata credit or accrued premium is reflected as part of Foreign currency convertible bonds (FCCB) under Unsecured loans. Accordingly the provision of Rs. 4,343.7 million as at March 31, 2008 reflected under provisions is reversed in fiscal 2009 and reflected as Nil as at March 31, 2009, with the pro-rata premium payable included as part of FCCB under unsecured loans.

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 2009**		Fiscal 2008	
INCOME	**Rs million**	**% of Income**	Rs million	% of Income
Income from services	**17,525.2**	**100.1%**	12,406.1	95.5%
Other operating income	**(31.5)**	**- 0.1%**	581.8	4.5%
Revenue from Operations	**17,493.7**	**100.0%**	12,987.9	100.0%
EXPENDITURE				
Personnel costs	**10,252.9**	**58.6%**	7,120.4	54.8%
Operating costs	**5,042.5**	**28.8%**	3,558.1	27.4%
Operating EBITDA (Earnings before Interest, Tax and Depreciation)	**2,198.3**	**12.6%**	2,309.4	17.8%
Depreciation and amortization	**961.3**	**5.5%**	860.8	6.6%
Operating EBIT (Earnings before Interest and Tax)	**1,237.0**	**7.1%**	1,448.6	11.2%
Finance charges, net	**1,028.3**	**5.9%**	366.0	2.8%
Other income	**298.2**	**1.7%**	349.3	2.7%
Profit before tax	**506.9**	**2.9%**	1,431.9	11.0%
Provision for taxation				
- Current tax expense (including foreign taxes)	**268.7**	**1.5%**	287.7	2.2%
- Deferred tax charge / (release)	**(69.9)**	**-0.4%**	(184.4)	-1.4%
- Fringe benefits tax	**25.3**	**0.1%**	23.2	0.2%
- Minimum alternate tax credit entitlement	**(25.0)**	**-0.1%**		
Profit after tax before minority interest	**307.8**	**1.8%**	1,305.4	10.0%
Minority interest	**1.1**	**0.0%**	(10.2)	-0.1%
Profit after tax	**306.7**	**1.8%**	1,315.6	10.1%

Income

Income from services. Income from services increased 41.3% to Rs. 17,525.2 million in fiscal 2009 from Rs. 12,406.1 million in fiscal 2008. The Company attributes the growth in its income to full year impact of MedAssist acquisition in fiscal 2008, increased work from its 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 (partly as a result of the Company cross-selling new services to its existing clients). The average exchange rate for USD and GBP in fiscal 2009 was Rs. 46.47 per USD and Rs. 79.13 per GBP as compared to Rs. 40.29 per USD and Rs. 80.87 per GBP in fiscal 2008.

Consolidated Revenues by Geography. The Company serves clients mainly in North America (USA and Canada, although income from Canada accounted for less than 1%) United Kingdom and India. Clients from United States accounted for 63.0% (fiscal 2008 – 54.0%) and clients from United Kingdom accounted for 26.0% (fiscal 2008 – 35.0%) of the income from services in fiscal 2009. Clients in India accounted for 10.8% (fiscal 2008 – 10.8%) of the income from services in fiscal 2009.

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

(Rs. million)

	Fiscal Year	
	2009	2008
North America (USA and Canada)	**11,034.0**	6,705.2
UK	**4,550.9**	4,338.8
India	**1,885.0**	1,344.5
Rest of the world	**55.3**	17.6
Total	**17,525.2**	12,406.1

Revenues from India grew more than 40% in this fiscal and domestic business now constitutes a sizeable portion of the company's business and would continue to be a key focus area for the company. There was an increase in the proportion of the income from North America primarily due to the full year impact of MedAssist acquisition in September 2007. The above two reasons have resulted in the UK business falling in percentage terms, though there has been a growth in Rupee terms of 4.9% in business from UK clients as well.

Consolidated Revenues by Industry. Healthcare, Telecommunications and Media, and BFSI accounted for 39.9%, 32.4% and 25.2% of its income from services, respectively, in fiscal 2009 and 29.8%, 36.0%, 30.8% of its income from services, respectively, in fiscal 2008.

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

(Rs. million)

	Fiscal Year	
	2009	2008
Healthcare	**6,988.2**	3,691.4
Telecommunications and Media	**5,682.2**	4.468.9
BFSI	**4,408.7**	3,820.9
Others	**446.2**	424.9
Total	**17,525.2**	12,406.1

The Healthcare vertical is now a sizeable proportion of the company's business with the acquisition of MedAssist in previous fiscal and growth in business from existing customers in the payer segment. MedAssist is a leading provider in revenue cycle management in the healthcare industry in the U.S. MedAssist's service offerings addresses the entire revenue cycle for healthcare providers. Target clients include integrated delivery systems, hospital management companies, academic medical centres, single site hospitals, alternate site facilities and hospitals. The company earlier had strong presence on the payer side of the Healthcare market, which is the health insurance companies' side where the company provides end to end claims management. The company works for three Fortune 100 Health Insurance companies on the payer side and over 800 hospitals and physician groups on the provider side.

On the Telecommunications and Media front, the company works across all service lines from Mobile, wireless and fixed lines to Broadband, High speed internet, DTH and Pay TV. The increase in the income from clients within the Telecommunications and Media sector between fiscal 2009 and fiscal 2008 was attributable to companies within this industry outsourcing more processes generally to support growth in their core businesses, as well as its increased penetration of this market with a larger suite of service offerings. Also the increase in India domestic business in fiscal 2009 was primarily contributed by this industry.

Within the BFSI vertical, the Credit card collections business of the company continues to see lower revenues due to increased delinquencies and lower liquidation rates on credit cards in the US. The pressure on profitability continues due to lower liquidation rates. On the non-collections BFSI side, the company continues to see delays in decision making resulting in deferral of programs, which the company feels, will continue for some time till the US economy turns around. The company however believes that the value proposition for companies to outsource still remains as compelling and it is only a matter of time before growth would return in this vertical.

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:

	Fiscal 2009		Fiscal 2008	
	Rs. million	**% of Income**	Rs. million	% of Income
Top client	**1,807.5**	**10.3**	1,787.9	14.4
5 largest clients	**5,473.4**	**31.2**	4,643.8	37.4
All clients	**17,525.2**	**100.0**	12,406.1	100.0

In fiscal 2009, the Company had one client contributing over 10.0% of its income from services. This client accounted for 10.3% of the income from services in fiscal 2009. In fiscal 2008, the Company had one client contributing over 10.0% of its income from services. This client accounted for 14.4% of the income from services in fiscal 2008.

The Company derives a significant portion of its income from a limited number of large clients. In fiscal 2009, the company had nine clients contributing over Rs. 500 million in annual revenues as compared to seven clients in fiscal 2008. In fiscal 2009 and 2008, income from the Company's five largest clients amounted to Rs. 5,473.4 million and Rs. 4,643.8 million, respectively, accounting for 31.2% and 37.4% of its income from services, respectively. Income for services performed for ICICI Bank, the Company's promoter shareholder, and its affiliates, including overseas subsidiaries, amounted to Rs. 426.7 million or 2.4% of its income from services, in fiscal 2009. 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 Rs. (31.5) million in fiscal 2009 pertains to operating income in the nature of a grant received in relation to the Company's business in Northern Ireland of Rs. 45.9 million and exchange loss realised on debtors of Rs. 77.4 million. The fiscal 2008 Other Operating Income of Rs. 581.8 million consisted of grant income of Rs. 552.6 million and exchange gain realised on debtors of Rs. 29.2 million.

Expenditure

Personnel costs. Personnel costs for fiscal 2009 amounted to 58.6% of the Income for that period, as compared to 54.8% of income in fiscal 2008. Personnel costs increased by 44.0% to Rs. 10,252.9 million in fiscal 2009 from Rs. 7,120.4 million in fiscal 2008. Personnel costs in fiscal 2009 as a percentage of income was higher primarily due to the full year impact of acquisition of MedAssist in September 2007 and large ramps in domestic business from India. The Company's number of employees increased to 21,570 as of March 31, 2009 from 17,369 as of March 31, 2008, principally to service its increased business volumes and additions due to acquisition of MedAssist. As at March 31, 2009, 4,711 employees were employed outside India as compared to 4,210 employees as at end of Fiscal 2008. The Company's average wage levels were also higher in fiscal 2009 as compared to fiscal 2008.

Operating costs. Operating costs for fiscal 2009 amounted to 28.8% of the income for that period, as compared to 27.4% of income in fiscal 2008. Operating costs increased by 41.7% to Rs. 5,042.5 million in fiscal 2009 from Rs. 3,558.1 million in fiscal 2008, generally in line with increase in the income. Most components of operating costs increased at rates lower than, or generally in line with, increase in the revenues, with the exception of Rent, repairs and maintenance, Insurance and electricity charges which increased by 47.0% from Rs. 1,223.3 million to Rs. 1,798.1 million, primarily due to additions of centres across Tier II cities in India to cater to the large ramps in domestic business.

Operating EBITDA (Earnings before Interest, Tax and Depreciation)

Operating EBITDA. As a result of the foregoing, operating EBITDA decreased by 4.8% to Rs. 2,198.3 million in fiscal 2009 from Rs. 2,309.4 million in fiscal 2008. Operating EBITDA in fiscal 2009 was 12.6% of income, as compared to 17.8% of income in fiscal 2008.

Depreciation. Depreciation costs for fiscal 2009 amounted to 5.5% of the income for that period, as compared to 6.6% of income for fiscal 2008. Depreciation increased by 12% to Rs. 961.3 million in fiscal 2009 from Rs. 860.8 million in fiscal 2008. Depreciation as a percentage to income is lower on account of full year impact of MedAssist acquisition, which has a relatively lower depreciation, coupled with an upward revision in useful life of assets as reviewed by the management.

Operating EBIT (Earnings before Interest and Tax)

Operating EBIT. Operating Earnings before Interest and Tax (EBIT) decreased by 14.6% to Rs. 1,237.0 million in fiscal 2009 from Rs. 1,448.6 million in fiscal 2008. Operating EBIT in fiscal 2009 was 7.1% of income, as compared to 11.2% of income in fiscal 2008.

Finance charges, net. Finance charges, net of Interest income for fiscal 2009 amounted to 5.9% of income, as compared to 2.8% of income in fiscal 2008. Net finance charges increased by 181.0% to Rs. 1,028.3 million in fiscal 2009 from Rs. 366.0 million in fiscal 2008. Non-cash mark-to-market exchange loss on revaluation of the Foreign Currency Convertible Bonds (FCCB) for the period April 1, 2008 to June 30, 2008, prior to treating it as a net investment in a non-integral subsidiary and consequently adjusting the same in Reserves and Surplus in the Balance sheet, was Rs. 778.2 million in fiscal 2009 as compared to Rs. 192.5 million in fiscal 2008. Amortised cost on fair value of FCCB for fiscal 2009 was Rs. 113.9 million as compared to Nil in fiscal 2008. Excluding the impact of the above two components, finance charges for fiscal 2009 amounted to Rs. 136.2 million as compared to Rs. 173.5 million in fiscal 2008. The other components of finance charges in fiscal 2009 were chiefly an Interest expense of Rs. 157.5 million on ECBs, term loan and Working Capital demand loan, Interest income on deposits with banks and others of Rs. 39.8 million and a net exchange loss on foreign currency loans other than FCCB of Rs 18.5 million. The other components of finance charges in fiscal 2008 were chiefly an Interest expense of Rs. 315.8 million on ECBs, term loan and Working Capital demand loan, Interest income on deposits with banks and others of Rs. 100.2 million and a net exchange gain on foreign currency loans other than FCCB of Rs. 42.1 million.

Other income. Other income decreased to Rs. 298.2 million in fiscal 2009 from Rs. 349.2 million in fiscal 2008. The components of other income in fiscal 2009 were net gain on FCCB buyback of Rs. 635.0 million, income from the sale and redemption of non-trade investments in the amount of Rs. 12.8 million, dividend income of Rs. 9.3 million, gain on sale of fixed assets of Rs. 1.5 million and other miscellaneous income and write backs of Rs. 10.4 million. This was partly offset by foreign exchange loss Rs. 370.8 million. Net foreign exchange loss included exchange gain of Rs. 97.3 million recognised on account of translation of financial statements of foreign integral subsidiaries for the purpose of preparation of these consolidated financial statements and an exchange loss of Rs. 235.2 million on account of undesignated derivative instruments. The components of other income in fiscal 2008 were profit on sale and redemption of non-trade investments in the amount of Rs. 42.1 million, dividend income of Rs. 34.5 million, foreign exchange gain primarily on consolidation of subsidiaries of Rs. 257.4 million, gain on sale of fixed assets of Rs. 0.9 million and other miscellaneous income, and write backs of Rs. 14.3 million.

Profit before tax

Profit before tax. Profit before tax decreased by 64.6% to Rs. 506.9 million in fiscal 2009 from a profit before tax of Rs. 1,431.9 million in fiscal 2008. Profit before tax in fiscal 2009 was 2.9% of the income, as compared to 11.0% of the income in fiscal 2008.

Provision for taxation. Provision for taxation increased by 57.4% to Rs. 199.1 million in fiscal 2009 from Rs. 126.5 million in fiscal 2008. Income tax expense comprises of current income tax, the net change in the deferred tax assets and liabilities in the applicable fiscal period, Fringe benefit tax and Minimum alternate tax credit entitlement.

Current Income tax expense comprises tax on income from operations in India and foreign tax jurisdictions. The company has the benefit of tax-holiday under Sec 10A/ 10B under the Software Technology Parks (STP) scheme. Current tax expense for amounted to Rs. 268.7 million in fiscal 2009 as compared to Rs. 287.7 million in fiscal 2008.

There was a deferred tax asset creation of Rs. 69.9 million in fiscal 2009 compared to a deferred tax charge of Rs. 184.4 million in fiscal 2008. The significant component of deferred tax asset is business losses carried forward and difference between tax and book value of fixed assets

Fringe benefit tax is payable by the company on the value of benefits provided or deemed to be provided to its employees. Fringe benefit taxes for fiscal 2009 amounted to Rs. 25.3 million as compared to Rs. 23.2 million for fiscal 2008.

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 a Minimum alternate tax credit entitlement of Rs. 25.0 million in fiscal 2009 as compared to nil in fiscal 2008.

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 Rs. 307.8 million for fiscal 2009 from a profit after tax before minority interest of Rs. 1,305.4 million in fiscal 2008.

Minority interest. Minority interest was Rs. 1.1 million in fiscal 2009 as compared to Rs. (10.2) million in fiscal 2008. This was due to the operating profits in Pipal in fiscal 2009 as compared to operating losses in fiscal 2008.

Profit after tax

Profit after tax. As a result of the foregoing, profit after tax decreased by 76.7% to Rs. 306.7 million in fiscal 2009 from a profit after tax of Rs. 1,315.6 million in fiscal 2008. Profit after tax in fiscal 2009 was 1.8% of the income, as compared to 10.1% of the income in fiscal 2008.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The Company needs cash primarily to fund the technology and infrastructure requirements in its delivery centres, to fund its working capital needs, to fund acquisitions and for other general corporate purposes. The Company funds these capital requirements through a variety of sources, including cash from operations, short and long-term lines of credit and issuances of share capital. As of March 31, 2009, the Company had cash and cash equivalents of Rs. 966.9 million. This primarily represents cash and bank balances with banks in India and abroad.

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

(Rs. million)

	Fiscal year	
	2009	2008
Net Cash flow from Operating activities	**1,739.4**	2,268.5
Net Cash flow from/(used in) Investing activities	**(880.3)**	(14,152.3)
Net Cash flow from/(used in) Financing activities	**(916.9)**	9,898.5
Cash and bank balances at the beginning of the year/period	**1,024.7**	3,010.0
Cash and bank balances at the end of the year/period	**966.9**	1,024.7

Operating Activities

Net cash generated from the Company's operating activities in fiscal 2009 amounted to Rs. 1,739.4 million. This consisted of net profit after tax of Rs. 306.7 million and a net upward adjustment of Rs. 1,966.2 million relating to various non-cash items and non-operating items including depreciation of Rs. 961.3 million; a net increase in working capital of Rs. 220.2 million; and income taxes paid of Rs. 281.3 million. The working capital increase was due to increase in trade and other receivables of Rs. 632.2 million partly offset by an increase in trade and other payables by Rs. 412.0 million.

Net cash generated from the Company's operating activities in fiscal 2008 amounted to Rs. 2,268.5 million. This consisted of net profit after tax of Rs. 1,315.6 million, a net upward adjustment of Rs. 1,000.4 million relating to various non-cash items and non-operating items including depreciation of Rs. 860.8 million, a net decrease in working capital of Rs. 235.5 million and income taxes paid of Rs. 283.0 million. The working capital decrease was due to decrease in trade and other receivables of Rs. 311.9 million partly offset by a decrease in trade and other payables of Rs. 76.4 million.

Investing Activities

In fiscal 2009, the Company used Rs. 880.3 million of cash in investing activities. These investing activities primarily included capital expenditure payments of Rs. 918.1 million, including fixed assets purchased in connection with the establishment of the Company's delivery centres in Airoli, Bhubaneshwar, Jalandhar, Siliguri, Coimbatore, Bangalore, Chennai and other Tier II centres in India added towards the end of previous fiscal; Rs. 268.9 million towards further payments effected on earlier business acquisitions of MedAssist, BPM and RevIT, and net sale of money and debt market mutual funds amounting to Rs. 215.8 million. During the year, the Company received an interest and dividend amounting to Rs. 31.8 million and sold a few fixed assets for Rs. 59.1 million.

In fiscal 2008, the Company used Rs. 14,152.3 million of cash in investing activities. These investing activities primarily included Rs. 13,925.6 million (Rs 13,964.4 million, net of cash Rs. 38.8 million) towards the acquisition of MedAssist; Rs. 53.3 million towards earn out crystalised on finalisation of arbitration with the erstwhile members of ASG and direct expenses amounting to Rs. 13.6 million; Rs. 66.5 million paid to the promoters of RevIT (an earlier acquisition) as per the share purchase agreement; capital expenditure payments of Rs. 1,224.2 million, including fixed assets purchased in connection with the establishment of the Company's delivery centres in Siliguri, Bhubaneshwar, Vashi, Jalandhar, Tecci Park Chennai and Coimbatore in India; and net sale of money and debt market mutual funds amounting to Rs. 973.4 million. During the year, the Company received an interest and dividend amounting to Rs. 146.2 million and sold a few fixed assets for Rs. 11.4 million.

Financing Activities

In fiscal 2009 net cash used in financing activities amounted to Rs. 916.9 million. This primarily comprised of repayment of Foreign currency convertible bonds (FCCB) to investors, including expenses amounting to Rs. 1,257.2 million, repayment of unsecured loans of Rs. 803.8 million, repayment of secured loans of Rs. 180.0 million and payment of interest of Rs. 128.9 million. The company received proceeds from issuance of equity shares of Rs. 23.4 million and from secured loans and unsecured loans Rs. 1,355.0 million and Rs. 74.7 million respectively.

In fiscal 2008 net cash from financing activities amounted to Rs. 9,898.5 million. This was primarily comprised of proceeds from the issuance of Foreign currency convertible bonds (FCCB) to investors amounting to Rs. 10,840.5 million, proceeds from issuance of equity shares to employees against ESOP allotment net of expenses relating to IPO paid in Fiscal 2009 and adjustment for FCCB issue expenses amounting to Rs. (214.8) million, net repayment of secured loans of Rs. 66.5 million and net repayment of unsecured loans of Rs. 341.7 million. There was an outflow towards interest on loans in the amount of Rs. 319.0 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, 2009, the Company had cash and bank balances of Rs. 966.9 million as compared to Rs. 1,024.6 million as at March 31, 2008.

RISK MANAGEMENT REPORT

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

The BPO Industry is currently faced with a challenging environment in terms of the impact of the overall global economic downturn. The unexpected macro economic developments in this fiscal have certainly impacted the Company's ability to sustain the growth momentum as its business depends largely on the performance of its clients. This in conjunction with other factors like stringent customer requirements on information and data security, impact of rapid technological changes, financial exposures due to rapid exchange fluctuations and tightening liquidity conditions and ever increasing regulatory compliance requirements demands 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. The Company has already implemented a comprehensive "Enterprise Risk Management (ERM)" framework in order to anticipate, identify, measure, mitigate, monitor and report the risks to meet the strategic business objectives. During the fiscal, the ERM framework was further strengthened by capturing various changes that emerged during the year.

The ERM framework captures the following key elements

Governance Structure

Level	Responsibilities
Board of Directors	• Oversees the risk management process performed by the management in order to protect and enhance the value to the stakeholders.
Audit Committee	• Provides oversight on the internal control environment and review of the independent assurance activities performed by the auditors.
Risk Committee (CEO, CFO, COO)	• Continuous assessment of the risks to the business and review of the risk management practice to ensure compliance with the policies.
Risk Management function	• Execution of the risk management related activities across the organization as per the direction given by the risk committee. • Provides assistance and guidance to various business/support functions in managing the risks within acceptable levels.
Business Heads	• Ownership of the risks specific to their business and responsibility to ensure compliance with the policy. • Influence and encourage the execution of the risk management practices in their units.
Internal Audit	• Conduct independent review on the effectiveness of the controls and reporting to the audit committee to provide independence assurance to the management.

Enterprise Risk Management Process

Stage	Activities
Risk Identification	• Risk identification exercise is being done in the beginning of the fiscal year 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	• The systemic risk assessment is done on the basis of likelihood and impact of each risk parameter. • All the risks are categorized as extreme, high, moderate and low risks in order to prioritise 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

- The company and its management have ensured that adequate systems for internal control commensurate with the company's size are in place. These ensure that its assets and interests are carefully protected; checks and balances are in place to determine the accuracy and reliability of accounting data. 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 audit team follows "Risk based audit" approach and appraises periodically about activities and audit findings to the audit committee, statutory auditors and senior management. The company has also appointed an external firm to conduct the periodic internal audit of few areas and provide fair independent assessment of the effectiveness of the internal controls.
- During fiscal 2009, all audits were completed as per the schedule and reported to the audit committee. During the fiscal, audits were also conducted for overseas locations including operations and support functions there.
- 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 Chief Executive officer and Chief Financial Officer 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 Plan

1. **Weakening global economic outlook**

In the previous fiscal, the economic conditions in the United States had begun to weaken led by the crisis in the mortgage industry, which had further led to slow-down across other industries and consumer spending as well. This trend has further continued in fiscal 2009 in geographies outside of the US too, resulting in wide spread contraction of economic activity across the globe. While the initial impact was restricted to the BFSI vertical, other verticals that the company services are also now beginning to see some impact in terms of slowdown in forecasted business volume growth as well as weakness in the business pipeline and its prospects.

The company's existing business does not have any exposure to the US mortgage market, which has been the worst impacted in this crisis. The company, hence, believes that there is no direct adverse impact of the US mortgage industry meltdown on its existing revenues. However, the company's credit card collection business has been impacted due to increase in delinquency rates and lower liquidation which in turn directly impacts the company's revenues given that the collections revenues are outcome based. Healthcare industry, which was so far considered recession proof has also seen some signs of slowdown due to increase in unemployment rates in the US resulting in lower volumes in the healthcare payer segment due to increasing underinsured and uninsured population. Also, on the healthcare provider side, payment cycles from state governments have increased as they continue to be under budgetary pressures.

Planning and responding to changes in such an uncertain environment without any business impact is difficult. However, the management has taken some steps to mitigate the impact of slowdown including deploying various measures to continuously monitor the changing environment and the impact that the same would have on the company's business:

a. Continued efforts to rebalance the business portfolio particularly increasing focus on industries other than BFSI such as Healthcare and Telecom, which are relatively less affected in the downturn. As a result, the overall exposure to the BFSI segment has reduced in the fiscal 2009, which should in turn limit the adverse impact on the company.

% of revenue	Fiscal 2006	Fiscal 2008	Fiscal 2009	Trend
BFSI Sector	63.5%	30.8%	25.2%	↓

b. The company has now laid even greater emphasis than before on rigorous cost control and productivity improvement initiatives to enhance operating margins. During the fiscal, the company has launched new initiatives on cost rationalization projects and also implemented various process re-engineering initiatives to further enhance the productivity levels and optimise utilisation of resources, the results of which will be visible in the future.

2. **Revenue concentration risk**

The company relies on a small number of clients for a large proportion of its income, and loss of any of these clients could adversely affect its profitability. The company's Top 5 clients accounted for 31.2% of its income from services in fiscal 2009. 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.

The company has recognized this aspect and had undertaken multiple initiatives over the last few years to rebalance its exposure. As a result of these initiatives, the company has managed to reduce the revenue concentration on few clients.

% of revenue	Fiscal 2006	Fiscal 2008	Fiscal 2009	Trend
Top client	16.0%	14.4%	10.3%	↓
Top 5 clients	50.6%	37.4%	31.2%	↓

The management believes that it now has a well balanced mix of clients and industries and moving forward shall continuously endeavour to assess and address the risk of any over dependency.

3. **Offshore outsourcing risk**

With the economic downturn in the US and elsewhere gaining momentum thereby resulting in job losses and increase in unemployment rates, Offshore outsourcing risk has gained political significance with many organizations and public figures expressing concern about a perceived association between offshore outsourcing providers and the loss of jobs in the United States and other parts of the globe. Measures aimed at limiting or restricting offshore outsourcing have been proposed in the United States and there are legislations pending in several states to curb outsourcing, more specifically offshoring. While this is against the spirit of free trade and will also be counter productive to the US 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.

The Company recognized early that to be credible players in the global Business Process outsourcing (BPO) industry it would be imperative to be able to deliver services from across the globe and not just from India or offshore locations. The company focused on establishing a delivery proposition that transcended offshoring benefits and included the ability to manage operations and deliver process improvement and efficiency onshore, nearshore or offshore, wherever processes were best delivered from. Among the Indian pure-play BPO companies, the Company was the first to build strong onshore - UK & US operations. Today, with over a dozen delivery centres in the US, two in the UK, and one each in Manila &

Argentina, the Company has evolved as a global BPO service provider and advocates the concept of right-shoring. Right-shoring offers client's increased operational flexibility, more robust Business Continuity Planning, the ability to optimise operational costs and leverage global talent. This helps companies remain agile and meet customer service expectations while remaining competitive. Accordingly the Company today has the balanced ability to serve its customers from multiple delivery locations across the globe and is not dependent on a pure offshore delivery model. In fact, the company's ability to do this is potentially a source of competitive advantage in the current environment.

4. **Foreign currency debt servicing 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 Rs. 92.2933 and if not, the same will be redeemed to the bondholders on the maturity date at a YTM of 6.75% per annum. However, due to overall economic downturn and its impact on the stock market, the stock price of the company has also been adversely impacted and is currently trading at levels much lower than the conversion price of these bonds. If this trend continues until maturity, the investors may not opt for the conversion and choose the repayment option which in turn may result into the risk of the company having to resort to refinancing to service this obligation.

While the management believes that the current economic situation and dampening stock prices could reverse by the time of maturity which in turn could result in the investors opting for the conversion route and the need to go in for refinancing may not arise, in the interim, the company has opportunistically bought-back USD 49.7 million bonds at an attractive discount from the market. This will help in reducing the overall liability. The buy-back was also funded through an ECB with a longer repayment term. The management will continue to opportunistically buy-back any further bonds available at a discount thereby trying to continuously reduce the overall debt servicing liability and deleverage the balance sheet.

5. **Exchange risk**

The exchange rate between the Indian rupee and the Pound sterling and the Indian rupee and the U.S. dollar has changed substantially in recent years and may continue to fluctuate significantly in the future. The company expects that a significant portion of its income will continue to be generated in foreign currencies and that a significant portion of its expenses will continue to be denominated in Indian rupees. 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.

Given that the Company has significant operations delivered form the US and UK as well where it incurs expenses in USD and GBP, the same acts as a natural hedge and hence the Company's net exposure overall to foreign currency is relatively lesser. The Company also actively tracks the movement in foreign currencies and has an internal risk management policy of proactively hedging exposures. As per the internal guidelines, the Company has been judiciously hedging its net exposures on regular basis through forward cover contracts and Options. As of March 31, 2009, the Company has outstanding forward covers of USD 98.8 million and GBP 21.0 million. Also during fiscal 2009, the company has continued to expand operations in India for service offerings to domestic clients, which essentially results in such related income & expenses denominated in Indian rupee and hence no exposure to the currency exchange risk.

% of revenue	Fiscal 2006	Fiscal 2008	Fiscal 2009	Trend
Domestic business	2.5%	10.8%	10.8%	↓

6. **Highly competitive environment**

The market for BPO services is rapidly evolving and is highly competitive. The company expects that the competition it faces will continue to intensify. The company faces competition from offshore Third party Indian BPO providers, BPO divisions of global IT companies and global "pure play" BPO providers. There are also companies that choose to perform their own business processes internally through offshore captive business processing units established specifically for this purpose.

The company understands that it needs to retain and grow its leadership position in the industry and to maintain this competitive edge, the company 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 process excellence, standardization and innovation, apart from adhering to global operating standards such as ISO 27001, Six Sigma, COPC, SAS 70 etc., all of which help in the company retaining its competitive edge.

7. **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. Before committing to use the company's services, potential clients require it to spend substantial time and resources presenting to them the value of its services and assessing the feasibility of integrating the company's systems and processes with theirs. Therefore, the company's selling cycle, which can range in duration from weeks to months, is subject to many 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' budget cycles and approval processes.

The company has clearly focused marketing and sales teams with clear 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.

8. Risks related to acquisitions

The company's growth strategy involves gaining new clients and expanding its service offerings, both organically and through strategic acquisitions. Historically, the company has relied on expanding some of its service offerings and gaining new clients through strategic acquisitions. It is possible that in the future the company may not succeed in identifying suitable acquisition targets available for sale on reasonable terms, have access to the capital required to finance potential acquisitions or be able to consummate any acquisition, which may affect its competitiveness and its growth prospects. In addition, the company's management may not be able to successfully integrate any acquired business into its operations and any acquisition it does complete may not result in long-term benefits to the company.

The company has a dedicated M&A (Mergers and Acquisitions) assessment team which constantly evaluates available acquisition opportunities. On short listing a proposed company or firm for acquisition, the company puts through stringent due diligence, assessments and evaluations before finally deciding to consummate the acquisition. The company believes in assessing all parameters before closing out on a deal, including, but not limited to, business fit, culture, management quality, delivery engine, customer list etc. An integration team is then constituted to enable smooth convergence of the acquired company with your company. The Company has a well established track record of successfully integrating and creating value from acquisition in the past and believes this experience will help it in the future as well.

9. Country level risks

The company has operations in India, the United States, the United Kingdom, Argentina and Philippines and it services clients across Europe, North America and Asia. The company's corporate structure also spans multiple jurisdictions, with intermediate and operating subsidiaries incorporated in India, the United States, the United Kingdom, Argentina and Philippines. As a result, the company is exposed to risks typically associated with conducting business internationally, many of which are beyond its control. These risks include geographical, political or regulatory risks.

To mitigate this risk, the company has comprehensive business continuity plans in place. 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.

10. Regulatory & Compliance related Risk

The company is exposed to a high level of regulatory and compliance risk as our operations and clients are spread across geographies and we cater to clients who are governed by various regulations. Breach of any 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. The management recognizes the importance and need of strict regulatory compliance and accordingly is fully committed to allocate the required resources to implement the compliance framework and tools along with any supervision and monitoring mechanism. The following steps are being undertaken by the company in order to mitigate the risk of non-compliance:

- The company has developed and implemented a "compliance framework" which addresses all the aspects of compliance risk management and clearly defines the roles and responsibilities across the functions, the process, ongoing monitoring and management reporting mechanism.
- The company has a dedicated in-house Legal team comprising of qualified and experienced legal professionals who identify and interpret all legal and regulatory provisions applicable at the company level, business line level, process level and contract level. The team also facilitates all other business and support functions to identify and understand their respective compliance obligations.
- Additionally, the company has a dedicated centralized compliance team consisting of experienced professionals, who undertake activities relating to the ongoing monitoring and management reporting of the status of compliance and also the status of resolutions towards the identified cases of breaches, if any.
- The company has laid down all the requirements related to the compliance obligations at individual level and provides detailed understanding and training at the time of employee joining as well as ongoing refreshers in order to maintain complete awareness at all the times.
- The company also 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 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.

REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges)

1. COMPANY'S PHILOSOPHY ON CODE OF 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 enhance trust and confidence of all its stakeholders, the Company has devised a complete framework for compliance of Corporate Governance norms.

The Company was recognised amongst the top 25 companies in India by Institute of Company Secretaries of India (ICSI) for excellence in Corporate Governance in 2008. In compliance with the disclosure requirements of Clause 49 of the Listing Agreement with the Stock Exchanges (Listing Agreement), the details are set out herein.

2. BOARD OF DIRECTORS

The Board of Directors of the Company (the Board) is committed to ensure good Corporate Governance practices across the Company in letter and in spirit. The Board is entrusted with authority and responsibility to manage the affairs of the Company. The Board is entrusted with the task of managing the Company directly or through delegation of authority as may be found appropriate and reasonable to the Board. The present Board consists of eminent persons with considerable professional expertise and experience in business and industry, finance, management, legal, marketing and strategy etc.

The Company has an optimum combination of Directors on the Board. The Board consists of 10 Directors out of which 9 are Non-Executive Directors and 5 out of 10 Directors are Independent Directors.

Dates of the Board and Committee meetings to be held in a financial year are decided in advance. The Company effectively uses teleconferencing facilities to ensure maximum participation of the Board members. Audit Committee meetings are usually held a day prior to the Board meetings. Six Board Meetings were held during the year 2008-2009, i.e. on April 29, July 30 and October 31 in 2008 and January 9, January 31 and February 18 in 2009. Time gap between any 2 meetings was not more than 4 months.

Details of composition and category of Directors, their attendance at the Board Meetings held during the year, Directorships and Committee memberships held by them are as under:

Name of the Director	Category	No. of Board Meetings Attended in Person	No. of Board Meetings Attended through Tele-conference	No. of Directorships in other Public Companies as on 31.03.2009#	No. of Committees Memberships/Chairmanships in other Public Companies as on 31.03.2009 ##	
					Memberships	Chairmanships
Dr. Ashok Ganguly, Chairman	Non-Executive, Independent	6	-	4	1	-
Mr. Ananda Mukerji, Managing Director and CEO	Executive	6	-	-	-	-
Mr. Raju Venkatraman, Jt. Managing Director and COO @	Executive	6	-	1	1	-
Mrs. Shikha Sharma*	Non-Executive, Non-Independent	4	-	2	-	-
Mr. Donald W. Layden Jr.**	Non-Executive, Non-Independent	1	3	-	-	-
Mr. Mohit Bhandari $	Non-Executive, Non-Independent	3	-	-	-	-
Mr. Dinesh Vaswani $	Non-Executive, Non-Independent	2	-	-	-	-
Mr. K. P. Balaraj $$	Non-Executive, Non-Independent	4	1	2	-	-
Mr. Y. H. Malegam	Non-Executive, Independent	6	-	8	3	2
Mrs. Lalita D. Gupte	Non-Executive, Independent	5	1	5	3	-
Mr. Charles Miller Smith	Non-Executive, Independent	2	3	-	-	-
Dr. Shailesh J. Mehta	Non-Executive, Independent	5	-	2	1	-

\# 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.

@ Ceased to be Director w.e.f. April 1, 2009.

* Representing promoter – ICICI Bank Limited. Since resigned on May 26, 2009.
** Representing Equity Investor, Metavante Investment (Mauritius) Limited.
$ Mr. Mohit Bhandari was appointed as member w.e.f. January 9, 2009 in place of Mr. Dinesh Vaswani, representing Equity Investor, Aranda Investments (Mauritius) Pte. Limited.
$$ Representing Equity Investor, WestBridge Ventures I Investment Holdings.

All the Directors of the Company were present at the last Annual General Meeting (AGM) of the Company held on July 31, 2008.

The following Directors of the Company held equity shares in the Company as on March 31, 2009:

Name of the Director	No. of Equity Shares held
Dr. Ashok Ganguly, Chairman	367,500
Mr. Ananda Mukerji, Managing Director and CEO	414,300
Mr. Raju Venkatraman, Jt. Managing Director and COO *	59,579
Dr. Shailesh J. Mehta	225,000
Mr. Y. H. Malegam	62,500

* Ceased to be Director w.e.f. April 1, 2009

The Company has a process to provide the information to the Board as required under Annexure IA to Clause 49. The Board periodically reviews the Compliance report of all laws applicable to the Company. All the Directors have made necessary disclosures about the committee positions, they occupy in other companies.

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

3. AUDIT COMMITTEE

The Audit Committee reconstituted on January 9, 2009, comprises of Mr. Y. H. Malegam, Chairman, Mr. Mohit Bhandari, Mr. Charles Miller Smith and Mrs. Lalita D. Gupte.

Six meetings of the Committee were held during the year 2008-2009 i.e. on April 28, July 30, October 31 and November 24 in 2008 and January 31, February 17 in 2009. The time gap between any 2 meetings was not more than four months. Details of composition of Committee and attendance during the year are as under:

Name of the Director	Category	No. of Meetings Attended in Person	No. of Meetings Attended through Teleconference
Mr. Y. H. Malegam, Chairman	Independent, Non-Executive	6	-
Mr. Mohit Bhandari*	Non-Independent, Non-Executive	1	-
Mr. Charles Miller Smith	Independent, Non-Executive	3	1
Mrs. Lalita D. Gupte	Independent, Non-Executive	6	-
Mr. Dinesh Vaswani*	Non-Independent, Non-Executive	2	-

* Mr. Mohit Bhandari was appointed as member w.e.f. January 9, 2009 in place of Mr. Dinesh Vaswani, representing Equity Investor, Aranda Investments (Mauritius) Pte. Limited.

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, reviewing with the Management quarterly and annual financial statements, internal audit reports and controls of the Company and other matters as stated under role of Audit Committee in clause 49 of the Listing Agreement.

The members of Audit Committee are financially literate having accounting and related financial management expertise.

The Managing Director and CEO, Statutory Auditors and Chief Financial Officer are invitees to the meetings of the Audit Committee. The Company Secretary acts as the Secretary to the Committee.

4. REMUNERATION COMMITTEE

The Company has a Compensation cum Board Governance Committee, which also acts as the Remuneration Committee of the Company. This Committee, in addition to approving the grant of options to employees/Directors, also reviews the overall compensation structure and policies of the Company and approves remuneration payable to the Executive Directors. It comprises Dr. Ashok Ganguly, Chairman, Mr. K. P. Balaraj, Dr. Shailesh J. Mehta and Mr. Charles Miller Smith.

Six meetings of the Committee were held during the year 2008-2009 i.e. on April 29, June 17, July 30, October 30, December 30 in 2008 and January 13 in 2009.

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

Name of the Director	Category	No. of Meetings Attended in Person	No. of Meetings Attended through Teleconference
Dr. Ashok Ganguly, Chairman	Independent, Non-Executive	6	-
Mr. K. P. Balaraj*	Non-Independent, Non-Executive	4	2
Mr. Charles Miller Smith	Independent, Non-Executive	2	3
Dr. Shailesh J. Mehta	Independent, Non-Executive	5	1

* Representing Equity Investor, WestBridge Ventures I Investment Holdings.

The details of remuneration of the Executive Directors for the year ended March 31, 2009 are as under:

Name	Salary & Allowances (Rs.)	Perquisites (Rs.)	Retirals (Rs.)
Mr. Ananda Mukerji	10,049,454	304,858	525,600$
Mr. Raju Venkatraman**	9,526,094	611,098	2,822,412*

$ Contribution to Provident Fund.

* Includes contribution to Provident Fund, Leave Encashment and Gratuity.

** Ceased to be Director w.e.f. April 1, 2009.

In addition to above, Mr. Ananda Mukerji and Mr. Raju Venkatraman are entitled to Bonus of upto Rs.3,408,416 and Rs.1,984,752 respectively for 2008-09. Actual Bonus payout will be based on Company's performance and their individual performance.

Mr. Ananda Mukerji was re-appointed as the Managing Director and CEO for a period of 5 years w.e.f. April 17, 2007, which was approved by the shareholders at their Extra-ordinary General Meeting held on November 10, 2006 and his remuneration and terms of appointment were approved by the shareholders at their Annual General Meeting held on August 14, 2007. Mr. Raju Venkatraman was appointed as the Jt. Managing Director and COO for a period of 5 years w.e.f. April 26, 2007, which was approved by the shareholders at the AGM held on August 14, 2007. Mr. Raju Venkatraman has resigned w.e.f. April 1, 2009. Notice period for Mr. Ananda Mukerji is 3 months. No Stock Options were granted to them during the financial year 2008-09.

As the net profit for the year ended March 31, 2009 is inadequate for payment of managerial remuneration, the Company has made applications to Central Government for approval of remuneration to Mr. Ananda Mukerji, Managing Director and CEO and Mr. Raju Venkatraman, erstwhile Jt. Managing Director and COO for the year ended March 31, 2009 as determined by the Compensation cum Board Governance Committee within the limits approved by the Members at their Annual General Meeting held on August 14, 2007. Approval of the Central Government is awaited.

The Company remunerates its Non-Executive Directors by way of sitting fees for attending the meetings of Board and its Committees and grant of stock options. However, Directors representing Equity investors are not paid any sitting fees. Other Non-Executive Directors were paid sitting fees of Rs. 20,000/- for attending each Board and Committee meeting. No stock options were granted to Non-Executive Directors during the financial year 2008-09. Other than sitting fees, the Non-Executive Directors do not have any pecuniary relationship or transactions with the Company.

The details of sitting fees for the year 2008-09 are as under:

Name of the Director	Sitting Fees Amount (Rs.)
Dr. Ashok Ganguly	3,60,000
Mr. Y. H. Malegam	3,20,000
Mrs. Lalita D. Gupte	2,40,000
Dr. Shailesh J. Mehta	2,20,000
Mr. Charles Miller Smith	1,40,000

5. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The Shareholders'/Investors' Grievance Committee reconstituted on January 9, 2009 comprises of Dr. Ashok Ganguly, Chairman, Mr. Ananda Mukerji and Mr. Mohit Bhandari. The Committee looks into redressal of Shareholder's/Investors' complaints like non-allotment of shares, non-receipt/ short receipt of refund order, Annual Report etc. Mr. Sanjay Gupta, Company Secretary is the Compliance Officer.

Four meetings of the Committee were held during the year i.e. on April 29, July 30 and October 31 in 2008 and January 31 in 2009. 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. Ashok Ganguly, Chairman	Independent, Non-Executive	4
Mr. Ananda Mukerji	Executive	4
Mr. Mohit Bhandari*	Non-Independent, Non-Executive	1
Mr. Dinesh Vaswani*	Non-Independent, Non-Executive	2

* Mr. Mohit Bhandari was appointed as member w.e.f. January 9, 2009 in place of Mr. Dinesh Vaswani, representing Equity Investor, Aranda Investments (Mauritius) Pte. Limited.

The total number of complaints received during the year were 19, all of which were resolved. There were no pending complaints as on March 31, 2009. The Company had received 1 request for transfer of 18750 shares and no such request was pending for approval as on March 31, 2009.

6. GENERAL BODY MEETINGS

Location and time of last three AGMs:

Year	Venue	Date	Time
2007-08	Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai - 400 025	July 31, 2008	3.00 p.m.
2006-07	Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai - 400 025	August 14, 2007	4.00 p.m.
2005-06	6th Floor, Peninsula Chambers, Ganpatrao Kadam Marg, Lower Parel (West), Mumbai - 400 013	July 27, 2006	4.00 p.m.

Special Resolution passed at last 3 AGMs:

a) **2007-08**

Alteration of the Articles of Association of the Company.

b) **2006-07**

i) Adoption of Articles of Association of the Company in substitution for and to the exclusion of all the existing Articles.

ii) Approval for Employee Stock Option Schemes (ESOS).

iii) Extending benefits of ESOS to employees of subsidiary companies.

c) **2005-06**

Approval for the remuneration of Managing Director & CEO.

Postal Ballot:

No resolution was passed last year by Postal Ballot. No resolution is proposed to be passed at the ensuing AGM by Postal Ballot.

7. DISCLOSURES

i. Related Party Transactions

The transactions with related parties as per Accounting Standard AS-18 are set out in Notes to accounts - Schedule No. 22 forming part of financial statements.

ii. Disclosures from Senior Management

Disclosures from senior management are obtained quarterly 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 Exchange or SEBI or any other regulatory authority on any matter related to capital market during the last 3 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 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.
- The Company has adopted a Whistle Blower Policy and has established necessary mechanism for employees to report concerns about unethical behaviour. No person has been denied access to the Audit Committee.
- The Company has provided the Chairman (Non-Executive) with a full fledged office, the expenses of which are borne by the Company. The Chairman is reimbursed all expenses incurred in the performance of his duties.

vi. CEO/CFO Certification

Certification on financial statements pursuant to Clause 49V of the Listing Agreement has been obtained from the Managing Director & CEO and the 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 Code of Conduct for Executive Directors, Non-Executive Directors and senior management of the Company. The Code of Conduct as applicable to them has been circulated to all the members of the Board and senior management and the compliance of the same has been affirmed by them. A declaration signed by Managing Director and CEO is given at the end of this Report.

viii. Subsidiary Companies

The Company has no material non-listed Indian Subsidiary Company as defined in Clause 49III of the Listing Agreement. The minutes of the meetings and Board Consents of the subsidiary companies are placed at the Board Meetings of the Company. The financials of the subsidiaries are reviewed by the Audit Committee.

ix. 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' in this Annual Report.

x. Compliance Reports

The Board reviews the compliance reports of all laws applicable to the Company on quarterly basis. The Managing Director and CEO submits a 'Compliance Certificate' to the Board every quarter based on the compliance certificates received from the function heads and heads of subsidiary companies.

xi. Secreterial Standards issued by ICSI

The Company substantially follows the Secretarial Standards issued by the ICSI.

xii. Management Discussion and Analysis Report

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

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 (English) and Sakal (Marathi).The Company's Standalone and Consolidated financial results, investors' presentations, press release, fact Sheet and transcript of earnings conference calls are uploaded on the Company's website viz. www.firstsource.com. Besides, the Company's website also displays the Clause 35 shareholding pattern and Clause 49 corporate governance compliance report filed with the Stock Exchanges on quarterly basis.

The documents such as quarterly and annual financial results, shareholding pattern etc. could not be uploaded on the SEBI's Electronic Data Information Filing and Retrieval (EDIFAR) website viz. www.sebiedifar.nic.in as required pursuant to clause 51 of the Listing Agreement as the Company has not received the requisite user ID and password.

9. GENERAL SHAREHOLDER INFORMATION

I. Annual General Meeting

Date, Time and Venue:

Wednesday, July 29, 2009 at 3.00 p.m. at Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai - 400 025.

II. Financial Year

April 1 to March 31

Financial Calendar (Tentative)

First quarter results – last week of July
Second quarter results – last week of October
Third quarter results – last week of January
Fourth quarter and Annual results – last week of April
Annual General Meeting (Fiscal 2010) – July/August

III. Dates of Book Closure (both days inclusive)

Wednesday, July 22, 2009 to Wednesday, July 29, 2009

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 do not recommend any dividend for fiscal 2009.

V. Listing on Stock Exchanges and Payment of Listing Fees

The equity shares of the Company are listed on National Stock Exchange of India Limited (NSE), Exchange Plaza, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051 and Bombay Stock Exchange Limited (BSE), Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.

The Foreign Currency Convertible Bonds (FCCBs) are listed on Singapore Exchange Securities Trading Limited (SESTL), 2 Shenton Way, # 19-00 SGX Centre 1, Singapore 068804.

Annual Listing fees for the year 2009-10 has been paid by the Company to NSE, BSE and SESTL.

VI. (a) Stock Code

BSE – 532809
NSE – FSL

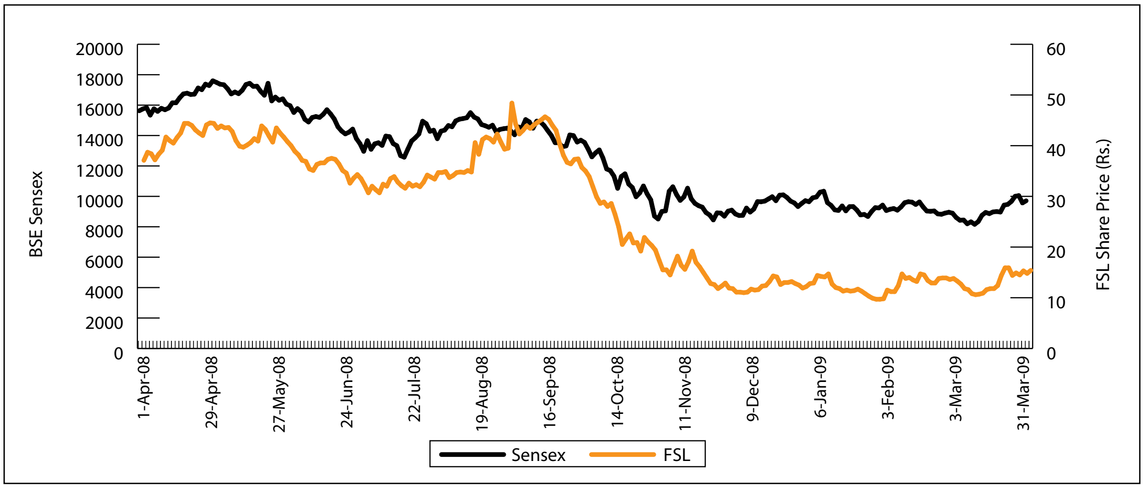
(b) ISIN in National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL)

INE684F01012

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 (Rs.)		Number of shares traded	Share Price (Rs.)		Number of shares traded
	High	Low		High	Low	
April 2008	47.00	36.20	9,624,662	46.35	36.10	6,220,205
May 2008	45.70	39.10	11,294,454	45.80	39.05	7,282,818
June 2008	42.90	31.75	4,168,336	42.00	31.25	2,346,161
July 2008	35.95	29.00	3,113,389	36.00	28.80	1,767,936
August 2008	50.70	32.50	52,971,232	50.80	32.75	32,049,263
September 2008	47.00	27.15	21,564,969	47.10	27.00	13,168,388
October 2008	31.45	13.90	8,095,171	31.35	14.10	4,646,844
November 2008	20.00	10.65	17,037,178	20.00	10.70	9,455,185
December 2008	14.75	9.45	23,741,066	14.90	10.60	15,262,460
January 2009	15.55	9.30	45,974,757	16.55	9.50	25,839,052
February 2009	15.40	10.60	127,701,370	15.30	10.75	83,540,455
March 2009	16.60	10.10	105,035,668	16.55	10.14	62,777,044

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



IX. Registrar & Transfer Agents

3i Infotech Limited
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 completed by 3i Infotech Limited within a period of 15 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 with no involvement of the Company. In compliance with Clause 47(c) of the Listing Agreement, the Company obtains a certificate from Practicing Company Secretaries 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, 2009

Share Holding (Nominal Value)	Shareholders		Nominal Capital	
Rs.	Nos.	%	Rs.	%
Upto 5000	117,340	89.32	176,127,350	4.11
5001 - 10000	7,694	5.86	63,887,410	1.49
10001 - 20000	3,250	2.47	50,156,930	1.17
20001 - 30000	1,048	0.80	27,132,490	0.64
30001 - 40000	481	0.37	17,481,850	0.41
40001 - 50000	436	0.33	20,845,130	0.49
50001 - 100000	567	0.43	41,959,730	0.98
100001 - above	555	0.42	3,884,305,930	90.71
Total	**131,371**	**100.00**	**4,281,896,820**	**100.00**

Categories of Shareholders as on March 31, 2009

Category	No. of Shares Held	% to Total Share Capital
Promoters		
ICICI Bank Limited	106,149,599	24.79
Subsidiaries of ICICI Bank Limited	8,343,998	1.95
Sub-Total (A)	**114,493,597**	**26.74**
Public Shareholding		
Institutions		
Mutual Funds	6,804,906	1.59
Banks	235,835	0.06
Foreign Institutional Investors	3,334,770	0.78
Foreign Venture Capital Investors	19,491,683	4.55
Non-Institutions		
Bodies Corporate	17,134,613	4.00
Individuals	49,290,462	11.51
Foreign Companies	217,403,816	50.77
Sub-Total (B)	**313,696,085**	**73.26**
TOTAL (A+B)	**428,189,682**	**100.00**

Shareholding of Promoters as on March 31, 2009

Sr. No.	Name of the Promoter	No. of Shares	% to Total Share Capital
1.	ICICI Bank Limited	106,149,599	24.79
2.	ICICI Prudential Life Insurance Company Ltd.	8,243,298	1.93
3.	ICICI Lombard General Insurance Company Ltd.	100,000	0.02
4.	ICICI Investment Management Company Limited	500	0.00
5.	ICICI Securities Limited	100	0.00
6.	ICICI Trusteeship Services Limited	100	0.00
	TOTAL	**114,493,597**	**26.74**

Shareholding of persons holding more than 1% shares as on March 31, 2009

Sr. No.	Name of the Shareholder	No. of Shares	% to Total Share Capital
1.	Aranda Investments (Mauritius) Pte Limited	91,925,269	21.47
2.	Metavante Investments (Mauritius) Limited	85,765,863	20.03
3.	Galleon International Master Fund, SPC Ltd. New Silk Route Pipe Segregated Portfolio	20,800,000	4.86
4.	Westbridge Ventures I Investment Holdings	19,491,683	4.55
5.	Seacrest Investment Ltd.	18,912,684	4.42

Top 10 Shareholders as on March 31, 2009

Sr. No.	Name of the Shareholder	No. of Shares	%
1.	ICICI Bank Limited	106,149,599	24.79
2.	Aranda Investments (Mauritius) Pte Limited	91,925,269	21.47
3.	Metavante Investments (Mauritius) Limited	85,765,863	20.03
4.	Galleon International Master fund, SPC Limited New Silk Route Pipe Segregated Portfolio	20,800,000	4.86
5.	Westbridge Ventures I Investment Holdings	19,491,683	4.55
6.	Seacrest Investment Limited	18,912,684	4.42
7.	ICICI Prudential Life Insurance Company Limited	8,243,298	1.93
8.	FIL Trustee Company Private Limited A/C Fidelity India Special Situations Fund	3,249,587	0.76
9.	FIL Trustee Company Private Limited A/C Fidelity International Opportunities Fund	3,000,319	0.70
10.	New Vernon India Limited	2,089,805	0.49

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 the Registrars, M/s. 3i Infotech Limited, whereby the investors have the option to dematerialise their shares with either of the depositories.

Company obtains a certificate from practising Company Secretaries 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 mode as on March 31, 2009

Category	Number of		% to Total Share Capital
	Shareholders	Shares	
Dematerialised Mode			
NSDL	96,162	409,176,810	95.56
CDSL	35,188	18,815,893	4.39
Sub-Total	**131,350**	**427,992,703**	**99.95**
Physical Mode	21	1,96,979	0.05
Grand Total	**131,371**	**428,189,682**	**100.00**

As on March 31, 2009, 99.95% of the paid up share capital has been dematerialised.

Details of Unclaimed Shares

The Company came out with an Initial Public Offering (IPO) in February 2007. The Equity shares issued pursuant to the said IPO which remained unclaimed are lying in the Escrow Account with Stock Holding Corporation of India Limited (SHCIL). The Company had sent 2 reminders to the shareholders asking for correct demat account details.

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

Particulars	No. of Shareholders	No. of Shares
Outstanding shares in the escrow account with SHCIL as on April 1, 2009	61	7001
Shareholders who approached the Company for transfer of shares from escrow account during the year 2008-09	1	136
Shareholders to whom shares were transferred from escrow account during the year	1	136
Outstanding shares in the escrow account as on March 31, 2009	60	6865

XIII. Outstanding GDRs/ 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. The FCCBs have a maturity period of 5 years and 1 day. The FCCBs are listed on Singapore Exchange Securities Trading Limited. Upto March 31, 2009, the Company had repurchased and cancelled its FCCBs of the nominal amount of USD 49.7 million. The nominal amount of Bonds outstanding after cancellation is USD 225.3 million.

XIV. Delivery Centers

The Company along with its subsidiaries has 43 global delivery centers of which 25 are located in India, 14 in US, 2 in UK, 1 in Argentina and 1 in Philippines.

India	Mumbai (5 centers)	**United States of America**	Kingston, New York
	Bangalore (4 centers)		Amherst, New York
	Chennai (2 centers)		Reno, Nevada
	Trichy (2 centers)		Rockford, Illinois
	Pondicherry		Belleville, Illinois
	Kolkata		Fort Scott, Kansas
	New Delhi (2 centers)		Louisville, Kentucky (2 centers)
	Vijaywada		Salt Lake City, Utah
	Cochin		Colorado Springs
	Hubli		Columbus, Ohio
	Indore		LaPorte, Indiana
	Jalandhar		Miami, Florida
	Siliguri		Nashua, New Hampshire
	Coimbatore		
	Bhubaneshwar	**United Kingdom**	Belfast, Northern Ireland Londonderry, Northern Ireland
		Argentina	Buenos Aires
		Philippines	Manila

XV. Address for Correspondence

Registrar and Share Transfer Agents:
3i Infotech Limited
Tower#5, 3rd to 6th Floors
International Infotech Park,
Vashi, Navi Mumbai - 400 703
Tel. No.: 91 (22) 67928000

Company Secretary and Compliance Officer
Mr. Sanjay Gupta
Firstsource Solutions Limited
6th Floor, Peninsula Chambers, Ganpatrao Kadam Marg,
Lower Parel, Mumbai - 400 013
Tel. No.: 91 (22) 6666 0888, Fax: 91 (22) 6666 0804
E-mail Id for redressal of Investors grievances:
complianceofficer@firstsource.com

Mumbai
Dated: April 28, 2009

PRACTISING COMPANY SECRETARIES' 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, 2009, 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.

For **Parikh & Associates**
Practising Company Secretaries

Mumbai
Date: April 28, 2009

P. N. Parikh
FCS: 327 CP: 1228

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, 2009 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 Limited**

Ananda Mukerji
Managing Director & CEO
Mumbai
April 28, 2009

For **Firstsource Solutions Limited**

Carl Saldanha
Global CFO

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.

Mumbai
April 28, 2009

Ananda Mukerji
Managing Director & CEO

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 2009, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, annexed thereto. The audit was conducted in accordance with the terms of engagement as specified by the Board of Directors of the Parent Company.

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 Schedule 32 to the consolidated financial statements. During the year, the Company has changed the accounting policy relating to premium payable on redemption of Foreign Currency Convertible Bonds ('FCCB' or 'the bonds'). Accordingly, the premium payable on redemption of FCCB is now amortised on a pro-rata basis over the period of the bonds by debiting Securities premium account as against the earlier policy of charging the entire premium payable on redemption to the Securities premium account upfront in the year of issue of the bonds. Had the Company continued to follow the earlier policy, the balance in Securities premium account as at 31 March 2009 would have been lower by Rs. ('000) 3,305,913 and Current liabilities (Premium payable on redemption of FCCB) would have been higher by Rs. ('000) 3,305,913.

2. Without qualifying our opinion, we draw attention to Schedule 32 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. AS-30, along with limited revisions to the other accounting standards, has not currently been notified by the National Advisory Council for Accounting Standards (NACAS).

   The Group has accounted for assets and liabilities as per requirements of AS-30 including prescribed limited revisions to other accounting standards. On 1 July 2008, the Company designated the FCCB as hedging instrument to hedge its net investments made through a subsidiary in a non-integral foreign operation. Accordingly, the translation loss on the FCCB, which is determined to be effective hedge of net investment made in non-integral foreign operation, aggregating to Rs. ('000) 1,778,551 for the year ended 31 March 2009 has been recognised in Translation Reserve. Also, the Company has accounted for embedded derivative option included in FCCB and revalued the same as at year-end. Further, the difference between present value of non – interest bearing deposits and original amount of deposit has been disclosed as 'Unamortized cost' under Loans and Advances, which is charged to the Profit and Loss Account over the period of the related lease. Correspondingly, interest income accrued on the interest free deposits, using the implicit rate of return, over the period of lease is recognized under 'Interest income'.

   In accordance with the transitional provisions of AS-30, income of Rs. ('000) 691,875 on account of reduction in option valuation of FCCB and charge of Rs. ('000) 5,215 on account of fair valuation of deposits have been accounted through General Reserve.

   Had the Group not early adopted AS-30 and the related limited revisions, profit after taxation for the year ended 31 March 2009 would have been lower by Rs. ('000) 1,534,365, Reserves and Surplus would have been lower by Rs. ('000) 717,524, Unsecured loans would have been lower by Rs. ('000) 469,683, Current liabilities would have been higher by Rs. ('000) 1,192,982 and Current assets would have been higher by Rs. ('000) 5,775.

3. *As more fully explained in Schedule 22 to the consolidated financial statements, an application has been made to the Central Government seeking approval for remuneration to the Managing Director and the Joint Managing Director of the Parent Company in excess of the limits prescribed under the Act, for which approval is awaited.*

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

5. In our opinion, and to the best of our information and according to the information and explanations given to us, read with paragraphs 1 and 2 above and subject to paragraph 3 above, these 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 2009;

   ii. in the case of the Consolidated Profit and Loss Account, 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

Mumbai
28 April 2009

Akeel Master
Partner
Membership No.: 046768

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2009

(Currency: In thousands of Indian rupees)

	Schedule	2009	2008
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	3	**4,281,897**	4,273,130
Reserve and surplus	4	**9,512,425**	3,127,250
		13,794,322	7,400,380
Minority interest		**54,668**	36,420
Loan funds			
Secured loans	5	**1,855,638**	596,631
Unsecured loans	6	**12,089,971**	11,955,218
		27,794,599	19,988,649
APPLICATION OF FUNDS			
Goodwill on consolidation	7	**22,875,613**	18,880,034
Fixed assets	8		
Gross block		**6,348,219**	5,340,421
Less: Accumulated depreciation and amortization		**4,157,497**	3,203,586
Net block		**2,190,722**	2,136,835
Add: Capital work in progress (including capital advances)		**70,228**	89,224
		2,260,950	2,226,059
Investments	9	**18,181**	221,168
Deferred tax asset, (net)	10	**140,504**	184,489
Current assets, loans and advances			
Sundry debtors	11	**2,379,474**	2,053,785
Unbilled revenues		**605,033**	400,178
Cash and bank balances	12	**966,939**	1,024,650
Loans and advances	13	**1,187,104**	1,050,577
		5,138,550	4,529,190
Less: Current liabilities and provisions			
Current liabilities	14	**2,167,833**	1,432,660
Provisions	15	**471,366**	4,619,631
		2,639,199	6,052,291
Net current assets		**2,499,351**	(1,523,101)
		27,794,599	19,988,649
Significant accounting policies	2		
Notes to accounts	20-34		

The accompanying schedules form an integral part of this consolidated balance sheet.

As per our report attached.

For **B S R & Co.**
Chartered Accountants

For and on behalf of the Board of Directors

Akeel Master
Partner
Membership No.: 046768

Dr. Ashok S. Ganguly — *Chairman*

Ananda Mukerji — *Managing Director & CEO*

K. P. Balaraj — *Director*

Shikha Sharma — *Director*

Mohit Bhandari — *Director*

Lalita D. Gupte — *Director*

Y. H. Malegam — *Director*

Dr. Shailesh Mehta — *Director*

Charles Miller Smith — *Director*

Mumbai
28 April 2009

Donald Layden Jr. — *Director*

Carl Saldanha — *Global CFO*

Sanjay Gupta — *Company Secretary*

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

	Schedule	2009	2008
INCOME			
Income from services		**17,525,208**	12,406,138
Other operating income		**(31,510)**	581,811
Other income	16	**298,233**	349,233
		17,791,931	13,337,182
EXPENDITURE			
Personnel costs	17	**10,252,884**	7,120,369
Operating costs	18	**5,042,512**	3,558,135
Depreciation and amortization	8	**961,318**	860,820
		16,256,714	11,539,324
Profit before finance charges, taxation, minority interest		**1,535,217**	1,797,858
Finance charges, net	19	**1,028,317**	365,990
Profit before taxation, minority interest		**506,900**	1,431,868
Provision for taxation			
– Current tax expense		**268,694**	287,698
– Fringe benefits tax		**25,268**	23,208
– Deferred tax (release)		**(69,921)**	(184,426)
– Minimum alternate tax credit entitlement		**(24,967)**	-
Profit after taxation before minority interest		**307,826**	1,305,388
Minority interest		**1,104**	(10,208)
Profit after taxation and minority interest		**306,722**	1,315,596
Add: Accumulated balance brought forward from previous year		**2,607,130**	1,296,938
Appropriation:			
– Dividend Tax paid		-	242
– Capital redemption reserve		-	5,162
Accumulated balance carried forward to the balance sheet		**2,913,852**	2,607,130
Earnings per share	27		
Weighted average number of equity shares outstanding during the year			
– Basic		**427,914**	425,858
– Diluted		**427,914**	464,222
Earnings per share (Rs.)			
– Basic		**0.72**	3.09
– Diluted		**0.72**	2.83
Significant accounting policies	2		
Notes to accounts	20-34		

The accompanying schedules form an integral part of this consolidated profit and loss account.

As per our report attached.

For **B S R & Co.**
Chartered Accountants

Akeel Master
Partner
Membership No.: 046768

For and on behalf of the Board of Directors

Dr. Ashok S. Ganguly — *Chairman*
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Mumbai
28 April 2009

Donald Layden Jr. — *Director*
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Sanjay Gupta — *Company Secretary*

CONSOLIDATED CASH FLOW STATEMENT AS AT 31 MARCH 2009

(Currency: In thousands of Indian rupees)

	2009	2008
Cash flow from operating activities		
Profit after tax	**306,722**	1,315,596
Adjustments for		
Depreciation and amortization	**961,318**	860,820
Deferred taxes	**(69,921)**	(184,426)
Provision for current tax, FBT and MAT credit entitlement	**268,995**	310,906
Provision for doubtful debts (written back)	**64,194**	(7,824)
Foreign exchange loss/ (gain), net	**320,958**	(257,385)
Interest costs	**271,320**	315,845
Exchange (gain) / loss on foreign currency loans	**796,788**	150,365
Interest and dividend income	**(49,155)**	(134,746)
Profit on sale on investments	**(12,834)**	(42,093)
Gain on FCCB Buyback	**(634,980)**	–
Minority interest	**1,104**	(10,208)
Rent expenses on account of adoption of AS 30	**17,822**	–
Gain on sale of fixed asset	**(1,474)**	(829)
Operating cash flow before changes in working capital	**2,240,857**	2,316,021
Changes in working capital		
Decrease / (Increase) in Debtors	**(442,424)**	115,102
Decrease / (Increase) in Loans and advances and unbilled revenue	**(189,760)**	196,837
(Decrease) / Increase in Current liabilities and provisions	**411,969**	(76,445)
Net changes in working capital	**(220,215)**	235,494
Income taxes paid	**(281,254)**	(283,020)
Net cash generated from operating activities (A)	**1,739,388**	2,268,495
Cash flow from investing activities		
Purchase of investment in mutual funds / government securities	**(4,582,654)**	(11,263,940)
Sale of investment in mutual funds	**4,798,476**	12,237,398
Interest and dividend income received	**31,789**	146,153
Goodwill	**(202,352)**	–
Capital expenditure	**(918,064)**	(1,224,180)
Sale of Fixed Assets	**59,142**	11,355
Business acquisitions, net of cash acquired	**(66,586)**	(14,059,044)
Net cash used in investing activities (B)	**(880,249)**	(14,152,258)
Cash flow from financing activities		
Proceeds from secured loans	**1,354,967**	443,152
Repayment secured loans	**(180,025)**	(509,615)
Proceeds from unsecured loans – FCCB	–	10,840,500
Proceeds from unsecured loans – Others	**74,693**	43,274
Repayment unsecured loans	**(803,839)**	(384,969)
Repayment of unsecured loan – FCCB, including expenses	**(1,257,182)**	–
Proceeds from issuance of equity shares, net of expenses	**23,389**	(214,769)
Interest paid	**(128,853)**	(319,114)
Net cash generated from/(used in) financing activities (C)	**(916,850)**	9,898,459

CONSOLIDATED CASH FLOW STATEMENT AS AT 31 MARCH 2009

(Currency: In thousands of Indian rupees)

	2009	2008
Net (decrease) / increase in cash and cash equivalents (A + B + C)	**(57,711)**	(1,985,304)
Cash and cash equivalents at the beginning of the year	**1,024,650**	3,009,954
Cash and cash equivalents at the end of the year	**966,939**	1,024,650

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

Cash on hand	**1,136**	851
Balances with scheduled banks		
– in current accounts	**3,159**	5,548
– in deposit accounts*	**1,524**	201,520
– in Exchange earning in foreign currency accounts	**492**	447
Balances with non-scheduled banks		
– in current accounts	**758,782**	670,991
– in deposit accounts**	**171,509**	179,687
Remittances in transit	**111,603**	–
	1,048,205	1,059,044
Less: Current account balance held in trust for customers in non-scheduled banks**	**81,266**	34,394
	966,939	1,024,650

* Includes Rs. 1,524 (31 March 2008: Rs. 1,416) under lien for bank guarantees to the customs authorities.

** Includes Rs. 39,344 (31 March 2008: Nil) placed in Escrow account towards buyback of FCCB during the year, and includes Rs. 38,040 (31 March 2008: Nil) towards line of credit for FAL.

As per our report attached.

For **B S R & Co.**
Chartered Accountants

Akeel Master
Partner
Membership No.: 046768

For and on behalf of the Board of Directors

Dr. Ashok S. Ganguly
Chairman

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Company Secretary

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

1. Background

Firstsource Solutions Limited, ('Firstsource' or 'Parent' 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 list of subsidiaries considered in these consolidated financial statements as at 31 March 2009 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 USA Inc. ("FSL USA")	A subsidiary of Firstsource Solutions Limited organized under the laws of State of Delaware, USA	100%	2002-2003
Firstsource Solutions Limited UK ("FSL UK")	A subsidiary of Firstsource Solutions Limited, organized under the laws of United Kingdom	100%	2002-2003
FirstRing Inc. USA ("FR-US")	A subsidiary of Firstsource Solutions Limited, organized under the laws of State of Delaware, USA	99.80%	2003-2004
Firstsource Advantage LLC ("FAL")	A subsidiary of FirstRing Inc., USA, incorporated under the laws of the State of New York, USA	100%	2004-2005
Pipal Research Corporation ("Pipal")	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of the State of Illinois, USA	51%	2004-2005
Pipal Research Analytics and Information Services India Private Limited ("PRAISE")	A subsidiary of Pipal Research Corporation, incorporated under the laws of India	100%	2004-2005
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 Limited UK, incorporated under the laws of S. A.	99.98%	2006-2007
MedAssist Holding, Inc. ("MedAssist")	A Subsidiary of Firstsource Solutions Limited US, organized under the laws of State of Delaware, USA	100%	2007-2008
MedAssist Intermediate Holding, Inc. ("MIH")	A Subsidiary of MedAssist Holding, Inc., organized under the laws of State of Delaware, USA	100%	2007-2008
MedAssist, Incorporated ("MI")	A Subsidiary of MedAssist Intermediate Holding, Inc., organized under the laws of State of Kentucky, USA	100%	2007-2008
Twin Medical Transaction Services, Inc. ("Twin")	A Subsidiary of MedAssist, Incorporated, organized under the laws of Nevada Corporation, USA	100%	2007-2008
Firstsource Healthcare Advantage, Inc. ("FSA")	A Subsidiary of MedAssist, Incorporated, organized under the laws of State of Delaware, USA	100%	2007-2008
Business Process Management, Inc. ("BPM")*	A subsidiary of Firstsource Solutions USA Inc., organized under the laws of State of Delaware, USA, merged with FSL – USA effective 1 February 2009	100%	2006-2007
MedPlans 2000 Inc. ("MPL")*	A subsidiary of Business Process Management, Inc. organized under the laws of State of Kansas, USA merged with FSL – USA effective 1 February 2009	100%	2006-2007
MedPlans Partners ("MPP")*	A subsidiary of Business Process Management, Inc organized under the laws of State of Delaware, USA merged with FSL – USA effective 1 February 2009	100%	2006-2007
Sherpa Business Solutions Inc. ("Sherpa")*	A subsidiary of Rev IT Systems Private Limited, incorporated under the laws of the State of Michigan, USA merged with FSL – USA effective 1 February 2009	100%	2004-2005

* In January 2009, RevIT transferred its entire shareholding of 1,000 shares in its wholly-owned subsidiary Sherpa, USA to the Parent Company for a consideration of Rs. 55,930. The Company subsequently merged Sherpa with FSL USA effective 1 February 2009. Consequent to the merger, the Company was allotted 21,641,000 shares at USD 0.001 each in FSL USA in exchange for the shares held by it in Sherpa.

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

The Company also merged BPM along with its step down subsidiaries with FSL USA effective 1 February 2009. As this is an internal restructuring within the group, there is no impact on Goodwill on consolidation. Further, consequent to the above restructuring, FSL USA is classified as a non-integral operation as against is earlier classification as an integral operation. However, the impact of this change in classification is not considered material.

2. Significant Accounting Policies

2.1 Basis of preparation

These consolidated financial statements of Firstsource together with its subsidiaries (collectively 'the Group') have been prepared and presented under the historical cost convention (except for certain financial instruments, which are measured on fair value basis) on accural basis of accounting and accounting principles generally accepted in India and comply with the Accounting Standards (AS) prescribed by the 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' issued by ICAI from 1 July 2008 effective 1 April 2008. The financial statements are presented in Indian rupees rounded off to the nearest thousand.

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 interest's share of profits or losses is adjusted against income to arrive at the net income attributable to the Company's shareholders. Minority interest's share of net assets is disclosed separately in the 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 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. 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 recognized 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 recognized 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 recognized on achievement of performance milestones specified in the customer contracts. Revenue from debt collection services is recognized when debts are realized. Build Operate and Transfer (BOT) contracts are treated as service contracts and accordingly, revenue is recognized as and when the services are rendered and billed in accordance with the respective contractual terms specified in the contracts. Revenue from contingency based contracts, in which the client is invoiced for a percentage of the hospital's third party reimbursement, is recognized once the hospital receives payment.

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

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

Interest income is recognized 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 profit and loss statement over the period necessary to match them with the related cost which they are intended to compensate.

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

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 recognized 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)**
Intangible	
Software	3 – 4
Domain name	3
Goodwill on aquired assets	5 or estimated useful life, whichever is shorter
Tangible	
Leasehold improvements	Lease term or 5 years, whichever is shorter
Computers	3 – 4
Networking equipment	3 – 5
Furniture and fixtures	3 – 5
Vehicles	2 – 5

Software purchased together with the related hardware is capitalized 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 Rs. 5 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 amortization 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 amortization period and the amortization method is reviewed at the end of each reporting period. If the expected useful life of the product is shorter from previous estimates, the amortization 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 recognized in the profit and loss account. 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 profit and loss account. 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

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 recognizes 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 recognized immediately in the Profit and Loss account.

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 profit and loss account 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 profit and loss account in the period in which they accrue. Other retirement benefits are accrued based on the amounts payable as per local regulations.

2.10 Investments

Long-term 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, fringe benefits tax and deferred tax expense or benefit.

Current taxes

Provision for current income-tax is recognized based on the estimated tax liability computed after taking credit for allowances and exemptions in accordance with the tax laws applicable to the respective companies. In case of matters under appeal, full provision is made in the financial statements when the Company accepts its liability.

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

Deferred taxes

Deferred tax assets and liabilities are recognized 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 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 recognized 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. Under Section 10A of the Indian Income tax Act, 1961, exemption can be availed of profits from these operations from income tax for a period up to March 2010 in relation to its undertakings set up in the Software Technology Park at Bangalore, Mumbai, Kolkata and Chennai. The Company also has operations in Special Economic Zones (SEZ's). 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 recognized in respect of the same.

Fringe Benefits Tax

Provisions for Fringe Benefits Tax (FBT) is made on the basis of applicable FBT on the taxable value of eligible expenses of the Company as prescribed under the Income tax Act, 1961.

2.12 Leases

Finance lease

Assets acquired on finance leases, including assets acquired under sale and lease back transactions, have been recognized 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 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 recognized 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 profit and loss account as incurred on a straight line basis. (Refer Schedule 20)

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 profit and loss account. Monetary foreign currency denominated current assets and current liabilities at period end are translated at the period end exchange rates and the resulting net gain or loss is recognised in the profit and loss account 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 recognized in hedging reserve account or translation reserve account respectively. Such exchange differences are subsequently recognized in the profit and loss account 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 recognized directly in shareholder's funds and the ineffective portion is recognized immediately in the profit and loss account.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the profit and loss account 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 recognized 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 recognized in shareholders' funds is transferred to the profit and loss account for the period.

The impact of adoption of AS 30 has been described in Schedule 32 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 fair value. Financial assets/liabilities are recognized on the balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized 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 Translation reserve account and would be recognised in profit and loss account upon sale/disposal of the related non-integral foreign operations. Changes in fair value relating to the ineffective portion of hedges are recognized in the profit and loss account 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 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.

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

Net exchange difference resulting from the above translation of the financial statements of integral foreign subsidiaries is recognised in the consolidated profit and loss account.

In respect of non-integral subsidiaries, assets and liabilities are translated at exchange rates prevailing at the date of the balance sheet. The items in the profit and loss account 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 Translation reserve 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 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 recognized 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 (Refer Schedules 31 and 32). Accordingly, any gain/loss arising on account of exchange fluctuation is accounted in Translation reserve account.

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. Net gain or loss resulting from restatement of this liability at period end rates is accounted in Securities Premium Account (Refer Schedule 32).

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

	2009	2008
3. Share capital		
Authorised		
600,000,000 (31 March 2008: 600,000,000) equity shares of Rs. 10 each	**6,000,000**	6,000,000
250,000,000 (31 March 2008: 250,000,000) participatory optionally convertible preference shares ('POCPS') of Rs. 10 each	**2,500,000**	2,500,000
	8,500,000	8,500,000
Issued, subscribed and paid-up 428,189,682 (31 March 2008: 427,312,964) equity shares of Rs. 10 each, fully paid-up	**4,281,897**	4,273,130
	4,281,897	4,273,130
During the year 876,718 (31 March 2008: 2,228,668) options were allotted. Refer Schedule 21.		
4. Reserves and surplus		
Securities premium		
Securities premium at the beginning of the year*	**568,423**	5,115,537
Add: Premium on shares issued during the year	**14,621**	14,014
Premium applicable to periods till March 31 2008 reversed on cancellation of FCCB on buyback (refer Schedule 31)	**44,810**	–
Premium payable on redemption of FCCB reversed (refer Schedule 32)	**4,095,749**	–
Less: Premium utilised on expenses incurred for issue of FCCB	–	217,436
Foreign exchange loss on premium payable on FCCB (refer Schedules 2.18 b and 32)	–	75,785
Premium payable on redemption of FCCB for the year (refer Schedules 2.18 b and 32)	**696,086**	4,267,907
Securities premium at the end of the year	**4,027,517**	568,423
Capital redemption reserve	**5,162**	5,162
Profit and loss account	**2,913,852**	2,607,130
General reserve		
General reserve at the beginning of the year	–	–
Add: Transition adjustment on adoption of AS 30 (refer Schedule 32)	**667,944**	–
General reserve at the end of the year	**667,944**	–
Hedging reserve account (refer Schedule 33)		
Balance at the beginning of the year	**(48,702)**	–
Movement during the year	**(8,024)**	(48,702)
Balance at the end of the year	**(56,726)**	(48,702)
Translation reserve		
Balance at the beginning of the year	**(4,763)**	–
Exchange difference on FCCB translation (refer Schedules 2.18 a and 32)	**(1,778,551)**	–
Exchange difference on consolidation of non-integral subsidiaries	**3,737,990**	(4,763)
Balance at the end of the year	**1,954,676**	(4,763)
	9,512,425	3,127,250

* Net securities premium of Rs. 39,270 (31 March 2008: Rs. 39,270) of Customer Assets India Limited has been eliminated on consolidation and considered as part of goodwill.

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

		2009	2008
5.	**Secured loans**		
	External commercial borrowings ('ECB')	****1,262,012**	*100,300
	*(Secured against fixed assets and receivables of the Company)		
	**(For buyback of FCCB – Secured against pari passu charge on all assets of FSL USA)		
	Finance lease obligation	**86,426**	20,906
	(Secured against assets acquired on lease) (refer Schedule 20)		
	Other secured debts (Secured against all assets of the subsidiary (Sherpa))	–	74,225
	Term loan (Secured against shares of subsidiary (MedAssist))	**507,200**	401,200
		1,855,638	596,631
6.	**Unsecured loans**		
	Working capital demand loan	**160,183**	118,379
	Term loan	–	803,839
	Foreign currency convertible bonds (FCCB) (refer Schedules 31 and 32)	***11,896,899**	11,033,000
	Loan from others	**32,889**	–
		12,089,971	11,955,218
	*includes premium payable on redemption of FCCB amounting to Rs. 899,220 (31 March 2008: Rs. 4,343,692 – refer Schedule 15)		

7. Business acquisitions

Goodwill on consolidation

Entity Name	Date of acquisition	2009	2008
MedAssist	20 September 2007	**16,996,801**	13,393,943
BPM	29 December 2006	**1,737,398**	1,344,677
FAL	22 September 2004	**1,617,633**	1,617,633
RevIT	31 March 2005	**970,768**	970,768
Pipal	26 July 2004	**90,510**	90,510
FR US	3 September 2003	**728,896**	728,896
Customer Asset India Ltd.	22 April 2002	**733,607**	733,607
		22,875,613	18,880,034

Acquisition of MedAssist Holding, Inc. (MedAssist)

Pursuant to 'Share Purchase Agreement' ('SPA') dated 28 August 2007 entered into between the Company, FSL-US and the erstwhile shareholders of MedAssist, on 20 September 2007, the Company through its wholly owned subsidiary FSL-US 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. for a cash consideration of Rs. 13,406,932 (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 Rs. 557,507 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:

Purchase consideration (including acquisition expenses Rs. 557,507) (A)		**13,964,439**
Assets taken over less liabilities assumed (B)		
– Fixed assets	107,625	
– Debtors, net	566,520	
– Cash and bank balance	38,876	
– Other assets	212,756	
– Deferred Tax assets, net	859	
– Current liabilities	(356,140)	
		570,496
Effect of revaluation on goodwill (Refer Note 2.14) (C)		**3,468,678**
Goodwill (A - B+C)		**16,862,621**

(Currency: In thousands of Indian rupees)

During the year, the Company has made an additional payment of Rs.6,243 (equivalent to USD 0.12 million) to erstwhile shareholders of MedAssist and made an adjustment to deferred taxes amounting to Rs. 127,937 (equivalent to USD 2.5 million). Accordingly the goodwill is increased by Rs. 134,180.

Total Goodwill on MedAssist acquisition amounts to Rs. 16,996,801 (31 March 2008: Rs. 13,393,943).

Acquisition of Business Process Management, Inc. (BPM)

Pursuant to 'Share Purchase Agreement' ('SPA') dated 21 December 2006 entered into between the Company, FSL-US and the erstwhile shareholders of BPM, on 29 December 2006, the Company through its wholly-owned subsidiary FSL-US 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 Rs. 1,597,680 (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 Rs. 57,802 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 Rs. 1,541,288.

Further, as stipulated in the SPA, based on performance criterion to be achieved by BPM by way of Earnings before interest, tax, depreciation and amortization (EBIDTA) targets for the year ending 31 December 2007, the Company was liable to compensate the erstwhile members of BPM. During the year, the payment has been crystalised at Rs. 196,110 (equivalent to USD 3.9 million). Goodwill has been restated accordingly.

Total goodwill of BPM as on 31 March 2009 is Rs. 1,737,398.

Acquisition of Firstsource Advantage LLC (FAL)

On 22 September 2004, the Company through its subsidiary, FRUS acquired 100% voting right in ASG, a limited liability company in New York, USA. The Company paid Rs. 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 Rs. 1,260,590 including direct expenses relating to the acquisition aggregating to Rs. 68,114.

Upto 31 March 2007 additional compensation of Rs. 272,411 was paid to the erstwhile members of ASG based on the EBIDTA earnings of year 2004 and 2005. Further direct expenses of Rs. 17,789 were incurred relating to acquisition.

In 2007-2008, additional amount of Rs. 53,288 was crystalised on finalisation of arbitration with the erstwhile members of ASG and direct expenses amounting to Rs. 13,555 were paid.

Total goodwill of ASG as on 31 March 2009 is Rs. 1,617,633.

Acquisition of RevIT Systems Private Limited (RevIT)

Pursuant to Share Purchase and Sale Agreement ('SPA') 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 Rs. 936,524 (equivalent of USD 22,318,897) and preference shares at par for Rs. 5,160. 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 Rs. 5,082 which have been considered as part of the cost of investment in RevIT.

Rs. 970,768 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 Pipal Research Corporation, USA (Pipal)

On 26 July 2004, the Company subscribed to 136,093 equity shares of Pipal aggregating to Rs. 151,798 thereby acquiring 51% voting interest in Pipal. The Company incurred direct expenses related to the acquisition aggregating to Rs. 5,462 which have been considered as part of the cost of investment in Pipal.

Rs. 90,510 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 Rs. 596,862. Firstsource currently holds 99.8% voting interest in FR-US on a fully diluted basis. The Company

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

incurred direct expenses related to the acquisition aggregating to Rs. 20,357 which have been considered as part of the cost of investment in FR-US Firstsource intends to purchase the minority interest stake amounting to Rs. 4,301 at a premium of Rs. 3,456.

Networth of FR-US on the date of acquisition representing the residual interest in the assets of FR-US after deducting its liabilities aggregated Rs. 111,617. Firstsource's cost of investment in FR-US in excess of FR-US's equity on the date of investment aggregating Rs. 728,896 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 Rs. 947,727. 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 Rs. 11,796 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 Rs 225,916. Firstsource's cost of investment in CAST India in excess of CAST India's equity on the date of investment aggregating Rs 733,607 has been recorded as goodwill in the consolidated financial statements.

Total goodwill on consolidation resulting due to the above acquisitions aggregates to Rs. 22,875,613 (31 March 2008: 18,880,034).

8. Fixed assets

	Gross block (at cost)					Accumulated depreciation/amortisation					Net block	
	As at 1 April 2008	Additions during the year	Addition on account of business acquisitions	Deletions/ adjustments during the year	**As at 31 March 2009**	As at 1 April 2008	Accumulated depreciation on business acquisitions	Charge for the year	On deletions during the year	**As at 31 March 2009**	**As at 31 March 2009**	As at 31 March 2008
Intangible assets												
Domain name	6,720	–	–	–	**6,720**	2,870	–	2,239	–	**5,109**	**1,611**	3,850
Software	664,626	121,595	–	(348)	**785,873**	431,060	–	138,833	(17)	**569,876**	**215,997**	233,566
Goodwill on asset acquisition	127,387	1,834	–	(15,343)	**113,878**	1,686	–	26,941	–	**28,627**	**85,251**	125,701
Tangible assets												
Computers *	1,242,533	218,267	–	(22,025)	**1,438,775**	895,148	–	171,632	(4,799)	**1,061,981**	**376,794**	347,385
Service equipment*	820,728	115,217	–	(20,370)	**915,575**	575,398	–	111,470	(1,403)	**685,465**	**230,110**	245,330
Furniture and fixtures and office equipment*	1,196,543	306,521	–	(6,989)	**1,496,075**	699,909	–	241,991	(1,188)	**940,712**	**555,363**	496,634
Leasehold improvements	1,271,707	306,232	–	–	**1,577,939**	592,789	–	266,130	–	**858,919**	**719,020**	678,918
Vehicles	10,177	3,207	–	–	**13,384**	4,726	–	2,082	–	**6,808**	**6,576**	5,451
Total	**5,340,421**	**1,072,873**	**–**	**(65,075)**	**6,348,219**	**3,203,586**		**961,318**	**(7,407)**	**4,157,497**	**2,190,722**	**2,136,835**
31 March 2008	3,891,335	1,180,345	347,585	(78,844)	5,340,421	2,171,124	239,960	860,820	(68,318)	3,203,586	2,136,835	

Note:

* The above assets include assets taken on lease having gross block of Rs. 134,199 (31 March 2008: Rs. 53,738) and net block of Rs. 89, 554 (31 March 2008: Rs. 19,930).

The useful life of fixed assets has been reviewed by the management and the original estimate of the useful life of assets has been revised from three years to three-four years for computers and software and from three years to three-five years for networking equipment and leasehold improvements. However, the impact of this change (decrease in depreciation charge for the year with corresponding increase in profit before tax for the year) is not readily ascertainable (decrease in depreciation charge for the three months ended 30 June 2008 aggregated Rs. 40,326.

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(Currency: In thousands of Indian rupees)

	2009	2008
9. Investments		
Short-term		
Trade (Unquoted)		
In Mutual Fund (Philippines Treasury bills)*	**1,487**	
Non-trade (Unquoted)		
Super Ahorro Pesos (Mutual Fund in Argentina)	**13,414**	–
252,513 units (31 March 2008: Nil) Prudential ICICI Liquid Plan - Dividend Option	**3,280**	–
NIL (31 March 2008: 1,715,142) units of Prudential ICICI Institutional Liquid Plan – Super Institutional Growth	–	20,440
NIL (31 March 2008: 611,232) units of Kotak Liquid (institutional premium) – Growth	–	10,000
NIL (31 March 2008: 3,890,142) units Birla Cash Plus - Institutional Premium – Growth Option.	–	50,000
NIL (31 March 2008 4,986,870) ING Liquid Fund Super Institutional – Growth Option	–	60,098
NIL (31 March 2008: 18,603) Reliance Liquid Plus Fund - Institutional Option – Growth Plan	–	20,348
NIL (31 March 2008: 3,291,382) Reliance Liquidity Fund - Growth Option	–	40,000
NIL (31 March 2008: 15,243) UTI Liquid Cash Plan Institutional - Growth Option	–	20,282
(Net asset value of non trade investments Rs. 18,181 (31 March 08: Rs. 221,521))		
*Securities worth Rs. 1,487 (31 March 2008: Nil) have been earmarked in favour of SEC, Philippines in compliance with corporation code of Philippines.		
	18,181	221,168
10. Deferred tax assets, net		
Deferred tax asset on account of:		
Business losses carried forward	**319,367**	233,215
Difference between tax and book value of fixed assets	**315,546**	173,398
Gratuity and leave encashment	**31,421**	29,643
Allowance for doubtful debts	**58,094**	44,708
	724,428	480,964
Deferred tax liability on account of:		
Amortisation	**583,924**	289,003
Difference between tax and book value of fixed assets	–	7,472
	583,924	296,475
	140,504	184,489
11. Sundry debtors		
(Unsecured)		
Debts outstanding for a period exceeding six months		
- Considered good	–	–
- Considered doubtful	**117,849**	44,034
	117,849	44,034
Others debts		
- Considered good	**2,379,474**	2,053,785
- Considered doubtful	**25,815**	–
	2,405,289	2,053,785
Less: Provision for doubtful debts	**143,664**	44,034
	2,379,474	2,053,785
12. Cash and bank balances		
Cash on hand	**1,136**	851
Balances with scheduled banks		
- in current accounts	**3,159**	5,548
- in deposit accounts *	**1,524**	201,520
- in exchange earnings in foreign currency accounts	**492**	447
Balances with non-scheduled banks		
- in current accounts	**758,782**	670,991
- in deposit accounts **	**171,509**	179,687
Remittances in transit	**111,603**	–
	1,048,205	1,059,044
Less: Current account balance held in trust for customers in non- scheduled banks	**81,266**	34,394
	966,939	1,024,650

*Includes Rs. 1,524 (31 March 2008: Rs. 1,416) under lien for bank guarantees to the customs authorities.
** Includes Rs. 39,344 (31 March 2008: Nil) placed in Escrow account towards buyback of FCCB during the period and includes Rs. 38,040 (31 March 2008: Nil) towards line of credit for FAL.

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

		2009	2008
13.	**Loans and advances**		
	(Unsecured, considered good)		
	Deposits	**330,198**	332,233
	Prepaid expenses	**149,805**	115,496
	Advances recoverable in cash or in kind or for value to be received	**147,521**	292,829
	Lease rentals receivable, net (refer Schedule 20)	**46,644**	47,988
	Advance tax and tax deducted at source including FBT	**387,436**	255,110
	Accrued Interest on loans and deposits	**1,953**	1,417
	Unamortised cost (refer Schedule 32)	**98,580**	5,504
	Minimum Alternate Tax credit carried forward	**24,967**	–
		1,187,104	1,050,577
14.	**Current liabilities**		
	Sundry creditors		
	- for expenses	**1,511,504**	1,013,642
	- for capital goods	**149,996**	125,283
	Payable for business acquisition	–	66,586
	Other liabilities	**85,508**	90,681
	Value added tax payable	**65,516**	7,053
	Tax deducted at source payable	**37,375**	20,997
	Interest accrued but not due	**31,496**	2,888
	Advance from customers	**13,130**	40,120
	Exchange loss on derivatives	**273,308**	65,410
		2,167,833	1,432,660
15.	**Provisions**		
	Income tax (including FBT)	**330,036**	185,002
	Gratuity	**74,662**	51,661
	Leave encashment	**66,668**	39,276
	Premium payable on redemption of FCCB (Refer Note 2.18 (b))	–	4,343,692
		471,366	4,619,631
16.	**Other income**		
	Foreign exchange gain/(loss), net*	**(370,812)**	257,386
	Profit on sale/redemption of non-trade investments, net	**12,834**	42,093
	Gain on sale of fixed assets (net)	**1,474**	829
	Dividend on investments	**9,364**	34,526
	Miscellaneous income	**10,393**	6,575
	Provision for doubtful debts written back, net	–	7,824
	Gain on FCCB buyback (net) (refer Schedule 31)	**634,980**	–
		298,233	349,233

* Net Foreign exchange gain/(loss) includes exchange gain of Rs. 97,296 (31 March 2008: Rs. 223,634) recognized on account of translation of financial statements of foreign integral subsidiaries for the purpose of preparation of these consolidated financial statements. Also includes loss of Rs. 236,202 (31 March 2008: Nil) on account of undesignated derivative instruments. (refer Schedule 33)

		2009	2008
17.	**Personnel costs**		
	Salaries, bonus and other allowances	**9,417,727**	6,559,983
	Contribution to provident and other funds	**342,327**	260,458
	Staff welfare	**492,830**	299,928
		10,252,884	7,120,369

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

	2009	2008
18. Operating costs		
Rent, rates and taxes	**934,414**	656,630
Services rendered by business associates and others	**582,220**	334,842
Legal and professional fees	**400,578**	274,502
Connectivity charges	**372,696**	263,430
Information services	**227,780**	172,752
Repairs and maintenance - others	**532,881**	310,211
Car and other hire charges	**263,029**	232,156
Travelling and conveyance	**359,894**	327,181
Recruitment and training expenses	**123,688**	138,583
Electricity, water and power consumption	**223,686**	179,282
Communication expenses	**315,021**	209,597
Computer expenses	**123,997**	103,754
Marketing and support services	**62,218**	51,463
Insurance	**107,086**	77,137
Advertisement and publicity	**1,924**	2,943
Printing and stationery	**97,196**	64,565
Research expenses	**45,304**	32,086
Unamortised cost charged off	**24,498**	–
Meetings and seminar expenses	**13,287**	11,243
Auditors' remuneration		
- Audit fees	**11,500**	13,581
- Tax audit fees	**403**	150
- Other services	**1,213**	2,138
Membership fees	**1,371**	1,816
Directors' fees	**1,280**	1,330
Bad Debts written off	**6,784**	–
Provision for doubtful debts (net)	**64,194**	–
Bank charges and Guarantee commission	**44,211**	34,293
Miscellaneous expenses	**100,159**	62,470
	5,042,512	3,558,135
19. Finance charges, net		
Interest expense		
- on External commercial borrowings and term loan	**140,733**	283,663
- on Working capital demand loan and others	**16,727**	32,182
Amortised cost on fair value of FCCB (Refer Schedule 32)	**113,860**	–
	271,320	315,845
Less: Interest income		
- on deposits with bank	**17,967**	96,260
- on others	**21,824**	3,960
	231,529	215,625
Add:		
Exchange loss on FCCB for the period 1 April 2008 to 30 June 2008 (Refer Schedule 32)	**778,242**	192,500
Exchange (gain)/loss on other foreign currency loans (other than FCCB)	**18,546**	(42,135)
	796,788	150,365
	1,028,317	365,990

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

20. Leases

The Group is obligated under non-cancellable operating leases for office space and office equipments 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 2009 aggregated to Rs. 493,590 (31 March 2008: Rs. 346,515). Of these expenses, Rs. 22,868 (31 March 2008: Rs. 25,744) and Rs. Nil (31 March 2007: 7,999) 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-cancellable operating leases are as follows:

	2009	2008
Amount due within one year from the balance sheet date	**500,402**	406,503
Amount due in the period between one year and five years	**1,250,444**	979,344
Amount due in the period beyond five years	**327,456**	293,354
	2,078,302	1,679,201

The Group has taken office facilities and residential facilities under cancellable 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 2009 aggregated to Rs. 714,870 (31 March 2008: Rs. 310,115)

Finance lease

The Group has acquired certain capital assets under finance lease. Future minimum lease payments under finance lease as at 31 March 2009 are as follows:

	Minimum lease payments	**Finance charges**	**Present value of minimum lease payments**
As at 31 March 2009			
Amount due within one year from the balance sheet date	43,806	5,375	38,431
Amount due between one year and five years	52,464	4,469	47,995
	96,270	9,844	86,426
As at 31 March 2008			
Amount due within one year from the balance sheet date	13,976	110	13,866
Amount due between one year and five years	7,090	50	7,040
	21,066	160	20,906

The Group also has given vehicles on finance lease to its employees as per policy. As at 31 March 2009, the future minimum lease rentals receivable are as follows:

	Minimum lease payments	**Finance charges**	**Present value of minimum lease payments**
As at 31 March 2009			
Amount receivable within one year from the balance sheet date	21,193	4,220	16,973
Amount receivable in the period between one year and five years	33,429	3,758	29,671
	54,622	7,978	46,644
As at 31 March 2008			
Amount receivable within one year from the balance sheet date	17,978	3,913	14,065
Amount receivable in the period between one year and five years	37,820	3,897	33,923
	55,798	7,810	47,988

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

21. 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 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 4 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
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:

Particulars	2009	2008
Outstanding at beginning of the period	**120,625**	351,125
Granted during the period	–	–
Forfeited during the period	**(10,000)**	–
Exercised during the period	**(11,250)**	(230,500)
Outstanding at the end of the period (refer Note 1 below)	**99,375**	120,625
Vested and exercisable at the end of the period	**99,375**	120,625
Note 1		
Exercise price range		
10 – 14.99	**99,375**	120,625

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 have been 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 period within which the employees would exercise the options would be 5 years from the date of grant; and
- 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;
- Employee stock option activity under Scheme 2003 is as follows:

Particulars	2009	2008
Outstanding at beginning of the period	**71,830,978**	33,083,627
Granted during the period (refer Notes 3 and 5 below)	**7,770,000**	42,982,712
Forfeited during the period	**(23,073,097)**	(2,237,193)
Exercised during the period	**(865,468)**	(1,998,168)
Outstanding at the end of period (refer Note 2 below)	**55,662,413**	71,830,978
Vested and exercisable at the end of the period	**16,357,980**	7,234,742

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

Particulars	2009	2008
Note 2		
Exercise price range		
10 - 14.99	**3,289,399**	2,043,867
15.00 - 19.99	**1,083,750**	1,226,625
20.00 - 24.99	**3,169,625**	4,049,625
30.00 - 34.99	**14,157,036**	18,364,849
35.00 - 39.99	**17,810,039**	19,520,884
50.00 - 54.99	**1,590,000**	1,670,000
60.00 - 64.99	**1,355,000**	1,722,500
70.00 - 74.99	**13,097,564**	23,062,628
75.00 - 79.99	**50,000**	60,000
80.00 - 84.99	**60,000**	110,000
Outstanding at the end of period	**55,662,413**	71,830,978

Notes

3. 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 of 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
End of 36 months from the date of grant of options	50

4. The aggregate stock option pool under Employee Stock Option Scheme 2002 and Employee Stock Option Scheme 2003 is 20% of fully diluted equity shares as of 31 March 2009.

5. The Compensation Cum Board Governance Committee of the Company, at its meeting held on 22 November 2007 amended the scheme to include executive stock 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 as follows:

50% of 'Executive Options' which were 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.

6. 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	2009	2008
Net income as reported	**306,722**	1,315,596
Less: Stock based employee compensation expense (fair value method)	**261,843**	251,281
Proforma net income	**44,879**	1,064,315
Basic earnings per share as reported (Rs.)	**0.72**	3.09
Proforma basic earnings per share (Rs.)	**0.10**	2.50
Diluted earnings per share as reported (Rs.)	**0.72**	2.83
Proforma diluted earnings per share (Rs.)	**0.10**	2.29

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 60%

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

22. Managerial remuneration

a)	Particulars	2009	2008
	Salaries and allowances	**25,595**	21,192
	Contribution towards retirement benefits	**3,348**	901
	Perquisites	**290**	243
	Total	**29,233**	22,336

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.

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

Profit after tax of Firstsource (Standalone)	151,065
Add:	
Managing and other directors' remuneration	29,233
Directors sitting fees	1,280
Provision for current, fringe benefit and deferred tax	(19,171)
Provision for wealth tax	350
Less:	
Profit on sale of fixed assets	1,134
Net profit as per Section 349 of the Act	161,623
10% of Net Profit	16,162
Payment to Managing Director and the Joint Managing Director	29,233

Salary paid/payable to the Managing Director and the Joint Managing Director is in excess of the limits specified in Schedule XIII of the Companies Act, 1956. The Company has made an application seeking approval from Central Government for payment of managerial remuneration in excess of limits specified under the Companies Act, 1956 for the financial year ended 31 March 2009. The said approval is awaited.

23. Related party transactions

Details of related parties including summary of transactions entered into during the year ended 31 March 2009 are summarized below:

Parties with substantial interests	• ICICI Bank Limited • Metavante Investments (Mauritius) Limited • Aranda Investments (Mauritius) Pte Limited
Subsidiaries wherein control exists	• The related parties where control exists are subsidiaries as referred to in Note 1 to the consolidated financial statements.
Companies in which directors are interested	• ICICI Prudential Life Insurance Company Limited (I-Prudential)
Key Managerial Personnel including relatives	• Ananda Mukerji • Matthew Vallance • Carl Saldanha • Raju Venkatraman * • Rajesh Subramaniam * • Rahul Basu *
Non-Executive Directors	• Ashok Shekhar Ganguly • Charles Miller Smith • K. P. Balaraj • Shikha Sharma • Shailesh Mehta • Mohit Bhandari • Y. H. Malegam • Donald Layden, Jr. • Lalita D. Gupte • Dinesh Vaswani *

* Resigned during the year

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

Particulars of related party transactions during the year ended 31 March 2009

Name of the related party	Description	Transaction value for the year		Receivable/ (Payable)	
		2009	2008	**2009**	2008
ICICI Bank Limited	Income from services	**120,048**	252,073	**13,822**	64,880
	Software expenses and professional fees	**651**	1,498	–	(270)
	Interest expenditure	**32,169**	241,317	**(124)**	(533)
	Bank balance	–	–	**1,406**	33,246
	Bank overdraft	–	–	**(153,174)**	(114,561)
	Fixed deposit placed	**100,000**	1,900,000	**1,416**	201,416
	Fixed deposit matured	**300,000**	2,954,456	–	–
	Interest income	**1,641**	25,982	**96**	548
	Term loan taken	–	11,078,573	**(507,200)**	(401,200)
	Term loan paid	–	10,675,716	–	–
	External Commercial Borrowings paid	**105,800**	569,188	–	(100,300)
	Rent paid	–	–	–	–
	Guarantee commission paid	**7,693**	9,041	**3,813**	4,358
	Vehicle taken on finance Lease	–	–	–	–
	Fees and commission	**151,422**	380,700	**(138,643)**	–
ICICI - Prudential Life Insurance Company Limited	Income from services	**178,456**	182,582	**15,265**	67,604
	Insurance Premium Paid	**6,622**	2,190	–	2,801
	Rent paid	**23,971**	22,029	–	–
Metavante Investments (Mauritius) Limited	Income from services	**34,157**	27,771	**37,473**	3,189
Key management personnel and relatives	Remuneration paid	**71,111**	67,900	–	–
Non-Executive Directors	Sitting fees paid	**1,280**	1,330	–	–

Note: Excludes forward contracts and ESOP's

List of transactions with related parties having total value more than 10% of value of transactions with related parties.

Description	2009	2008
Remuneration paid		
Ananda Mukerji	**14,289**	11,712
Raju Venkatraman	**14,944**	10,624
Matthew Vallance	**30,530**	20,116
John Cutrone	–	13,805

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

24. Employee Benefit

a) *Gratuity Plan*

The following table set 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:

Particulars	2009	2008	2007
Change in present value of obligations			
Obligations at beginning of the year	**53,737**	36,218	24,873
Service cost	**24,010**	22,531	15,405
Interest cost	**4,570**	2,733	1,633
Actuarial (gain)/loss	**(3,191)**	(4,159)	(1,566)
Benefits paid	**(4,464)**	(3,586)	(2,051)
Obligations at the end of the year	**74,662**	53,737	38,294
Change in plan assets			
Fair value of plans assets at beginning of the year	**2,076**	2,076	2,076
Expected return on plan assets	**1,358**	164	(21)
Actuarial gain/(loss)	**1,570**	(164)	(1,958)
Contributions	**45,565**	3,586	-
Benefits paid	**(4,464)**	(3,586)	1,979
Fair value of plans assets at end of the year	**46,105**	2,076	2,076
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	**74,662**	53,737	38,294
Fair value of plan assets at the end of year	**(46,105)**	(2,076)	(2,076)
Funded status being amount of liability recognized in the balance sheet	**28,557**	51,661	36,218
Gratuity cost for the year			
Service cost	**24,010**	22,531	15,405
Interest cost	**4,570**	2,733	1,633
Actuarial (gain)/loss	**(1,619)**	(1,045)	(21)
Expected return on plan assets	**(1,358)**	(3,115)	(3,523)
Net gratuity cost	**25,603**	21,104	13,494
Assumptions			
Interest rate	**7.86%**	8.75%	7.50%
Estimated rate of return on plan assets	**8.00%**	8.70%	7.50%
Rate of growth in salary levels	**10.00%**	10.00%	10.00%
Withdrawal rate	**25% reducing to 2%**	25% reducing to 2%	25% reducing to 2%

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 Rs. 20,000 to the gratuity trust during fiscal 2010.

b) *Contribution to Provident Funds*

The provident fund charge during the year amounts to Rs. 100,450 (31 March 2008: Rs. 90,239).

c) *Compensated absences*

Actuarial Assumptions	2009	2008	2007
Interest rate	**7.86%**	8.75%	7.50%
Estimated rate of return on plan assets	**8.00%**	8.70%	7.50%
Rate of growth in salary levels	**10.00%**	10.00%	10.00%

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

25. 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, classified by 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.

	2009	2008
Primary Segment		
Segment Revenue		
UK	**4,550,852**	4,338,833
USA and Canada	**11,033,998**	6,705,162
India	**1,885,031**	1,344,463
Rest of the world	**55,327**	17,680
	17,525,208	12,406,138
Segment Result		
UK	**1,421,190**	1,654,200
USA and Canada	**1,112,853**	640,720
India	**384,064**	376,156
Rest of the world	**10,243**	4,985
	2,928,350	2,676,061
Finance charges, net	**(1,028,317)**	(365,990)
Other un-allocable expenditure, net of un-allocable income	**(1,393,133)**	(878,203)
Profit/(Loss) before taxation and minority interest	**506,900**	1,431,868
Taxation	**(199,074)**	(126,480)
Minority interest	**(1,104)**	10,208
Profit/(Loss) after taxation and minority interest	**306,722**	1,315,596
Debtors		
UK	**621,489**	790,684
USA and Canada	**1,554,124**	1,170,638
India	**195,689**	88,964
Rest of the world	**8,172**	3,499
	2,379,474	2,053,785

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

	Revenue		Debtors	
	2009	2008	**2009**	2008
Secondary Segment				
Banking, Financial Services & Insurance	**4,408,715**	3,820,935	**389,431**	476,903
Non-Banking, Financial Services & Insurance	**13,116,493**	8,585,203	**1,990,043**	1,576,882
	17,525,208	12,406,138	**2,379,474**	2,053,785

26. Other operating income

Other operating income represents net loss of Rs. 77,377 (31 March 2008: net gain of Rs. 48,443) on restatement and settlement of debtor balances and related forward/option contracts and Rs. 45,867 (31 March 2008: 533,368) on account of Grant income earned by FSL UK.

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

(No. of shares in '000)

	2009	2008
Number of shares considered as basic weighted average shares outstanding	**427,914**	425,858
Add: effect of potential issue of shares/stock options	–*	–
Add: Adjustment for options relating to Foreign currency convertible bonds	–*	38,364
Number of shares considered as weighted average shares and potential shares outstanding	**427,914**	464,222
* Not considered since anti dilutive		

28. Capital and other commitments and contingent liabilities

	2009	2008
The estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	**68,918**	133,511
Claims not acknowledged as debt	**51,450**	45,309
Guarantees and letters of credit given	**1,546,451**	2,041,105

Direct tax matters

Income tax demand amounting to Rs. 106,659 (31 March 2008: 91,038) for the various assessment years are disputed in appeal by the Company in respect of which the Company has favourable appellate decisions supporting its stand based on the past assessment and hence, the provision for taxation is considered adequate. The Company has paid Rs.10,381 tax under protest against the demand raised for the assessment year 2004-05.

Indirect tax matters

The service tax demand amounting to Rs. 23,574 (31 March 2008: Nil) in respect of FCCB issue expenses is disputed in appeal by the Company. The Company expects favourable appellate decision in this regard.

Grant

The Company's subsidiary has accrued/received revenue grants amounting to Rs. 645,161 (GBP 8.9 million) from Northern Ireland. The Company is required inter-alia, to maintain the number of employees at certain levels for a period of five years from the grant date, failing which grant will be liable to be refunded. Based on the available information, the Company expects to comply with this requirement.

Purchase of assets by MedAssist

On 31 March 2008, the Company's subsidiary, MedAssist has entered into an asset purchase agreement. Under the terms of the agreement, an additional consideration of Rs. 38,040 (USD 750,000) is payable to the sellers if the existing client base achieves certain revenue ranges. The consideration is yet to be crystalised.

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

29. Fringe Benefits Tax (FBT)

The Finance Act, 2007 has introduced Fringe Benefits Tax (FBT) on employee stock options. The difference between the fair value of the underlying share on the date of vesting and the exercise price paid by the employee is subject to FBT. The Company recovers such tax from the employee. The Company's obligation to pay FBT arises only upon the exercise of the stock option. During the year ended 31 March 2009 the Company recognised FBT liability and related recovery of Rs. 3,523 (31 March 2008: Rs. 6,970) arising from the exercise of stock options.

30. Software Development Cost

The details of the costs capitalized during the year are detailed below:

Particulars	**2009**	2008
Salaries and wages	–	9,574
Other direct costs	–	450
Total	–	10,024

31. Issue of Foreign Currency Convertible Bonds (FCCB)

On 3 December 2007, the Company issued US $ 275,000,000 Zero Coupon Convertible bonds. The particulars of the issue 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 2009	USD 225,300,000
Face Value	USD 100,000
Conversion price per share and fixed exchange rate	Rs. 92.2933 Rs. 39.27 = USD 1
Number of shares to be issued if converted	95,863,212
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 2009	2,253

The proceeds from the issue of the bonds are utilised to subscribe for shares in FSL-USA.

FSL-USA has then utilised the funds received by it for repayment of debt taken by it in connection with the acquisition of MedAssist.

Buyback of FCCB

In March 2009, pursuant to the notification of the Reserve Bank of India, the Company has bought back and cancelled 497 FCCBs of the face value of USD 100,000 each under the Automatic route. The Company has recognised a net gain of Rs. 634,980 on the said buyback which has been disclosed under 'Other income'.

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

32. Adoption of AS-30 and change in accounting policy

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 the derivatives. Similarly, the Company also adopted AS 30 with respect to hedging transactions with effect from 1 July, 2008. On 1 July 2008, the Company early adopted AS 30 in its entirety, read with AS 31, effective 1 April, 2008 and the prescribed 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 the 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 "Unamortized cost" under Loans and Advances, which is charged to the Profit and loss account 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 recognized under "Interest income".

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 2009 would have been higher by Rs. 570.

In accordance with the transitional provisions of AS 30, charge of Rs. 5,215 on account of fair valuation of deposits on 1 April 2008 has been accounted through General Reserves.

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 Rs. 1,778,551 for year ended 31 March 2009, which is determined to be effective hedge of net investment in non integral foreign operations, has been transferred to the Translation reserve account and translation loss till 30 June 2008 amounting to Rs. 778,242 has been charged to Profit and Loss Account (refer Schedule 19). The amounts recognised in Translation reserve account would be transferred to Profit and Loss Account 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 on FCCB would have been recorded in the Profit and Loss Account.

Further, the Company has accounted for embedded derivative option included in FCCB and revalued the same at the period end. The Company has charged Rs. 113,860 for the year ended 31 March 2009 as amortised cost on the fair value of FCCB under "Finance charges, net" towards accretion of FCCB liability using implicit rate of return method over the repayment tenor of FCCB. In accordance with the transitional provisions of AS 30, income of Rs. 691,875 on account of reduction in option valuation of FCCB and expense of Rs. 18,716 on account of difference in fair value of interest rate and implicit interest rate, on 1 April 2008 has been accounted through General Reserve.

During the year, the Company has changed its accounting policy relating to premium payable on redemption of FCCB. Accordingly, the premium payable on redemption is amortised on pro-rata basis over the period of the bonds by debiting Securities premium account for the year amounting to Rs. 696,086 (as permitted by Section 78 of the Companies Act, 1956) as against the earlier policy of charging the entire premium payable on redemption to the Securities premium Account upfront in the year of issue of bonds. Consequently, the Securities Premium Account has been restated by Rs. 4,095,749 after considering the amortization on pro-rata basis till 31 March 2008.

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

33. Derivatives

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

As at 31 March 2009, the Company has derivative financial instruments to sell USD 98,834,044 (31 March 2008: USD 99,976,960) having fair value loss of Rs. 497,649 (31 March 2008: loss of Rs. 96,279) and GBP 21,000,000 (31 March 2008: GBP 31,184,412) having fair value gain of Rs. 224,340 (31 March 2008: gain of Rs. 36,506) relating to highly probable forecasted transactions. The Company has recognized mark to market loss of Rs. 56,726 (31 March 2008: Rs. 48,702) relating to derivative financial instruments that are designated as effective cash flow hedges in the Hedge Reserve account under Shareholders' funds (refer Schedule 4). At 31 March 2009, the Company has undesignated certain derivative financial instruments and recognised mark to market losses of Rs. 236,202 thereon in the Profit and loss account. (refer Schedule 16). Foreign currency exposures (other than cash and bank balances) on loans and receivables that are not hedged by derivative instruments or otherwise are Rs. 1,747,333 (equivalent to GBP 19.63 million and USD 6.4 million).

34. Prior period comparatives

Prior year figures have been appropriately reclassified/regrouped to conform to current period's presentation.

For and on behalf of the Board of Directors

Dr. Ashok S. Ganguly *Chairman*	**Ananda Mukerji** *Managing Director & CEO*	**K. P. Balaraj** *Director*
Shikha Sharma *Director*	**Mohit Bhandari** *Director*	**Lalita D. Gupte** *Director*
Y.H.Malegam *Director*	**Dr. Shailesh Mehta** *Director*	**Charles Miller Smith** *Director*
Donald Layden Jr. *Director*	**Carl Saldanha** *Global CFO*	**Sanjay Gupta** *Company Secretary*

Mumbai
28 April 2009

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO COMPANY'S INTEREST IN SUBSIDIARY COMPANIES FOR THE YEAR ENDED MARCH 31, 2009

(Currency in thousands of Indian Rupees)

Sr. No.	Particulars	REV IT Systems Private Limited	Firstsource Solutions USA, Inc. $	FirstRing Inc. $	Firstsource Advantage LLC $	Firstsource Solutions S.A. #	Firstsource Solutions UK Limited £	Pipal Research Corporation $	Pipal Research Analytics and Information Services India Private Limited	MedAssist Holding, Inc. $	MedAssist Intermediate Holding, Inc. $	MedAssist, Incorporated $	Twin Medical Transaction Services, Inc. $	Firstsource Healthcare Advantage, Inc. $
1	The Financial Year of the Subsidiary Companies ended on	31.3.2009	31.3.2009	31.3.2009	31.3.2009	31.3.2009	31.3.2009	31.3.2009	31.3.2009	31.3.2009	31.3.2009	31.3.2009	31.3.2009	31.3.2009
2	Date from which they became subsidiary Companies	31.3.2005	27.5.2002	3.9.2003	22.9.2004	25.9.2006	27.5.2002	26.7.2004	26.7.2004	20.9.2007	20.9.2007	20.9.2007	20.9.2007	20.9.2007
3	Country of Incorporation	India	USA	USA	USA	Argentina	UK	USA	India	USA	USA	USA	USA	USA
4 a)	Number of shares held by Firstsource Solutions Ltd. and/ or its nominees in the subsidiaries as on 31.3.2009	9,088,886 equity shares of Rs. 10 each	6,796,917,550 equity shares of USD 0.001 each	40,509,637 Convertible Preferred Stock of USD 0.00001 each	@ 10,000 Units of USD 1 each	€ 6,024,599 shares of ARS 1 each	2,834,672 equity shares of GBP 1 each	136,093 equity shares of USD 24.10 each	*10,000 equity shares of Rs.10 each	◊ 11,655,150 Shares of voting Common Stock, 1,430,375 Shares of non-voting Common Stock, 28,672 Shares of Class A Preferred Stock and 9,594 Shares of Class B Preferred Stock all of par value USD 0.01 each.	Δ1000 shares of Common Stock of USD 0.01 each	ΔΔ 100 shares of Class A and 800.5 shares of Class B Common Shares with no par value per Share	ΔΔΔ 100 shares of USD 0.01 each	ΔΔΔ1 Common Stock of USD 0.01 each
b)	Extent of Interest of Firstsource Solutions Ltd. (holding Company) in the Subsidiaries as on 31.3.2009	100%	100%	99.80%	99.80%	€ 99.98%	100%	51%	*51%	◊ 100%	Δ100%	ΔΔ100%	ΔΔΔ100%	ΔΔΔ100%
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 31st March, 2009	–	–	–	–	–	–	2,832	(1,760)	–	–	–	–	–
b)	For the previous financial years of the Subsidiary since it became a Subsidiary	–	–	–	–	–	–	(93,381)	4,279	–	–	–	–	–
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 31st March, 2009 (PAT)	151,073	(234,945)	(19,669)	(133,734)	(29,473)	(2,309)	2,947	(1,831)	–	–	205,736	221,719	187,236
b)	For the previous financial years of the Subsidiary since it became a Subsidiary	212,503	(135,693)	(148,273)	129,583	55,955	317,518	(97,194)	4,454	–	–	74,926	102,457	111,578

Notes:

$ Converted to Indian Rupees at the Exchange Rate,1 USD=INR 50.72
# Converted to Indian Rupees at the Exchange Rate,1 ARS=INR 14.0618
£ Converted to Indian Rupees at the Exchange Rate,1 GBP=INR 72.49
@ Held by FirstRing Inc
€ Held by Firstsource Solutions UK Limited
* Held by Pipal Research Corporation
◊ Held by Firstsource Solutions USA Inc.
Δ Held by MedAssist Holding, Inc.
ΔΔ Held by MedAssist, Intermediate Holding Inc
ΔΔΔ Held by MedAssist, Incorporated

FINANCIAL INFORMATION OF SUBSIDIARIES FOR THE YEAR ENDED MARCH 31, 2009

(Currency In thousands of Indian Rupees)

Particulars	REV IT Systems Private Limited	Firstsource Solutions USA, Inc. $	FirstRing Inc. $	Firstsource Advantage LLC $	Firstsource Solutions S.A. #	Firstsource Solutions UK. Limited £	Pipal Research Corporation $	Pipal Research Analytics and Information Services India Private Limited $	MedAssist Holding, Inc. $	MedAssist Intermediate Holding, Inc. $	MedAssist, Incoporated $	Twin Medical Transaction Services, Inc. $	Firstsource Healthcare Advantage, Inc. $
Paid-up Share Capital	90,889	344,740	21	507	84,731	205,485	191,125	100	6,656	1	–*	–*	–*
Reserves & Surplus	342,283	16,010,127	826,084	41,142	32,353	230,746	(106,672)	(16,051)	1,997,009	2,336,774	5,760,330	1,091,757	1,388,438
Total Assets	541,921	18,361,034	1,961,504	687,283	172,024	942,719	116,321	46,967	2,336,775	2,645,010	6,729,919	1,110,597	1,414,580
Total Liabilities (excluding Capital and Reserves)	108,749	2,006,167	1,135,399	645,634	54,940	506,487	31,867	62,919	333,110	308,236	969,589	18,840	26,142
Investments (excluding Investments in Subsidiaries)	3,280	–	–	–	13,415	–	–	75	–	–	–	–	–
Total Income	501,122	2,226,005	2,068	1,878,028	425,625	2,895,331	414,344	270,908	–	–	4,216,721	577,521	719,024
Profit/(Loss) Before Tax	153,557	40,655	(81,238)	(133,734)	(25,022)	16,681	5,779	(3,591)	–	–	205,736	221,719	187,236
Provision for Taxation	2,484	275,600	(61,569)	–	4,451	12,261	–	–	–	–	–	–	–
Profit/(Loss) After Tax	151,073	(234,945)	(19,669)	(133,734)	(29,473)	4,420	5,779	(3,591)	–	–	205,736	221,719	187,236
Proposed Dividend (including Tax thereon)	–	–	–	–	–	–	–	–	–	–	–	–	–

Notes:

$ Converted to Indian Rupees at the Exchange Rate,1 USD = INR 50.72

Converted to Indian Rupees at the Exchange Rate,1 ARS = INR 14.0618

£ Converted to Indian Rupees at the Exchange Rate,1 GBP = INR 72.49

* Rounded-off to nearest Rupees in thousands

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 2009 and the related Profit and Loss Account and 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 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 Schedule 30 to the financial statements. During the year, the Company has changed the accounting policy relating to premium payable on redemption of Foreign Currency Convertible Bonds ('FCCB' or 'the bonds'). Accordingly, the premium payable on redemption of FCCB is now amortised on a pro-rata basis over the period of the bonds by debiting Securities premium account as against the earlier policy of charging the entire premium payable on redemption to the Securities premium account upfront in the year of issue of the bonds. Had the Company continued to follow the earlier policy, the balance in Securities premium account as at 31 March 2009 would have been lower by Rs. ('000) 3,305,913 and Current liabilities (Premium payable on redemption of FCCB) would have been higher by Rs. ('000) 3,305,913.

2. Without qualifying our opinion, we draw attention to Schedule 30 to the financial statements that describes the 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. On 1 July 2008, the Company designated the FCCB as hedging instrument to hedge its net investments made through a subsidiary in a non-integral foreign operation. Also, the Company has accounted for embedded derivative option included in FCCB and revalued the same as at year-end. Further, the difference between present value of non-interest bearing deposits and original amount of deposit has been disclosed as 'Unamortized cost' under Loans and Advances, which is charged to the Profit and Loss Account over the period of the related lease. Correspondingly, interest income accrued on the interest free deposits, using the implicit rate of return, over the period of lease is recognized under 'Interest income'.

   In accordance with the transitional provisions of AS-30, income of Rs. ('000) 691,875 on account of reduction in option valuation of FCCB and charge of Rs. ('000) 4,949 on account of fair valuation of deposits have been accounted through General Reserve.

   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.

   Had the Company not accounted for the transactions referred to above as per AS-30 and the related limited revisions, profit after taxation for the year ended 31 March 2009 would have been lower by Rs. ('000) 1,533,730, Reserves and Surplus would have been lower by Rs. ('000) 2,495,701, Investments would be lower by Rs. 1,778,551, Unsecured loans would have been lower by Rs. ('000) 469,683, Current liabilities would have been higher by Rs. ('000) 1,192,982 and Current assets would have been higher by Rs. ('000) 6,149.

3. *As more fully explained in Schedule 21 to the financial statements, an application has been made to the Central Government seeking approval for remuneration to the Managing Director and the Joint Managing Director in excess of the limits prescribed under the Act, for which approval is awaited.*

4. As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), 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.

5. 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, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
   d) In our opinion, the balance sheet, profit and loss account and 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 2 above;*
   e) On the basis of written representations received from directors of the Company as at 31 March 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2009 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 paragraphs 1 and 2 above and *subject to paragraph 3 above and consequent adjustments, if any,* 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 2009;

   ii) in the case of the profit and loss account, 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

Akeel Master
Partner
Membership No.: 046768

Mumbai
28 April 2009

ANNEXURE TO THE AUDITORS' REPORT – 31 MARCH 2009

(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 in a phased manner 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 Rs. ('000)	Year end balance Rs. ('000)	Maximum balance oustanding Rs. ('000)
FirstRing Inc., USA	Subsidiary	885,250.45	885,250.45	885,250.45

   (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 accordance with the terms of the loan, interest and principal are repayable on demand. According to the information and explanations given to us, payment of interest and repayment of principal have not been demanded during the year.

   (d) According to the information and explanations given to us, there is no overdue amount 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)(f) and 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. We have not observed any major weakness in the internal control system during the course of the audit.

5. (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 of the Act have been so entered.

   (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs. 5 lakh in respect of any party during the year are for the Company's specialized 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 account 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, Sales tax, Wealth tax, Service tax, Customs duty, Cess and other material statutory dues were in arrears as at 31 March 2009 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 have not been deposited by the Company on account of disputes:

Name of the Statute	**Nature of the Dues**	**Amount Rs ('000)**	**Period to which the amount relates**	**Forum where dispute is pending**
Income-tax Act, 1961	Transfer pricing demand	40,929.13	2002-03	Commissioner of Income Tax - Appeals
Income-tax Act, 1961	Assessment under Section 143	39,728.49	2003-04	Commissioner of Income Tax - Appeals
Income-tax Act, 1961	Assessment under Section 143 (3)	15,621.20	2004-05	Deputy Commissioner of Income Tax
Service Tax Rules, 1994	Demand notice	23,574.28	2007-08	Commissioner of Service Tax

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 explanations 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 explanations 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 fraud on or by the Company has been noticed or reported during the course of our audit.

For **B S R & Co.**
Chartered Accountants

Akeel Master
Partner
Membership No.: 046768

Mumbai
28 April 2009

BALANCE SHEET AS AT 31 MARCH 2009

(Currency: In thousands of Indian rupees)

	Schedule	2009	2008
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	3	**4,281,897**	4,273,130
Reserves and surplus	4	**6,290,008**	2,019,662
		10,571,905	6,292,792
Loan funds			
Secured loans	5	**1,342,434**	103,991
Unsecured loans	6	**12,084,993**	11,137,356
		23,999,332	17,534,139
APPLICATION OF FUNDS			
Fixed assets	7		
Gross block		**3,754,470**	2,956,966
Less: Accumulated depreciation and amortisation		**2,386,288**	1,869,766
Net block		**1,368,182**	1,087,200
Add: Capital work in progress (including capital advances)		**69,271**	60,873
		1,437,453	1,148,073
Investments	8	**18,647,006**	17,011,767
Deferred tax assets	9	**246,171**	193,056
Current assets, loans and advances			
Sundry debtors	10	**1,436,739**	1,086,740
Unbilled receivables		**319,972**	195,073
Cash and bank balances	11	**153,124**	311,763
Loans and advances	12	**1,981,591**	1,504,266
		3,891,426	3,097,842
Less: **Current liabilities and provisions**			
Current liabilities	13	**1,161,833**	571,780
Provisions	14	**197,612**	4,481,540
		1,359,445	5,053,320
Net current assets		**2,531,981**	(1,955,478)
Amalgamation deficit adjustment account		**1,136,721**	1,136,721
		23,999,332	17,534,139
Significant accounting policies	2		
Notes to accounts	19 – 36		

The schedules referred to above form an integral part of this balance sheet.

As per our report attached.

For **B S R & Co.**
Chartered Accountants

For and on behalf of the Board of Directors

Dr. Ashok S. Ganguly
Chairman

Ananda Mukerji
Managing Director & CEO

K. P. Balaraj
Director

Akeel Master
Partner
Membership No.: 046768

Shikha Sharma
Director

Mohit Bhandari
Director

Lalita D. Gupte
Director

Y. H. Malegam
Director

Dr. Shailesh Mehta
Director

Charles Miller Smith
Director

Mumbai
28 April 2009

Donald Layden Jr.
Director

Carl Saldanha
Global CFO

Sanjay Gupta
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

	Schedule	2009	2008
INCOME			
Income from services		**5,660,439**	4,896,378
Other operating income		**(125,455)**	42,708
Other income	15	**458,903**	107,794
		5,993,887	5,046,880
EXPENDITURE			
Personnel costs	16	**2,758,919**	2,363,322
Operating costs	17	**1,911,909**	1,558,798
Depreciation and amortization	7	**522,446**	532,820
		5,193,274	4,454,940
Profit before finance charges and taxation		**800,613**	591,940
Finance charges, net	18	**668,719**	123,155
Profit before taxation		**131,894**	468,785
Provision for taxation			
– Current tax expense, including foreign taxes		**26,235**	63,969
– Fringe benefits tax		**23,710**	21,441
– Deferred tax release		**(53,115)**	(193,056)
– Minimum alternate tax credit entitlement		**(16,001)**	–
Profit after taxation		**151,065**	576,431
Accumulated balance brought forward from previous year		**1,460,671**	884,240
Accumulated balance carried forward to the balance sheet		**1,611,736**	1,460,671
Earnings per share	25		
Weighted average number of equity shares outstanding during the year			
- Basic		**427,914**	425,858
- Diluted		**427,914**	464,222
Earnings per share (Rs.)			
- Basic		**0.35**	1.35
- Diluted		**0.35**	1.24
Nominal value per share (Rs.)		**10**	10
Significant accounting policies	2		
Notes to accounts	19 – 36		

The schedules referred to above form an integral part of this profit and loss account.

As per our report attached.

For **B S R & Co.**
Chartered Accountants

For and on behalf of the Board of Directors

Dr. Ashok S. Ganguly
Chairman

Ananda Mukerji
Managing Director & CEO

K. P. Balaraj
Director

Akeel Master
Partner
Membership No.: 046768

Shikha Sharma
Director

Mohit Bhandari
Director

Lalita D. Gupte
Director

Y. H. Malegam
Director

Dr. Shailesh Mehta
Director

Charles Miller Smith
Director

Mumbai
28 April 2009

Donald Layden Jr.
Director

Carl Saldanha
Global CFO

Sanjay Gupta
Company Secretary

CASH FLOW STATEMENT AS AT 31 MARCH 2009

(Currency: In thousands of Indian rupees)

	2009	2008
Cash flow from operating activities		
Net profit after tax	**151,065**	576,431
Adjustments for		
Depreciation and amortization	**522,446**	532,820
Provision for current tax, FBT and MAT credit entitlement	**33,944**	85,410
Provision for doubtful debts	**13,645**	1,991
(Profit) on sale of fixed assets net	**(1,134)**	(805)
Foreign exchange loss net	**168,558**	(42,708)
Interest costs	**134,465**	21,823
Exchange (gain)/loss on foreign currency loans	**611,778**	218,859
Interest and dividend income	**(78,711)**	(149,826)
Deferred taxes	**(53,115)**	(193,056)
Profit on sale on investments	**(12,494)**	(43,282)
Rent expenses on account of adoption of AS 30	**16,085**	–
Gain on FCCB buyback	**(634,980)**	–
Operating cash flow before changes in working capital	**871,552**	1,007,657
Changes in working capital		
Decrease/(Increase) in Debtors	**(281,140)**	47,249
Decrease/(Increase) in Loans and advances and unbilled revenue	**(253,013)**	(99,553)
(Decrease)/Increase in Current liabilities and provisions	**261,424**	(28,068)
Net changes in working capital	**(272,729)**	(80,372)
Income taxes paid	**(137,760)**	(100,730)
Net cash generated from operating activities (A)	**461,063**	826,555
Cash flow from investing activities		
Purchase of investment in mutual funds/government securities	**(4,579,374)**	(11,263,940)
Sale of investment in mutual funds	**4,791,111**	12,259,028
Interest and dividend income received	**13,312**	155,438
Capital expenditure	**(752,015)**	(588,453)
Sale of fixed assets	**43,216**	6,383
Investment in subsidiary	**(55,930)**	(13,564,821)
Business acquisition, net of cash acquired	**(66,586)**	(66,638)
Net cash used in investing activities (B)	**(606,266)**	(13,063,003)
Cash flow from financing activities		
Proceeds from unsecured loan – FCCB	–	10,840,500
Proceeds from unsecured loan – Others	**83,738**	43,274
Repayment of secured loan	**(105,800)**	(509,615)
Proceeds from issuance of equity shares and share application money	**23,389**	(214,769)
Interest paid	**(6,548)**	(21,823)
Proceeds from secured loan	**1,248,967**	–
Repayment of unsecured loan – FCCB, including expenses	**(1,257,182)**	–
Net cash generated from/(used in) financing activities (C)	**(13,436)**	10,137,567
Net (decrease)/increase in cash and cash equivalents (A+B+C)	**(158,639)**	(2,098,881)
Cash and cash equivalents at the beginning of the year	**311,763**	2,410,644
Cash and cash equivalents at the end of the year	**153,124**	311,763

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.

CASH FLOW STATEMENT AS AT 31 MARCH 2009

(Currency: In thousands of Indian rupees)

	2009	2008
Cash on hand	**167**	129
Remittances in transit	**108,735**	–
Balances with scheduled banks		
– in current accounts	**2,647**	9,425
– in deposit accounts *	**1,524**	201,416
Balances with non-scheduled banks		
– in current accounts	**707**	793
– in deposit accounts**	**39,344**	100,000
	153,124	311,763

* Includes Rs. 1,524 (31 March 2008 Rs. 1,416) under lien for bank guarantees to the Customs authorities.

** Includes Rs. 39,344 (31st March 2008: Rs. Nil) placed in Escrow account towards buy back of FCCB during the year.

As per our report attached.

For **B S R & Co.**
Chartered Accountants

Akeel Master
Partner
Membership No.: 046768

Mumbai
28 April 2009

For and on behalf of the Board of Directors

Dr. Ashok S. Ganguly
Chairman

Ananda Mukerji
Managing Director & CEO

K. P. Balaraj
Director

Shikha Sharma
Director

Mohit Bhandari
Director

Lalita D. Gupte
Director

Y. H. Malegam
Director

Dr. Shailesh Mehta
Director

Charles Miller Smith
Director

Donald Layden Jr.
Director

Carl Saldanha
Global CFO

Sanjay Gupta
Company Secretary

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

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 list of subsidiaries as at 31 March 2009 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 USA Inc. ("FSL-USA")	A subsidiary of Firstsource Solutions Limited organized under the laws of State of Delaware, USA	100%	2002-2003
Firstsource Solutions Limited, UK ("FSL-UK")	A subsidiary of Firstsource Solutions Limited, organized under the laws of United Kingdom.	100%	2002-2003
FirstRing Inc., USA ("FR-US")	A subsidiary of Firstsource Solutions Limited, organized under the laws of State of Delaware, USA	99.80%	2003-2004
Firstsource Advantage LLC ("FAL")	A subsidiary of FirstRing Inc., USA, incorporated under the laws of the State of New York, USA	100%	2004-2005
Pipal Research Corporation ("Pipal")	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of the State of Illinois, USA	51%	2004-2005
Pipal Research Analytics and Information Services India Private Limited ("PRAISE")	A subsidiary of Pipal Research Corporation, incorporated under the laws of India	100%	2004-2005
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 Limited, UK, incorporated under the laws of S.A.	99.98%	2006-2007
MedAssist Holding, Inc. ("MedAssist")	A Subsidiary of Firstsource Solutions Limited US, organized under the laws of State of Delaware, USA	100%	2007-2008
MedAssist Intermediate Holding, Inc. ("MIH")	A Subsidiary of MedAssist Holding, Inc., organized under the laws of State of Delaware, USA	100%	2007-2008
MedAssist, Incorporated ("MI")	A Subsidiary of MedAssist Intermediate Holding, Inc., organized under the laws of State of Kentucky, USA	100%	2007-2008
Twin Medical Transaction Services, Inc. ("Twin")	A Subsidiary of MedAssist, Incorporated, organized under the laws of Nevada Corporation, USA	100%	2007-2008
Firstsource Healthcare Advantage, Inc. ("FSA")	A Subsidiary of MedAssist, Incorporated, organized under the laws of State of Delaware, USA	100%	2007-2008
Business Process Management, Inc. ("BPM")*	A subsidiary of Firstsource Solutions USA Inc. organized under the laws of State of Delaware, USA, merged with FSL -USA effective 1 February 2009.	100%	2006-2007
MedPlans 2000 Inc. ("MPL")*	A subsidiary of Business Process Management, Inc. organized under the laws of State of Kansas, USA merged with FSL - USA effective 1 February 2009.	100%	2006-2007
MedPlans Partners ("MPP")*	A subsidiary of Business Process Management, Inc. organized under the laws of State of Delaware, USA merged with FSL - USA effective 1 February 2009.	100%	2006-2007
Sherpa Business Solutions Inc. ("Sherpa")*	A subsidiary of Rev IT Systems Private Limited, incorporated under the laws of the State of Michigan, USA merged with FSL - USA effective 1 February 2009.	100%	2004-2005

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

In January 2009, RevIT transferred its entire shareholding of 1,000 shares in its wholly-owned subsidiary Sherpa, USA to the Company for a consideration of Rs. 55,930. The Company subsequently merged Sherpa with its wholly-owned subsidiary, FSL-USA effective 1 February 2009. Consequent to the merger, the Company was allotted 21,641,000 shares at USD 0.001 each in FSL-USA in exchange for the shares held by it in Sherpa.

The Company also merged BPM along with its step down subsidiaries with FSL-USA effective 1 February 2009.

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 prescribed 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' issued by the Institute of Chartered Accountants of India. The financial statements are presented in Indian rupees rounded off to the nearest thousand.

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. 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 recognized 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 recognized 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 recognized on achievement of performance milestones specified in the customer contracts. Build Operate and Transfer (BOT) contracts are treated as service contracts and accordingly, revenue is recognized as and when the services are rendered and is billed in accordance with the respective contractual terms specified in the contracts.

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

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

Interest income is recognized 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)
Intangible	
Software	3 – 4
Domain name	3
Tangible	
Leasehold improvements	Lease term or 5 years, whichever is shorter
Computers	3 – 4
Networking equipment	3 – 5
Furniture and fixtures and office equipment	3 – 5
Vehicles	2 – 5

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.

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

Individual assets costing upto Rs. 5 are depreciated in full in the period of purchase.

In accordance with AS 28 'Impairment of Assets' prescribed in the Companies (Accounting Standard) Rules, 2006 issued by the Central Government in consultation with National Advisory Committee on Accounting Standards, the carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any impairment. The recoverable amount of the assets (or where applicable, that of the cash generating unit to which the asset belongs) is estimated as the higher of its net selling price and its value in use. An impairment loss is recognized whenever the carrying amount of an asset or a cash generating unit exceeds its recoverable amount. Impairment loss is recognized in the profit and loss account or against revaluation surplus where applicable.

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 recognizes 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 recognized immediately in the Profit and Loss account.

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 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 the Company and its employees, contribute at a determined rate. Monthly contributions payable to the provident fund are charged to the profit and loss account as incurred.

2.6. Investments

Long-term investments are carried at cost and provision is made when in the management's opinion there is a decline, other than temporary in nature, 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, fringe benefits tax 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 recognized 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 recognized in the period that includes the enactment date. Deferred tax assets are recognized 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 recognized 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 profits of the Company are exempt from taxes under the Income tax Act, 1961, being profit from industrial undertakings situated in Software Technology Park. Under Section 10A of the Income Tax Act, 1961, the Company can avail of an exemption of profits from income tax for a period up to fiscal year 2010 in relation to its undertakings set up in the Software Technology Park at Bangalore, Kolkata and Mumbai. The Company also has operations in Special Economic Zones (SEZ's). 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 Company recognised 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.

Fringe Benefits Tax

Provision for Fringe Benefits Tax (FBT) is made on the basis of applicable FBT on the taxable value of eligible expenses of the Company as prescribed under the Income Tax Act, 1961.

2.8. Leases

Finance Lease

Assets acquired on finance leases, including assets acquired under sale and lease back transactions, have been recognized 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 recognized 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 profit and loss account as incurred.(refer Schedule 19)

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 period is recognized in the profit and loss account . Foreign currency denominated current assets and current liabilities at period end are translated at the period end exchange rates and the resulting net gain or loss is recognized in the profit and loss account.

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 recognized in the profit and loss account.

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

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

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 recognized 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 recognized in shareholders' funds is transferred to the profit and loss account for the period.

The impact of adoption of AS 30 has been described in Schedule 30 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 fair value. Financial assets / liabilities are recognized on the balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized 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 under 'Finance charge, net' together with the translation of the related investment. Changes in fair value relating to the ineffective portion of hedges are recognised in the profit and loss account 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 recognized 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 (Refer Schedules 29 and 30).

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. Net gain or loss resulting from restatement of this liability at period end rates is accounted in Securities Premium Account. (Refer Schedule 30).

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

		2009	2008
3.	**Share capital**		
	Authorised		
	600,000,000 (31 March 2008: 600,000,000) equity shares of Rs. 10 each	**6,000,000**	6,000,000
	250,000,000 participatory optionally convertible preference shares ('POCPS') (31 March 2008: 250,000,000) of Rs. 10 each	**2,500,000**	2,500,000
		8,500,000	8,500,000
	Issued, subscribed and paid-up		
	428,189,682 (31 March 2008: 427,312,964) equity shares of Rs. 10 each, fully paid up	**4,281,897**	4,273,130
		4,281,897	4,273,130
	During the year 876,718 (31 March 2008: 2,228,668) options were allotted (Refer Schedule 20)		
4.	**Reserves and surplus**		
	Securities premium		
	Securities premium at the beginning of the year *	**607,693**	5,154,807
	Add : Premium on shares issued during the year	**14,621**	14,014
	Premium applicable to periods till 31 March 2008 reversed on cancellation of FCCB on buyback (Refer Schedule 29.2)	**44,810**	–
	Premium payable on redemption of FCCB reversed (Refer Schedule 30)	**4,095,749**	–
	Less : Foreign exchange loss on premium payable on FCCB (Refer Schedules 2.13b and 30)	–	75,785
	Premium utilised on expenses incurred for issue of FCCB	–	217,436
	Premium payable on redemption of FCCB (Refer Schedules 2.13b and 30)	**696,086**	4,267,907
	Securities premium at the end of the year	**4,066,787**	607,693
	* Includes Rs. 39,270 (31 March 2008: Rs. 39,270) from acquisition of Customer Assets India Limited merged with the Company effective 1 April 2004.		
	Profit and loss account	**1,611,736**	1,460,671
	General reserve		
	Transition adjustment on adoption of AS 30 (refer Schedule 30)	**668,211**	–
	Hedging reserve account (Refer Schedule 33)		
	Balance at the beginning of the year	**(48,702)**	–
	Movement during the year	**(8,024)**	(48,702)
	Hedging reserve account at the end of the year	**(56,726)**	(48,702)
		6,290,008	2,019,662
5.	**Secured loans**		
	External commercial borrowings (ECB)	****1,262,012**	*100,300
	* (Secured against fixed assets and receivables of the Company)		
	** (For buyback of FCCB - Secured against pari passu charge on all assets of FSL USA)		
	Finance lease obligation (Secured against assets taken on lease) (refer Schedule 19)	**80,422**	3,691
		1,342,434	103,991
	ECB Repayable within a year Rs. Nil (31 March 2008: Rs. 100,300)		
6.	**Unsecured loans**		
	Working capital demand loan	**155,205**	104,356
	Foreign currency convertible bond (refer Schedules 29 and 30) *	**11,896,899**	11,033,000
	Loan from others**	**32,889**	-
		12,084,993	11,137,356
	*Includes Premium payable on redemption of FCCB amounting to Rs. 899,220 (31 March 2008: Rs. 4,343,692 - refer Schedule 14).		
	**Repayable within a year Rs. 10,718 (31 March 2008: Rs. Nil).		

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

7. Fixed assets

	Gross block (at cost)				Accumulated depreciation/amortisation				Net block	
	As at 1 April 2008	Additions during the year	Deletions during the year	As at 31 March 2009	As at 1 April 2008	Charge for the year	On deletions during the Year	As at 31 March 2009	As at 31 March 2009	As at 31 March 2008
Intangible assets										
Domain name	6,720	–	–	**6,720**	2,870	2,239	–	**5,109**	**1,611**	3,850
Software	196,077	59,545	–	**255,622**	90,923	49,362	–	**140,285**	**115,337**	105,154
Tangible assets										
Computers *	683,217	123,917	(21,862)	**785,272**	532,411	73,696	(3,156)	**602,951**	**182,321**	150,806
Service equipment *	378,475	91,672	(20,370)	**449,777**	280,444	45,431	(1,403)	**324,472**	**125,305**	98,031
Furniture and fixtures and office equipment *	760,744	284,141	(6,781)	**1,038,104**	456,974	162,456	(1,364)	**618,066**	**420,038**	303,770
Leasehold improvements	928,244	287,242	–	**1,215,486**	504,201	188,559	–	**692,760**	**522,726**	424,043
Vehicles	3,489	–	–	**3,489**	1,943	702	–	**2,645**	**844**	1,546
Total	**2,956,966**	**846,517**	**(49,013)**	**3,754,470**	**1,869,766**	**522,445**	**(5,923)**	**2,386,288**	**1,368,182**	**1,087,200**
31 March 2008	2,475,194	548,124	(66,352)	**2,956,966**	1,397,722	532,820	(60,776)	1,869,766	**1,087,200**	

Note

* The above assets include assets taken on lease having gross block of Rs. 95,209. (31 March 2008: Rs. 12,326) and net block of Rs. 81,796 (31 March 2008: Rs. 3,565).

The useful life of fixed assets has been reviewed by the management and the original estimate of the useful life of assets has been revised from three years to three to four years for computers and software and from three years to three to five years for networking equipment and leasehold improvements. However, the impact of this change (decrease in depreciation charge for the year with corresponding increase in profit before tax for the year) is not readily ascertainable (decrease in depreciation charge for the three months ended 30 June 2008 aggregated Rs. 26,821).

	2009	2008
8. Investments		
Long-term (at cost)		
Trade		
Investments in subsidiaries (Unquoted)		
6,796,917,550 (31 March 2008: 6,775,276,550) fully paid-up common stock of USD 0.001 each of Firstsource Solutions USA Inc. (refer Schedule 30)	**16,177,504**	14,343,023
2,834,672 (31 March 2008: 2,834,672) fully paid up equity shares of GBP 1 each of Firstsource Solutions Limited, UK	**18,349**	18,349
40,509,637 (31 March 2008: 40,509,637) Series 'F' Convertible Preferred Stock of FirstRing Inc., US ('FR-US') of USD 0.00001 each, fully paid up	**1,350,859**	1,350,859
136,093 (31 March 2008: 136,093) equity shares of Pipal Research Corporation of Rs. 10 each, fully paid up.	**157,260**	157,260
9,088,886 (31 March 2008: 9,088,886) equity shares of Rev IT Systems Limited of Rs. 10 each, fully paid up.	**941,547**	941,547
	18,645,519	16,811,038
Short term (at lower of cost and fair value)		
Trade (Unquoted)		
In Mutual Fund (Philippines Treasury bills)*	**1,487**	–
*Non-trade (Unquoted)***		
Investments in market mutual funds		
Nil (31 March 2008: 611,232) units of Kotak Liquid (institutional premium) – Growth	–	10,000
Nil (31 March 2008: 3,890,142) units of Birla Cash Plus - Institutional Premium – Growth Option.	–	50,000
Nil (31 March 2008 4,986,870) units of ING Liquid Fund Super Institutional – Growth Option	–	60,099
Nil (31 March 2008: 18,603) units of Reliance Liquid Plus Fund - Institutional Option – Growth Plan	–	20,348
Nil (31 March 2008: 3,291,382l) units of Reliance Liquidity Fund – Growth Option	–	40,000
Nil (31 March 2008: 15,293) units of UTI Liquid Cash Plan – Institutional Growth Option	–	20,282
(Net assets value of unquoted investments Rs. Nil (31 March 2008 : Rs. 201,081))		
	1,487	200,729
	18,647,006	17,011,767

*Securities worth Rs. 1,487 (31 March 2008: Nil) have been earmarked in favour of SEC, Philippines in compliance with corporation code of Philippines.

**Refer Schedule 31 for summary of investments purchased and sold during the year.

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

		2009	2008
9.	**Deferred tax assets**		
	Difference between tax and book value of fixed assets	**220,681**	166,433
	Gratuity and leave encashment	**25,490**	26,623
		246,171	193,056
10.	**Sundry debtors**		
	(Unsecured)		
	Debts outstanding for a period exceeding six months		
	– considered good	**–**	–
	– considered doubtful	**10,666**	8,521
		10,166	8,521
	Others debts		
	– considered good*	**1,436,739**	1,086,740
	– considered doubtful	**11,500**	–
		1,448,239	1,086,740
	Less: Provision for doubtful debts	**22,166**	8,521
		1,436,739	1,086,740
	*Includes receivable from companies under the same management		
	FSL - USA	**250,763**	163,609
	FSL - UK	**533,310**	468,789
	FAL	**297,104**	41,649
11.	**Cash and bank balances**		
	Cash on hand	**167**	129
	Remittances in transit	**108,735**	–
	Balances with scheduled banks		
	– in current accounts	**2,647**	9,425
	– in deposit accounts *	**1,524**	201,416
	Balances with non scheduled banks**		
	– in current accounts	**707**	793
	– in deposit accounts ***	**39,344**	100,000
		153,124	311,763
	*Includes Rs. 1,524 (31 March 2008 Rs. 1,416) under lien for bank guarantees to the Customs authorities.		
	**Maximum outstanding balance during the year.		
	Current Account		
	ABN Amro Bank	**1,743**	6,814
	Deposit Account		
	ABN Amro Bank	**100,000**	250,000
	KBC Bank, NV, UK	**511,250**	–
	***Includes Rs. 39,344 (31 March 2008: Rs. Nil) placed in Escrow account towards buy back of FCCB during the year.		

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

	2009	2008
12. Loans and advances		
(Unsecured, considered good)		
Loans to subsidiaries	**905,250**	720,241
Advances to subsidiaries*	**210,012**	239,589
Deposits (refer Schedule 30)	**282,698**	256,314
Prepaid expenses	**60,872**	48,253
Advances recoverable in cash or in kind or for value to be received	**79,910**	59,207
Lease rentals receivable, net (refer Schedule 19)	**46,644**	47,988
Advance tax and tax deducted at source	**229,397**	125,561
Accrued interest on loans	**57,632**	7,113
Unamortised cost (refer Schedule 30)	**93,175**	–
Minimum Alternate Tax credit carried forward	**16,001**	–
	1,981,591	1,504,266
* Includes amount outstanding from companies under the same management		
FSL-USA	**25,198**	11,121
Rev IT	–	14,927
FAL	**96,145**	64,177
FSL-UK	–	108,023
FSL-Arg	**31,346**	25,714
BPM	**22,456**	19,488
MedAssist	**30,282**	–
Pipal	**26,328**	–
FR-US	**940,639**	7,113
Maximum outstanding balance during the year		
FSL-USA	**25,198**	56,363
Rev IT	–	28,236
FSL-UK	–	108,023
FAL	**102,719**	66,788
FSL-Arg	**31,874**	26,467
BPM	**22,456**	19,488
MedAssist	**30,282**	–
Pipal	**26,328**	–
FR-US	**940,639**	7,113
13. Current liabilities		
Amount payable to subsidiaries	**77,635**	4,289
Sundry creditors*		
– for expenses	**561,836**	255,796
– for capital goods	**149,138**	109,754
Payable on business acquisition	–	66,586
Other liabilities	**58,847**	51,048
Tax deducted at source payable	**27,012**	18,897
Interest accrued but not due	**14,057**	–
Exchange loss on derivatives	**273,308**	65,410
	1,161,833	571,780

* Based on the information and records available with the Company, no amount is payable to micro and small enterprises as at 31 March 2009 (31 March 2008: Nil). (refer Schedule 34)

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

	2009	2008
14. Provisions		
Income tax (including FBT)	**75,542**	59,521
Gratuity	**66,099**	44,794
Leave encashment	**55,971**	33,533
Premium payable on redemption of FCCB (refer note 2.13 (b) and 30)	**–**	4,343,692
	197,612	4,481,540
15. Other income		
Foreign exchange gain/(loss), net*	**(235,557)**	–
Profit on sale/redemption of non trade investments, net	**12,494**	43,282
Profit on sale of fixed assets, net	**1,134**	805
Dividend on investments	**1,187**	32,300
Miscellaneous income	**44,665**	31,407
Gain on FCCB buy back, net (refer Schedule 29.2)	**634,980**	–
	458,903	107,794
* Foreign exchange loss is net of mark to market loss of Rs. 236,202 (31 March 2008 : Nil) on undesignated derivative financial instruments (refer Schedule 33)		
16. Personnel costs		
Salaries, bonus and other allowances	**2,408,120**	2,047,604
Contribution to provident and other funds	**135,306**	117,419
Staff welfare	**215,493**	198,299
	2,758,919	2,363,322
17. Operating costs		
Rent, rates and taxes	**444,136**	304,380
Legal and professional fees	**136,474**	104,239
Car and other hire charges	**222,650**	214,458
Connectivity charges	**220,354**	205,256
Maintenance and upkeep	**252,399**	185,093
Recruitment and training	**79,302**	68,184
Electricity, water and power consumption	**169,129**	146,190
Travel and conveyance	**144,068**	130,663
Computer expenses	**72,237**	64,383
Communication	**42,637**	39,490
Insurance	**21,229**	16,105
Printing and stationery	**22,353**	24,422
Marketing and support fees	**2,689**	8,175
Auditors' remuneration		
– Statutory audit	**11,500**	8,294
– Tax audit	**403**	150
– Other services	**1,213**	2,138
Meeting and seminar	**8,898**	9,264
Advertisement and publicity	**1,292**	2,666
Registration fees	**12**	–
Membership fees	**1,014**	1,126
Directors' sitting fees	**1,280**	1,250
Provision for doubtful debts	**13,645**	1,991
Bank charges and guarantee Commission	**9,077**	11,329
Miscellaneous expenses	**33,918**	9,552
	1,911,909	1,558,798

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

		2009	2008
18.	**Finance charge, net**		
	Interest expense		
	– on External commercial borrowings and term loan	**14,449**	18,900
	– on Working capital and demand loan	**6,114**	2,803
	– finance charge	**42**	120
	Amortised cost on fair value of FCCB (refer Schedule 30)	**113,860**	–
		134,465	21,823
	Less: Interest income		
	– on deposit with banks (Tax deducted at source Rs. 1,239 (31 March 2008: Rs. 15,703))	**3,488**	72,129
	– on loan to subsidiaries	**54,165**	41,439
	– on others	**19,871**	3,959
		56,941	(95,704)
	Add: Exchange (gain)/loss on foreign currency loans (other than FCCB)	**(166,464)**	26,359
	Exchanges loss on FCCB for the period 1 April 2008 to 30 June 2008 (refer Schedule 30)	**778,242**	192,500
	Translation loss on FCCB for the period 1 July 2008 to 31 March 2008 (refer Schedule 30)	**1,778,551**	–
	Less: Exchange gain on translation of investments (refer Schedule 30)	**(1,778,551)**	–
		668,719	123,155

19. Leases

Operating lease

The Company is obligated under non-cancellable 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-cancellable operating leases for the year ended 31 March 2009 aggregated to Rs. 175,321 (31 March 2008:175,032). Rs. 22,868 (31 March 2008: Rs. 25,744) Rs. Nil (31 March 2008: 7,999) 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-cancellable operating leases are as follows:

	2009	2008
Amount due within one year from the balance sheet date	**261,324**	203,356
Amount due in the period between two year and five years	**607,240**	436,537
Amount due after five years	**4,088**	–
	872,652	639,893

The Company also leases office facilities and residential facilities under cancellable operating leases that are renewable on a periodic basis at the option of both, the lessor and lessee. Rental expenses under cancellable operating leases for the year ended 31 March 2009 aggregated Rs. 300,581 (31 March 2008: Rs. 129,348).

(Currency: In thousands of Indian rupees)

Finance lease

The Company has acquired certain capital assets under finance lease. Future minimum lease payments under finance lease as at 31 March 2009 are as follows:

	Minimum lease payments	Finance charges	Present value of minimum lease payments
As at 31 March 2009			
Amount due within one year from the balance sheet date	**38,160**	**5,330**	32,830
Amount due between one year and five years	**52,049**	**4,457**	47,592
	90,209	**9,787**	**80,422**
As at 31 March 2008			
Amount due within one year from the balance sheet date	**3,467**	**42**	3,425
Amount due between one year and five years	**268**	**2**	266
	3,735	**44**	**3,691**

The Company has given vehicles on finance lease to its employees as per policy. As at 31 March 2009, the future minimum lease rentals receivables are as follows:

	Minimum lease payments	Finance charges	Present value of minimum lease payments
As at 31 March 2009			
Amount receivable within one year from the balance sheet date	**21,193**	**4,220**	16,973
Amount receivable in the period between one year and five years	**33,429**	**3,758**	29,671
	54,622	**7,978**	**46,644**
As at 31 March 2008			
Amount receivable within one year from the balance sheet date	**17,978**	**3,913**	14,064
Amount receivable in the period between one year and five years	**37,820**	**3,897**	33,924
	55,798	**7,810**	**47,988**

20. 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 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 4 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.

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

Employee stock option activity under Scheme 2002 is as follows:

	2009	2008
Outstanding at beginning of the year	**120,625**	351,125
Granted during the year	–	–
Forfeited during the year	**(10,000)**	–
Exercised during the year	**(11,250)**	(230,500)
Outstanding at the end of the year (refer Note 1 below)	**99,375**	120,625
Vested and exercisable at the end of the year	**99,375**	120,625
Note 1:		
Exercise price range		
10.00 – 14.99	**99,375**	120,625

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 period within which the employees would exercise the options would be 5 years from the date of grant; and
- Exercise price to be determined based on a fair valuation carried out at the beginning every six months for options granted during those respective periods
- Employee stock option activity under Scheme 2003 is as follows:

	2009	2008
Outstanding at beginning of the year (refer Notes 3 and 5 below)	**71,830,978**	33,083,627
Granted during the year	**7,770,000**	42,982,712
Forfeited during the year	**(23,073,097)**	(2,237,193)
Exercised during the year	**(865,468)**	(1,998,168)
Outstanding at the end of year (refer Note 2 below)	**55,662,413**	71,830,978
Vested and exercisable at the end of the year	**16,357,980**	7,234,742
Note 2:		
Exercise price range		
10.00 – 14.99	**3,289,399**	2,043,867
15.00 – 19.99	**1,083,750**	1,226,625
20.00 – 24.99	**3,169,625**	4,049,625
30.00 – 34.99	**14,157,036**	18,364,849
35.00 – 39.99	**17,810,039**	19,520,884
50.00 – 54.99	**1,590,000**	1,670,000
60.00 – 64.99	**1,355,000**	1,722,500
70.00 – 74.99	**13,097,564**	23,062,628
75.00 – 79.99	**50,000**	60,000
80.00 – 84.99	**60,000**	110,000
Outstanding at the end of the year	**55,662,413**	71,830,978

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

Note 3:

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

Note 4:

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 2009.

Note 5:

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 were 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.

Note 6:

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	2009	2008
Net income as reported	**151,065**	576,431
Less: Stock-based employee compensation expense (fair value method)	**261,843**	183,562
Proforma net income	**(110,778)**	392,869
Basic earnings per share as reported (Rs.)	**0.35**	1.35
Proforma basic earnings per share (Rs.)	–	0.92
Diluted earnings per share as reported (Rs.)	**0.35**	1.24
Proforma diluted earnings per share (Rs.)	–	0.85

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 60%

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

21. Managerial Remuneration

a)

Particulars	2009	2008
Salaries and allowances	**25,595**	21,192
Contribution towards retirement benefits	**3,348**	901
Perquisites	**290**	243
Total	**29,233**	22,336

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.

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

	Amount
Profit after tax	151,065
Add:	
Managing Director and the Joint Managing Director remuneration	29,233
Directors sitting fees	1,280
Provision for current, fringe benefit and deferred tax	(19,171)
Provision for wealth tax	350
Less:	
Profit on sale of fixed assets	1,134
Net profit as per Section 349 of the Act	161,623
10% of Net Profit	16,162
Payment to Managing Director and the Joint Managing Director	29,233

Salary paid/payable to the Managing Director and the Joint Managing Director is in excess of the limits specified in Schedule XIII of the Companies Act, 1956. The Company has made an application seeking approval from Central Government for payment of managerial remuneration in excess of limits specified under the Companies Act, 1956 for the financial year ended 31 March 2009. The said approval is awaited.

22. Related Party Transactions

Details of related parties including summary of transactions entered into during the year ended 31 March 2009 are summarized below:

Parties with substantial interests	• ICICI Bank Limited • Metavante Investments (Mauritius) Limited • Aranda Investments (Mauritius) Pte Limited
Subsidiaries wherein control exists	• The related parties where control exists are subsidiaries as referred to in Schedule 1 to the financial statements.
Companies in which directors are interested	• ICICI Prudential Life Insurance Company Limited (I-Prudential)
Key Managerial Personnel including relatives	• Ananda Mukerji • Carl Saldanha • Raju Venkatraman * • Rajesh Subramanium * • Rahul Basu *
Non-Executive Directors	• Ashok Shekhar Ganguly • Charles Miller Smith • K. P. Balaraj • Shikha Sharma • Shailesh Mehta • Mohit Bhandari • Y. H. Malegam • Donald Layden, Jr. • Lalita D. Gupte • Dinesh Vaswani *

* Resigned during the year

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

Particulars of related party transactions during the year ended 31 March 2009

Name of the related party	Description	Transaction value during the year		Receivable/ (Payable)	
		2009	2008	**2009**	2008
FSL-USA	Income from services	**176,632**	357,815	**250,763**	163,609
	Reimbursement of expenses	**28,825**	40,846	**25,198**	11,121
	Investment in equity	**55,930**	13,569,982	**14,398,953**	14,343,024
FSL-UK	Income from services	**1,603,317**	1,586,122	**533,310**	468,783
	Reimbursement of expenses	**26,083**	35,987	**(44,055)**	108,023
	Investment in equity	–	–	**18,349**	18,349
FR-US	Interest Income	**51,765**	41,387	**(55,389)**	6,239
	Loan	–	175,627	**885,250**	700,241
	Investment in equity	–		**1,350,859**	1,350,859
FAL	Income from services	**223,959**	174,306	**297,104**	41,649
	Reimbursement of expenses	**74,724**	33,295	**96,145**	64,177
Rev IT	Reimbursement of expenses	**66,852**	15,973	**(33,580)**	14,927
	Investment in shares	–	–	**941,547**	941,547
Pipal	Reimbursement of expenses	**8,788**	4,351	**4,499**	(4,289)
	Loan Given	–	20,000	**20,000**	20,000
	Interest income	**2,400**	53	**1,829**	41
	Investment in equity	–	–	**157,260**	157,260
FSL-Arg	Reimbursement of expenses and income from services	**6,093**	18,715	**31,346**	25,714
BPM	Reimbursement of expenses and income from services	**19,488**	19,488	**22,456**	19,488
MedAssist	Reimbursement of expenses and income from services	**30,282**	–	**30,282**	–
ICICI Bank Limited	Income from services	**119,800**	252,073	**13,822**	64,880
	Rent paid				
	Software Expenses & Professional Fees	**651**	1,498	–	(270)
	Corporate administrative expenses	–	–	–	–
	Interest expenditure	**5,462**	21,703	–	(533)
	Bank balance	–	–	**1,067**	33,015
	Bank Overdraft	–	–	**(148,196)**	(105,938)
	Fixed deposit placed	**100,000**	1,900,000	**1,416**	201,416
	Fixed deposit matured	**300,000**	2,954,456	–	–
	Interest Income on Fixed Deposit	**1,641**	25,905	**96**	548
	External Commercial Borrowings Paid	**105,800**	569,188	–	(100,300)
	Fees and commission	**138,643**	101,721	**(138,643)**	–
	Guarantee Commission paid	**7,693**	9,041	**3,813**	4,358
ICICI - Prudential Life Insurance Company Limited	Insurance premium paid	**6,622**	2,190	–	2,801
	Rent paid	**23,971**	22,029	–	–
	Income from services	**178,456**	182,582	**15,265**	67,604
Key management personnel and relatives	Remuneration	**40,581**	33,979	–	–
Non-Executive Directors	Sitting fees paid	**1,280**	1,250	–	–

Note: Excludes forward contracts and ESOP's

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

List of transactions with Key management personnel and relatives having total value more than 10% of value of transactions with related parties.

Description	2009	2008
Remuneration paid		
Ananda Mukerji	**14,289**	11,712
Raju Venkatraman	**14,944**	10,624
Carl Saldanha	**5,853**	-
Rahul Basu	**3,379**	5,879
Rajesh Subramaniam	**2,116**	5,764

23. 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	2009	2008	2007
Change in present value of obligations			
Obligations at beginning of the year	**46,870**	30,202	21,745
Service Cost	**22,613**	21,000	13,942
Interest cost	**3,931**	2,145	1,401
Actuarial (gain)/loss	**(3,416)**	(3,279)	(2,831)
Benefits paid	**(3,899)**	(3,198)	(1,979)
Obligations at the end of the year	**66,099**	46,870	32,278
Change in plan assets			
Fair value of plans assets at beginning of the year,	**2,076**	2,076	(2,076)
Expected return on plan assets	**1,358**	164	(21)
Actuarial gain/(loss)	**1,570**	(164)	(1,958)
Contributions	**45,000**	3,198	–
Benefits paid	**(3,899)**	(3,198)	1,979
Fair value of plans assets at end of the year	**46,105**	2,076	(2,076)
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	**66,099**	46,870	32,278
Fair value of plan assets at the end of year	**(46,105)**	(2,076)	(2,076)
Funded status being amount of liability recognized in the balance sheet	**19,994**	44,794	30,202
Gratuity cost for the year			
Service cost	**22,613**	21,000	13,942
Interest cost	**3,931**	2,145	1,401
Expected return on plan assets	**(1,358)**	(164)	(4,788)
Actuarial (gain)/loss	**(4,986)**	(3,115)	(21)
Net gratuity cost	**20,200**	19,866	10,534
Assumptions			
Interest rate	**7.86%**	8.75%	7.50%
Estimated rate of return on plan assets	**8.00%**	7.90%	7.90%
Rate of growth in salary levels	**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

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

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 Rs. 20,000 to the gratuity trust during fiscal 2010.

b) Contribution to Provident Funds

The provident fund charge during the year amounts to Rs. 96,075 (31 March 2008: Rs. 86,688)

c) Compensated absences

Actuarial Assumptions	**2009**	2008	2007
Interest rate	**7.86%**	8.75%	7.50%
Estimated rate of return on plan assets	**8.00%**	7.90%	7.90%
Rate of growth in salary levels	**10.00%**	10.00%	10.00%

24. Other operating income

Other operating income comprises net gain/(loss) on restatement and settlement of debtor balances and related forward/option contracts.

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

(No. of shares in '000)

	2009	2008
Number of shares considered as basic weighted average shares outstanding	**427,914**	425,858
Add: Effect of potential issue of shares/stock options	**–***	–
Add: Adjustment for options relating to Foreign currency convertible bonds	**–***	38,364
Number of shares considered as weighted average shares and potential shares outstanding	**427,914**	464,222
* Not considered since anti-dilutive		

26. Capital and other commitments and contingent liabilities

	2009	2008
The estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	**60,097**	114,515
Claims not acknowledged as debts	**51,450**	45,309
Guarantees and letters of credit given	**1,546,451**	2,041,105

Direct tax matters

Income tax demand amounting to Rs. 106,659 (31 March 2008: Rs. 91,038) for the various assessment years are disputed in appeal by the Company in respect of which the Company has favourable appellate decisions supporting its stand based on the past assessment and hence, the provision for taxation is considered adequate. The Company has paid Rs. 10,381 tax under protest against the demand raised for the assessment year 2004-05.

Indirect tax matters

The service tax demand amounting to Rs. 23,574 (31 March 2008: Rs. Nil) in respect of FCCB issue expenses is disputed in appeal by the Company. The Company expects favourable appellate decision in this regard.

27. Fringe Benefits Tax (FBT)

The Finance Act, 2007 has introduced Fringe Benefits Tax (FBT) on employee stock options. The difference between the fair value of the underlying share on the date of vesting and the exercise price paid by the employee is subject to FBT. The Company recovers such tax from the employee. The Company's obligation to pay FBT arises only upon the exercise of the stock option. During the year ended 31 March 2009 the Company recognised FBT liability and related recovery of Rs. 3,523 (31 March 2008: Rs. 6,970) arising from the exercise of stock options.

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

28. Supplementary statutory information

		2009	2008
(i)	*Value of imports calculated on CIF basis*		
	Capital goods	**97,467**	91,936
(ii)	*Earnings in foreign exchange*		
	Income from services	**3,549,432**	3,669,348
	Interest income	**51,765**	41,387
(iii)	*Expenditure in foreign currency*		
	Travel and conveyance	**14,302**	35,124
	Interest	**1,400**	18,900
	Connectivity charges	**41,936**	77,791
	Legal fees	**9,939**	19,573
	FCCB buy back expenses	**23,597**	–

29. Foreign Currency Convertible Bonds (FCCB)

29.1 Issue of FCCB:

On 3 December 2007, the Company issued USD 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 2009	USD 225,300,000
Face value	USD 100,000
Conversion price per share and fixed exchange rate	Rs 92.2933 Rs. 39.27 = USD 1
Number of shares to be issued if converted	95,863,212
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 2009	2253

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

29.2 Buyback of FCCB

In March 2009, pursuant to the RBI notification, the Company has bought back and cancelled 497 FCCBs of the face value of USD 100,000 each under the Automatic route. The Company has recognised a net gain of Rs. 634,980 on the said buyback which has been disclosed under 'Other income'.

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

30. Adoption of AS 30 and change in accounting policy

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 the 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 early adopted AS 30 in its entirety, read with AS 31, effective 1 April, 2008 and the prescribed 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 the 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 "Unamortized cost" under Loans and Advances, which is charged to the Profit and loss account 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 recognized under "Interest income".

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 2009 would have been higher by Rs. 1,205.

In accordance with the transitional provisions of AS 30, charge of Rs. 4,948 on account of fair valuation of deposits on 1 April 2008 has been accounted through General Reserves.

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 Rs. 1,778,551 for period ended 31 March 2009, which is determined to be effective hedge of net investment in non integral foreign operations, has been has been charged to the Profit and loss account. Correspondingly, the gain on translation of investment in non-integral foreign operations has been credited to Profit and loss account. The net impact for the same is Nil. The translation loss till 30 June 2008 amounting to Rs. 778,242 has been charged to Profit and loss account (refer Schedule 18). 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 gain on the investment would not have been recorded in the Profit and loss account.

Further, the Company has accounted for embedded derivative option included in FCCB and revalued the same at the period end. The Company has charged Rs. 113,860 for the year ended 31 March 2009 as amortised cost on the fair value of FCCB under "Finance charges, net" towards accretion of FCCB liability using implicit rate of return method over the repayment tenor of FCCB.

In accordance with the transitional provisions of AS 30, income of Rs. 691,875 on account of reduction in option valuation of FCCB and expense of Rs. 18,716 on account of difference in fair value of interest rate and the implicit interest rate on FCCB on 1 April 2008 has been accounted through General Reserve.

During the year, the Company has changed its accounting policy relating to premium payable on redemption of FCCB. Accordingly, the premium payable on redemption is amortised on pro-rata basis over the period of the bonds by debiting Securities premium account for the year amounting to Rs. 696,086 (as permitted by Section 78 of the Companies Act, 1956) as against the earlier policy of charging the entire premium payable on redemption to the Securities Premium Account upfront in the year of issue of bonds. Consequently, the Securities Premium Account has been restated by Rs. 4,095,749 after considering the amortization on pro-rata basis till 31 March 2008.

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

31. Summary of investments purchased and sold during the year

Mutual Fund Scheme	2009		2008	
Fund Name	**Units purchased**	**Purchase value**	Units purchased	Purchase value
FTP - Quarterly - Series 7 - Dividend-Payout	-	-	25,004,227	250,042
Birla Cash Plus - Institutional Premium Growth	**15,956,787**	**210,000**	16,104,494	200,000
HSBC Cash Fund - Institutional Plus - Growth	**2,293,473**	**30,000**	23,647,594	250,000
Prudential ICICI - Weekly dividend	–	–	15,223,972	152,398
Prudential ICICI Institutional Liquid Plan - Super Institutional Growth	**78,218,266**	**955,000**	353,294,228	3,988,827
Prudential ICICI - Retail dividend	–	–	18,000,733	180,007
Prudential ICICI - FMP Retail Dividend	–	–	25,000,000	250,000
Prudential - Daily dividend	–	–	25,404,165	254,047
Prudential - FMP 3 Month	–	–	25,000,000	250,000
Prudential - Flexi Income Plan	–	–	12,166,669	170,000
Reliance Medium Term Fund - Daily Dividend Plan	**5,295,219**	**90,524**	65,440,267	654,606
Reliance Liquid Plus Monthly Interval Fund	**10,659,830**	**106,680**	50,096	50,164
Reliance Liquid Plus - Institutional Growth Plan	**459,333**	**511,834**	216,642	230,427
Reliance Liquidity Fund - Growth Scheme	**120,001,121**	**1,395,251**	25,973,005	310,000
Reliance Monthly Interval Fund - Institutional Growth Dividend	**9,093,720**	**100,000**	25,304,839	253,434
DWS credit opportunities cash fund - Growth Plan	–	–	39,757,737	400,034
DWS Insta Cash Plus Fund - IP - Growth	**6,262,525**	**80,000**	23,992,800	290,000
DWS Insta Cash Plus Fund - IP dividend option	**7,093,283**	**80,020**	9,983,967	100,034
Kotak - Liquid Institutional Premium Growth	**19,809,301**	**330,000**	7,099,093	110,000
Kotak - Daily Dividend	–	–	5,783	71
Kotak - Flexi Debt Scheme - Growth	**7,883,416**	**100,027**	8,434,050	100,000
ING Vyasya - Super Institutional growth	**16,160,430**	**200,000**	88,518,682	1,020,000
ING Vyasya - Liquid Plus Growth	**4,590,736**	**50,000**	14,749,408	150,000
ING Vyasya - Liquid Plus - Daily Dividend	–	–	24,425,479	244,335
StanC - FMP Quaterly Series 5 Dividend	–	–	25,515,299	255,153
StanC - Grindlys FRF LT Inst. Plan B Daily Div	–	–	10,013,854	100,164
Fidelity - Cash Fund - Daily Dividend	–	–	11,509,423	115,094
Fidelity - Cash Fund - Super Institutional Growth	–	–	12,745,773	135,094
Templeton India Institutional Plan - Growth	**38,536**	**50,000**	4,496,841	100,009
Templeton India Institutional Plan - Super IP Growth	**121,139**	**150,037**	–	–
UTI Liquid Cash Plan Institutional - Growth	**29,898**	**40,000**	316,124	410,000
DSP ML Cash Plus Institutional - Growth Option	**65,591**	**70,000**	283,482	290,000
MIRAE Asset Liquid Fund - Institutional - Growth Option	**29,057**	**30,000**	–	–

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

Mutual Fund Scheme	**2009**		2008	
	Units Sold	**Sale value**	Units Sold	Sale value
FTP - Quarterly - Series 7 - Dividend - Payout	–	–	(25,004,227)	(253,571)
Cash Plus - Instl. Prem. Growth	**(19,846,929)**	**(262,079)**	(12,214,351)	(150,908)
HSBC Liquid Plus Fund IP Growth	**(2,293,473)**	**(30,057)**	(23,647,594)	(254,921)
Prudential ICICI - Weekly dividend	–	–	(15,223,972)	(154,602)
Prudential ICICI - Super Institutional Growth	**(78,218,266)**	**(957,062)**	(353,294,228)	(4,005,537)
Prudential ICICI - Retail dividend	–	–	(18,000,733)	(181,390)
Prudential ICICI - FMP Retail Div	–	–	(25,000,000)	(252,028)
Prudential ICICI - Daily dividend	–	–	(25,404,164)	(256,719)
Prudential ICICI - FMP 3 Month	–	–	(25,000,000)	(257,030)
Prudential ICICI - Flexi Income Plan	–	–	(12,166,669)	(170,583)
Reliance - Medium Term Fund - DAILY DIVIDEND PLAN	**(5,295,219)**	**(91,049)**	(65,440,267)	(655,970)
Reliance - Liquid plus Monthly Interval fund	**(10,659,830)**	**(107,301)**	(50,096)	(50,345)
Reliance - Liquid plus- plus instl Growth	**(477,937)**	**(533,854)**	(198,038)	(211,486)
Reliance - Liquidity Fund - Growth schemes	**(123,292,503)**	**(1,436,331)**	(22,681,623)	(270,927)
Reliance - Monthly Interval Fund - Institutional Div.	**(9,093,720)**	**(100,698)**	(25,304,839)	(256,675)
DWS credit opportunities cash fund - Growth Plan	-	-	(39,757,737)	(406,225)
DWS insta cash plus fund - IP - Growth	**(6,262,525)**	**(80,020)**	(23,992,800)	(290,257)
DWS money plus cash plus fund - IP	**(7,093,283)**	**(80,941)**	(9,983,967)	(100,069)
Kotak - Institutional Premium Growth	**(20,420,533)**	**(340,500)**	(6,487,861)	(100,017)
Kotak - Daily Dividend	-	-	(5,783)	(73)
Kotak - Flexi Debt	**(7,883,416)**	**(100,931)**	(8,434,050)	(101,975)
ING Vyasya - Super Institutional growth	**(21,147,300)**	**(260,775)**	(83,531,812)	(961,953)
ING Vyasya - Liquid Plus Growth	**(4,590,736)**	**(50,448)**	(14,749,408)	(153,013)
ING Vyasya - Liquid Plus - Daily Dividend	–	–	(24,425,479)	(248,166)
StanC - FMP Quaterly Series 5 Dividend	–	–	(25,515,299)	(258,188)
StanC - Grindlys FRF LT Inst. Plan B Daily Dividend	–	–	(10,013,854)	(100,327)
Fidelity - Cash Fund - Daily Dividend	–	–	(11,509,423)	(115,188)
Fidelity - Cash Fund - Super Institutional Growth	–	–	(12,745,773)	(135,651)
Templeton India Institutional Plan - Growth	**(38,536)**	**(50,037)**	(4,496,841)	(100,042)
Templeton India Institutional Plan - Super IP Growth	**(121,139)**	**(150,515)**	–	–
UTI Liquid Cash Plan Institutional - Growth	**(45,141)**	**(60,916)**	(300,881)	(390,709)
DSP ML Cash Plus Institutional - Growth Option	**(65,591)**	**(70,182)**	(283,482)	(290,905)
MIRAE Asset Liquid Fund - Institutional - Growth Option	**(29,057)**	**(30,022)**	–	–

SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

(Currency: In thousands of Indian rupees)

32. 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 25 of the consolidated financial statements).

33. Derivatives

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

As at 31 March 2009, the Company has derivative financial instruments to sell USD 98,834,044 (31 March 2008: USD 99,976,959) having fair value loss Rs. 497,649 (31 March 2008: loss of Rs. 96,279) and GBP 21,000,000 (31 March 2008: GBP 31,184,412) having fair gain of Rs. 224,340 (31 March 2008: gain of Rs. 36,506) relating to highly probable forecasted transactions. The Company has recognized mark to market loss of Rs. 56,726 (31 March 2008: Rs. 48,702) relating to derivative financial instruments that are designated as effective cash flow hedges in the Hedge Reserve account under Shareholders’ funds (refer Schedule 4). At 31 March 2009, the Company has undesignated certain derivative financial instruments and recognised mark to market losses of Rs. 236,202 thereon in the Profit and loss account. (refer Schedule 15). Foreign currency exposures (other than cash and bank balances) on loans and receivables that are not hedged by derivative instruments or otherwise are Rs. 1,420,625 (equivalent to GBP 19.60 million).

34. 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:

	2009	2008
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

35. 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 paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956.

36. Prior period comparatives

Previous years figures have been appropriately regrouped / reclassified to conform to current year presentation.

As per our report attached.

For **B S R & Co.**

Chartered Accountants

For and on behalf of the Board of Directors

Dr. Ashok S. Ganguly
Chairman

Ananda Mukerji
Managing Director & CEO

K. P. Balaraj
Director

Akeel Master
Partner
Membership No: 046768

Shikha Sharma
Director

Mohit Bhandari
Director

Lalita D. Gupte
Director

Y. H. Malegam
Director

Dr. Shailesh Mehta
Director

Charles Miller Smith
Director

Mumbai
28 April 2009

Donald Layden Jr.
Director

Carl Saldanha
Global CFO

Sanjay Gupta
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No.	1 3 4 1 4 7	State Code	1 1
Balance Sheet Date	3 1 / 0 3 / 2 0 0 9 (Date / Month / Year)		

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RUPEES THOUSANDS)

Pubilc Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	22388

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RUPEES THOUSANDS)

Total Liabilities	25358777	Total Assets	25358777

SOURCES OF FUNDS

Paid Up Capital	4281897	Reserves and Surplus	6290008
Share Application Money	NIL		
Secured Loans	1342434	Unsecured Loans	12084993

APPLICATION OF FUNDS

Net Fixed Assets	1437453	Accumulated losses (+)	NIL
Net Current Assets (+)	2531981	Deferred tax	246171
Investments (+)	18647006	Amalgamation deficit account	1136721

IV. PERFORMANCE OF THE COMPANY (AMOUNT IN RUPEES THOUSANDS)

Turnover	5660439	Total Expenditure	5193274
(+/–) Profit/(Loss) Before Tax (+)	131894	(+/–) Profit/(Loss) After Tax (+)	151065
Earnings Per Share (Rs.)	0.35 Basic 0.35 Diluted	Dividend%	NIL

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS & SERVICES OF THE COMPANY (as per monetary terms)

Item Code No. (ITC Code)	Not Applicable
Service Description	IT enabled transaction processing services

For and on behalf of the Board of Directors

Dr. Ashok S. Ganguly
Chairman

Ananda Mukerji
Managing Director & CEO

K. P. Balaraj
Director

Donald Layden Jr.
Director

Shikha Sharma
Director

Mohit Bhandari
Director

Lalita D. Gupte
Director

Carl Saldanha
Global CFO

Mumbai
28 April 2009

Y. H. Malegam
Director

Dr. Shailesh Mehta
Director

Charles Miller Smith
Director

Sanjay Gupta
Company Secretary

NOTICE

NOTICE is hereby given that the Eighth Annual General Meeting of the members of Firstsource Solutions Limited will be held on Wednesday, July 29, 2009 at 3.00 p.m. at Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai - 400 025, to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the audited Balance Sheet as at March 31, 2009, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To re-appoint **Mrs. Lalita D. Gupte** as a Director of the Company, who retires by rotation and being eligible, offers herself for re-appointment.
3. To re-appoint **Dr. Shailesh J. Mehta** as a Director of the Company, who retires by rotation and being eligible, offers himself for re-appointment.
4. 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 & Co., Chartered Accountants, 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 (which term shall include any Committee of the Board) of the Company."

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution:**

   "RESOLVED 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, in accordance with Section 293(1)(d) of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and the Articles of Association of the Company, to borrow any sum or sums of money for the purpose of the business of the Company including by issue of securities in Indian or International Market(s) or from one or more Indian/Foreign Lending Financial Institutions/ Banks/ Bodies Corporate/ Firms/ Foreign Investors or other Persons by way of fund based/ non-fund based term loans/ Guarantees/ Letter of Credit/ working capital loans or financial facilities in any other form in Indian or any foreign denominated currency upto an aggregate amount of Rs.2500 Crores (Rupees Two thousand five hundred crores) or an amount equivalent thereto notwithstanding that the monies to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may, at any time, exceed the aggregate of the paid up capital of the Company and its free reserves (that is to say reserves not set apart for any specific purpose) and that the Board be and is hereby empowered and authorised to arrange or fix the terms and conditions of all such monies to be borrowed from time to time as to interest, repayment, security or otherwise as they may, at their absolute discretion, think fit.

   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 borrowing(s), do all such acts, deeds, matters and things as it may at its absolute discretion deem necessary, execute all documents and writings as may be necessary, proper, desirable or expedient to give effect to this resolution."

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution:**

   "RESOLVED THAT in accordance with the provisions of Section 16, 94, 31 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), subject to such approvals, permissions, consents and sanctions from appropriate authorities as may be required, the unissued Authorised Preference Share Capital of the Company of Rs.250,00,00,000 (Rupees Two hundred and fifty crores) divided into 25,00,00,000 preference shares of Rs. 10/- each, be and is hereby re-classified into 25,00,00,000 (Twenty Five crore) equity shares of Rs.10/- (Rupees Ten only), with a power to the Board to classify/re-classify the unissued shares, into any class of shares from time to time.

   RESOLVED FURTHER THAT consequent to the above, the existing Capital Clause V of the Memorandum of Association of the Company be substituted by the following Clause:

   Clause V

   The Authorised Share Capital of the Company shall be Rs.850,00,00,000/- (Rupees Eight hundred and fifty crores) divided into 85,00,00,000 (Eighty Five crores) equity shares of Rs.10/- (Rupees Ten only) each with rights, privileges and conditions attached thereto as provided in the Articles of Association of the Company for the time being with power to increase or reduce the capital of the Company and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, cumulative, convertible guarantees, qualified or other special rights, privileges, conditions or restrictions, as may be determined by or in accordance with the Articles of Association of the Company for the time being and to vary, modify or abrogate any such right, privilege or condition or restriction in such manner as may for the time being be permitted by the Articles of Association of the Company or the legislative provisions for the time being in force in that behalf.

RESOLVED FURTHER THAT consequent to the above, Article 5 of the Articles of Association of the Company be and is hereby altered by substituting the following as new Article 5 in place of the existing Article 5 thereof:

5. The Authorised Share Capital of the Company shall be such as stated in (Clause V) of the Memorandum of Association of the Company.

RESOLVED FURTHER THAT the Board (which term shall include any Committee of 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, execute all documents and writings as may be necessary, proper, desirable or expedient to give effect to this resolution."

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution:**

   "RESOLVED THAT in partial modification of the resolution passed at the Annual General Meeting of the Company held on August 14, 2007, pursuant to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), and subject to the approval of the Central Government, approval of the Company be and is hereby accorded for payment of remuneration for the year ended March 31, 2009 to Mr. Ananda Mukerji, Managing Director and CEO of the Company and for considering the same as minimum remuneration, as per the terms of remuneration approved by the Compensation cum Board Governance Committee of the Board of Directors, within the limits approved by the Members at the said Annual General Meeting, notwithstanding that the remuneration exceeds the ceiling limit for minimum remuneration laid down in Sections 198, 309 and Schedule XIII to the Companies Act, 1956.

   RESOLVED FURTHER THAT the Board (which term shall include any Committee of 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, execute all documents and writings as may be necessary, proper, desirable or expedient to give effect to this resolution."

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution:**

   "RESOLVED THAT in partial modification of the resolution passed at the Annual General Meeting of the Company held on August 14, 2007, pursuant to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and subject to the approval of the Central Government, approval of the Company be and is hereby accorded for payment of remuneration for the year ended March 31, 2009 to Mr. Raju Venkatraman, erstwhile Jt. Managing Director and COO of the Company, and for considering the same as minimum remuneration as per the terms of remuneration approved by the Compensation cum Board Governance Committee of the Board of Directors, within the limits approved by the Members at the said Annual General Meeting, notwithstanding that the remuneration exceeds the ceiling limit for minimum remuneration laid down in Sections 198, 309 and Schedule XIII to the Companies Act, 1956.

   RESOLVED FURTHER THAT the Board (which term shall include any Committee of 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, execute all documents and writings as may be necessary, proper, desirable or expedient to give effect to this resolution."

9. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution:**

   "RESOLVED THAT in partial modification of resolution passed by the Members at the Annual General Meeting held on August 14, 2007, pursuant to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), and subject to the approval of the Central Government, if required, approval of the Company be and is hereby accorded to modifications in the terms of remuneration of Mr. Ananda Mukerji, Managing Director and CEO of the Company, w.e.f. April 1, 2009 for the remaining period of his existing term, as set out in the Explanatory Statement annexed hereto.

   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. Ananda Mukerji within the ceiling limit as approved by the Members hereto.

   RESOLVED FURTHER THAT pursuant to applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, if required, the remuneration as determined by Board for a financial year, be paid as minimum remuneration to Mr. Ananda Mukerji, Managing Director and CEO of the Company, 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 to the Companies Act, 1956."

Mumbai
9 June 2009

By Order of the Board of Directors

Registered Office:
6th Floor, Peninsula Chambers,
Ganpatrao Kadam Marg,
Lower Parel, Mumbai – 400 013

Sanjay Gupta
Company Secretary

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 representative 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 Nos. 5 to 9 set out in the Notice is annexed hereto.
4. The Register of Members and Share Transfer books of the Company will be closed from Wednesday, July 22, 2009 to Wednesday, July 29, 2009 (both days inclusive) for the purpose of AGM.
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 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. Mrs. Shikha Sharma, a Director of the Company, has resigned from the Board w.e.f. May 26, 2009. Therefore, the question of her retiring by rotation as mentioned in Directors' Report does not arise.

   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 is given in the Annexure to the 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.

EXPLANATORY STATEMENT

(Under Section 173 (2) of the Companies Act, 1956)

Item No.5

At the second Annual General Meeting of the Company held on May 27, 2003, an Ordinary resolution was passed by the shareholders authorising the Board of Directors of the Company to borrow upto Rs.750 crores (Rupees Seven hundred fifty crores) from time to time for the purpose of carrying out the business of the Company. This limit was further enhanced to Rs.1500 Crores (Rupees One Thousand Five Hundred Crores) with the shareholders approval at the Extra-ordinary General Meeting held on November 22, 2007.

In terms of the provisions of Section 293(1)(d) of the Companies Act, 1956, the Board of Directors of the Company, can not, except with the consent of the Company in general meeting, borrow monies, apart from temporary loans obtained from the Company's bankers in the ordinary course of business, in excess of aggregate of the paid up capital and its free reserves that is to say reserves not set apart for any specific purpose.

The Company may be required to raise funds from time to time to augment its long-term resources, for funding its growth/ acquisition plans and for meeting its business requirements through issue of further securities in domestic/international market, borrowings from lending financial institutions/ banks/ bodies corporate/ firms/ foreign investors/ other persons by way of term loans/ working capital loans etc. The total borrowings of the Company along with the existing borrowings may exceed the present limit of Rs.1500 crores.

Hence, shareholders approval is sought to increase the borrowing limits u/s 293(1)(d) of the Companies Act, 1956 from Rs.1500 Crores (Rupees One thousand five hundred crores) to Rs.2500 Crores (Rupees Two thousand five hundred crores).

The Board recommends the resolution set out at Item No. 5 of the Notice for approval of the Members.

None of the Directors of the Company is in any way concerned or interested in this resolution.

Item No.6

The current Authorised Share Capital of the Company is Rs.850 crores, comprising of 60,00,00,000 equity shares of Rs.10/- each and 25,00,00,000 preference shares of Rs.10/- each. The issued share capital as on March 31, 2009 was Rs.428.19 crores comprising of 42,81,89,682 equity shares of Rs.10/- each. The remaining 17,18,10,318 equity shares and all the preference shares are unissued.

The current Authorised Equity Share Capital of the Company may be inadequate for meeting the future financing requirements of the Company. It is proposed to increase the Authorised Equity Share Capital to Rs.850 crores consisting of 85,00,00,000 equity shares of Rs.10/- each by re-classifying the unissued 25,00,00,000 preference shares of Rs.10/- each into 25,00,00,000 equity shares of Rs.10/- each.

Approval of the Members to the proposed re-classification of preference shares and consequential alteration in Capital Clause V in the Memorandum of Association and Article 5 of the Articles of Association of the Company is, therefore, being sought by a Special Resolution. A copy of the altered Memorandum and Articles of Association of the Company is available for inspection at the Registered Office of the Company on all working days during normal business hours upto the date of Annual General Meeting.

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 is in any way concerned or interested in this resolution.

Item Nos. 7, 8 & 9

The Shareholders of the Company at their Extraordinary General Meeting held on November 10, 2006 had approved re-appointment of Mr. Ananda Mukerji, Managing Director & CEO of the Company for period of 5 years from April 17, 2007 to April 16, 2012. The terms of remuneration of Mr. Ananda Mukerji were approved by the Members at their Annual General Meeting (AGM) held on August 14, 2007.

The shareholders at their AGM held on August 14, 2007 had approved the appointment and terms of remuneration of Mr. Raju Venkatraman, Jt. Managing Director & COO of the Company for a period 5 years w.e.f. April 26, 2007. He has resigned w.e.f. April 1, 2009.

The resolutions and the accompanying explanatory statement approved by the Members at their AGM held on August 14, 2007, inter-alia, stated that in the event of absence or inadequacy of profit in any financial year, the remuneration payable to Managing Director and CEO and erstwhile Jt. Managing Director and COO shall be governed by Schedule XIII to the Companies Act, 1956, ("the Act"), or any modification(s) thereto.

The Net Profit of the Company for the year ended March 31, 2009, as computed under Section 198 of the Act is Rs.161.6 million, which is inadequate for payment of remuneration of Rs.15.7 million to Managing Director and CEO and Rs.13.7 million to erstwhile Jt. Managing Director and COO as determined by the Compensation cum Board Governance Committee of the Board, within the limits approved by the shareholders at their AGM held on August 14, 2007. Considering the vast experience and expertise of the Managing Director and CEO and erstwhile Jt. Managing Director and COO and their contribution in spearheading the expansion of Company's business and the fact that the current year's profits have been impacted largely due to the Mark to Market loss on Foreign Currency Convertible Bonds (FCCBs), it would not be prudent to reduce their remuneration for the fiscal year 2008-09. The remuneration to Managing Director and CEO and erstwhile Jt. Managing Director and COO for the year ended March 31, 2009 is in line with their experience, expertise and the level of revenues & scale of Operations of the Company. Hence, shareholders approval is sought for payment of remuneration for the year ended March 31, 2009 to Managing Director and CEO and erstwhile Jt. Managing Director and COO and considering the same as minimum remuneration, subject to the approval of the Central Government, notwithstanding that the remuneration exceeds the ceiling limit for minimum remuneration laid down in sections 198, 309 and Schedule XIII to the Act. The Company has made applications to the Central Government for its approval.

Further, factors such as economic slowdown, global recession, depreciation in rupee value etc. may adversely impact the financials of the Company resulting into inadequacy of profits in any financial year. In such a scenario, payment of remuneration to the Managing Director and CEO as per Schedule XIII of the Act, would be grossly inadequate. Hence, shareholders consent is sought for considering the remuneration as may be determined by the Board for a financial year during the remaining period of his existing term, as minimum remuneration, payable to Managing Director and CEO, in case of absence or inadequacy of profit in that financial year, subject to the approval of the Central Government, if required, notwithstanding that the remuneration may exceed the ceiling limit for minimum remuneration laid down in Sections 198, 309 and Schedule XIII to the Act. It is also proposed to modify the terms of remuneration of Managing Director and CEO w.e.f. April 1, 2009, for the remaining period of his existing term as given hereunder.

The details of the terms and conditions of remuneration payable to Mr. Ananda Mukerji, Managing Director and CEO w.e.f. April 1, 2009 for the remaining period of his existing term are as under:

Salary and fixed allowances:

An amount in the range of Rs.6,25,000 to Rs.12,50,000 per month.

Perquisites:

Mr. Ananda Mukerji 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 or House Rent Allowance in lieu thereof 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, payment of income tax on perquisites by the Company to the extent permissible under the Income Tax Act, 1961 and rules framed thereunder, medical reimbursement, leave and leave travel concession, education benefits for children, provident fund, superannuation fund, gratuity and other retirement 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.

Variable Compensation including Bonus and Management Incentives:

In addition to above salary and perquisites, Mr. Ananda Mukerji will also be entitled to variable compensation including bonus and incentives under the Management Incentive Plan of the Company upto 200% of fixed salary, based on achievement of such performance parameters as may be laid down by the Board and subject to such other approvals as may be necessary.

Mr. Ananda Mukerji shall not be entitled to any sitting fee for attending meetings of the Board and/or Committee 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 Board of Directors (hereinafter referred to as the "Board", which term shall include any committee of the Board) can determine/ increase/ alter/ modify/ vary the terms of remuneration of Mr. Ananda Mukerji from time to time within the ceiling limit as approved by the Members hereto, subject to approval of Central Government, if required.

The above may also be treated as an abstract of the terms of remuneration of Mr. Ananda Mukerji u/s 302 of the Act.

The Board recommends the resolutions as set out at Item No. 7, 8 and 9 of the Notice for approval by members.

Mr. Ananda Mukerji may be deemed to be interested/concerned in the resolutions contained under Item No. 7 and 9 of the Notice. None of the other Directors of the Company is interested or concerned in the aforesaid Resolutions.

Mumbai, 9 June 2009 — By Order of the Board of Directors

Registered Office:
6th Floor, Peninsula Chambers,
Ganpatrao Kadam Marg,
Lower Parel, Mumbai – 400 013

Sanjay Gupta
Company Secretary

ANNEXURE TO THE NOTICE

Mrs. Lalita D. Gupte, 60 years, holds a Bachelor's Degree in Economics (Hons.) and a Master's degree in Management Studies. She is currently the Chairperson of ICICI Venture Funds Management Co. Ltd. She retired at the end of October 2006 as Joint Managing Director and Member of the Board of ICICI Bank Limited. She was responsible for setting up the International business of ICICI Bank since 2001.

Beginning her career with ICICI Limited in 1971 in the project appraisal division, Mrs. Gupte has held various leadership positions in areas of Corporate and Retail Banking, Strategy, Resources, International Banking and other areas. She was instrumental in transforming ICICI Bank from a primarily term lending institution into a technology led diversified financial services group. She was at the helm of ICICI Bank's global foray, which includes operations in over 17 countries. She has received numerous awards and recognitions. She is on the Boards of several companies and educational institutions. She does not hold any shares in the Company. She is not related to any other Director of the Company.

Details of Directorships/Committee Positions held:

Directorships			Committee Positions	
Sr. No.	**Name of the Company**	**Position held**	**Name of the Committee**	**Position held**
1.	Firstsource Solutions Ltd.	Director	Audit Committee	Member
			Business Acquisition Committee	Member
2.	ICICI Venture Funds Management Co. Ltd.	Chairperson	Compensation and Governance Committee	Chairperson
			New Funds Committee	Member
			Approvals Committee	Member
3.	Nokia Corporation	Director	Audit Committee	Member
4.	HPCL-Mittal Energy Ltd.	Director	Audit Committee	Member
5.	Godrej Properties Ltd.	Director	Remuneration Committee	Chairperson
			Audit Committee	Member
6.	Bharat Forge Ltd.	Director	–	–
7.	Kirloskar Brothers Ltd.	Director	–	–
8.	Swadhaar FinServe Private Ltd.	Chairperson	–	–

Dr. Shailesh J. Mehta, 59 years, has done B. Tech - Mechanical Engineering from Indian Institute of Technology, Mumbai, M.S. Operations Research, Computer Science and Ph.D in Operations Research and Computer Science from Cleveland, USA. He also has honorary Ph.D. from California State University. His areas of expertise include financial services, Banking, Investments and advising and Insurance. He is a former Chairman and CEO of Providian Financial Corporation, a Company with over USD 30 billion in assets and over 18 million customers. He joined the founding team of First Deposit Corporation, the predecessor Company to Providian, in 1986 and built it from just 80 employees to over 12,000 employees. Providian became a "Fortune 500" Company, and was in the S & P 500. He also served as President and COO of Providian Corporation (only institutional investor of Providian Financial), which was the 10th largest shareholder-owned insurance company in America. He has been a general partner with Invesco funds with over USD 7 billion under management. He has also served as operating general partner of Sequoia India with over USD 400 million under management. Prior to starting Providian, he was Executive Vice President at the Ohio-based Ameritrust Corporation (now Key Corp.) Fl. He was appointed by the Governor of California, as a trustee of California State University System, which has 23 California State Universities. He has been Director of US board of master Card International, Hanover direct and many other companies. Currently, he is Managing General Partner of Granite Hill Capital Partners, which manages over 125 crores of private equity fund, targets to SME sectors in India. He also serves as a President of Granite Hill Capital Ventures LLC, an investment and advisory partnership firm.

He has received several awards for excellence in leadership as an individual and as a community leader. He has donated Shailesh J Mehta School of Management at IIT (B) at Powai and serves on the advisory council of IIT(B) management school and IIT (Gandhinagar). He holds 225,000 shares and 250,000 stock options in the Company. He is not related to any other Director of the Company.

Details of Directorships/Committee Positions held:

Directorships			Committee Positions	
Sr. No.	**Name of the Company**	**Position held**	**Name of the Committee**	**Position held**
1.	Firstsource Solutions Ltd.	Director	Compensation cum Board Governance Committee	Member
			Strategy Committee	Member
2.	Safari Industries Ltd.	Director	–	–
3.	Mannappuram Finance and Leasing Ltd.	Director	–	–
4.	Account-now Corp	Director	–	–

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