RP - Sanjiv Goenka Group
Growing Legacies

firstsource
Stay Ahead

DESIGN. INNOVATE. IMPLEMENT.

Annual Report 2017-18

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DESIGN.
INNOVATE.
IMPLEMENT.

In today's fiercely competitive business landscape, agility is the key to enhance the competitive edge of corporates across industries. The evolution of business processes is accelerating, propelled by new-age technologies disrupting the industry.

At Firstsource, we are committed to help our clients stay ahead of the curve and successfully transform their businesses into leaner, smarter and robust organisations. Over the years, we have demonstrated our ability to design, innovate and implement bespoke solutions for our clients. We have also developed our competencies in Robotic Process Automation (RPA), Analytics, Artificial Intelligence (AI), Omni-channel frameworks in Customer Interaction Management Services and Digital Transformation Tools.

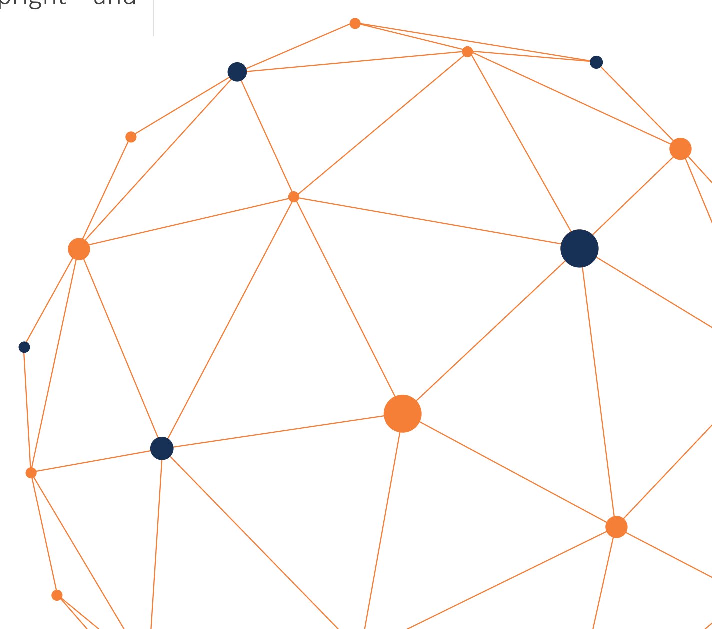
For us, our clients are at the core of whatever we do and as their brand custodian, the onus is on us to stay ahead and ensure we meet their expectations and help them outperform. Therefore, our approach to business is to look beyond our clients and focus on what we can really do to enhance the experience of their customers.

Closer home, we have enhanced learning and development opportunities for Firstsourcers to power their abilities to deliver customised solutions for our clients across diverse functions. We are also deeply committed to impacting the communities that we operate in.

Robust, reliable and high-integrity, we live up to our word of being a transformation partner - encapsulated in our new positioning, 'Stay Ahead'.

We have enhanced our Mission and Vision statements that will push us to continually raise the bar. We have also re-articulated our core Values to ASPIRE (Agility, Spirit of Collaboration, People Centricity, Integrity, Risk-Taking & Innovation and Excellence), which unequivocally reflects the brand's evolving persona: of a thought leader and a transformation partner - bold, confident, upright and self-assured.

We believe, investing in our stakeholders will help us create 'value' for the Company in the long term. As always, we will continue to design, innovate and implement solutions that will catalyse growth for us and all our stakeholders.

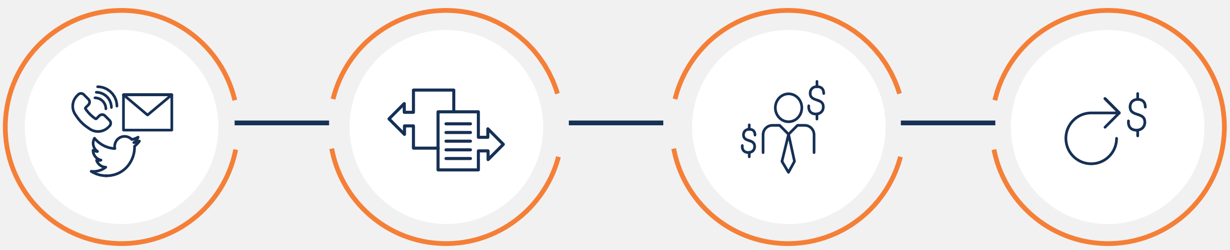


An Overview of Firstsource

Firstsource Solutions Limited is a leading provider of customised Business Process Management (BPM) services. It specialises in helping clients stay ahead of the curve through transformational solutions to re-imagine business processes and deliver increased efficiency, deeper insights and superior outcomes.

At Firstsource, we are trusted custodians and long-term partners to leading brands with presence in the US, the UK, India and the Philippines. Our 'right-shore' delivery model offers solutions encompassing complete customer-lifecycle management across the Healthcare, Telecommunications and Media, Utilities, Banking, Financial Services and Insurance verticals. Our clients include Fortune 500 and FTSE 100 companies.

Services



Customer Interaction Management

Data Processing and Transaction Processing

Collections Management

Consulting and Analytics

Key Expertise

Custodianship
We take pride in being the custodian of our clients' brands. It's our endeavour to continuously step up and earn customer loyalty, win advocates and achieve business growth.

Intelligent Thinking
We are a business of smart thinkers and industry specialists; we know that expertise and insights can help our clients think differently to best serve their customers.

Empowering People
Firstsourcers are skilled, engaged and rewarded because we know that happy and motivated people equate to happy, satisfied customers.

CX Excellence
Everything that we do is propelled by a commitment to drive Customer Experience (CX) excellence for our clients because we understand that it's both a significant advantage and a performance differentiator.

Mission

To shape the future of the BPM industry by leading the way in transformational technologies and capabilities.

To constantly **stay ahead** of the curve in order to drive growth for customers, enriching experience for employees, value for investors and a positive impact for communities that we operate in.

Vision

To be the leader in markets we choose to compete in and be recognised as the most trusted partner to our global clients.

We will achieve this by simplifying complex business processes through cutting-edge technology and industry-leading people practices.

ASPIRE

OUR VALUES

Agility | Spirit of Collaboration

People Centricity | Integrity

Risk-Taking & Innovation | Excellence

Intellectual Properties (IPs)

firstSmartomation
Enhancing Efficiency and Experience

first(Re)Solve
The Complete Remediation Solution

firstChat
A human touch to the web experience

firstCustomer Intelligence
Actionable Insights from Customer Interactions

firstWFSuite
Productivity Redefined

x-sellerate
Learn. Sell. Excel

i-Leverage

Sympraxis

FOCUS℠
Powered by Sympraxis

PREVENT℠

Top Client Profiles

Healthcare

- 5 of the top 10 health insurance / managed care companies in the US
- 650+ hospitals in the US

Telecommunications and Media

- UK's largest news and broadcasting company
- 1 of the world's largest media and entertainment conglomerates
- 1 of the top 10 US telecom companies
- A leading Mobile Virtual Network Operator (MVNO) in the UK
- Global provider of telecom equipment and networks

Banking, Financial Services and Insurance

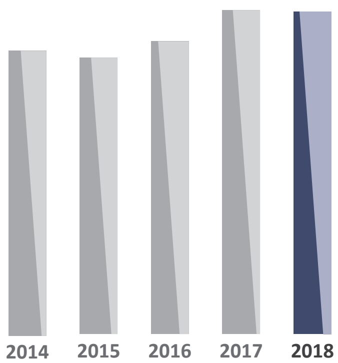
- 6 of the top 10 US credit card issuers
- Largest credit card issuer in the UK
- Largest retail bank and mortgage lender in the UK
- 1 of the top 3 motor insurance companies in the UK
- 1 of the leading auto insurers in the US
- A leading Irish bank
- 1 of the largest independent loan servicers in the US
- 6th largest bank in the US

Our Performance

5-YEAR CAGR	5-YEAR CAGR	5-YEAR CAGR
3.3%	**8.2%**	**14.1%**
Revenue	EBIT	Profit after Tax

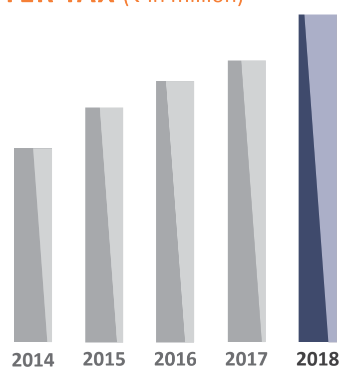
REVENUE (₹ in million)

2018	35,352
2017	35,556
2016	32,173
2015	30,347
2014	31,059



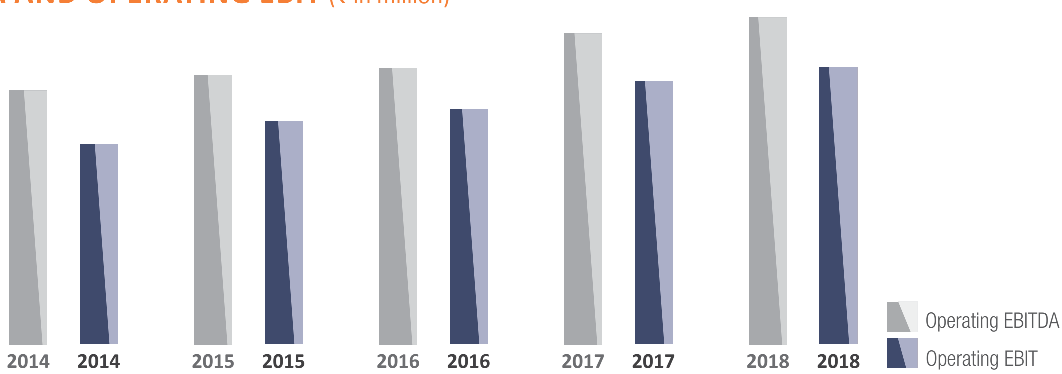
PROFIT AFTER TAX (₹ in million)

2018	3,265
2017	2,800
2016	2,605
2015	2,343
2014	1,930



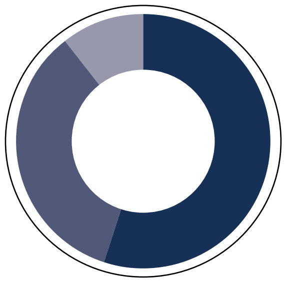
OPERATING EBITDA AND OPERATING EBIT (₹ in million)

2018	4,589	3,930
2017	4,380	3,790
2016	3,901	3,292
2015	3,808	3,086
2014	3,621	2,864



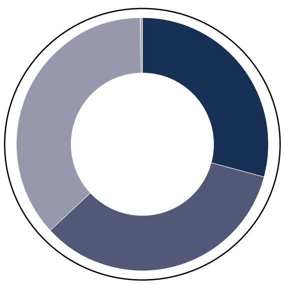
REVENUE CONTRIBUTION BY SEGMENT (%)

Customer Management	55.0
Healthcare	34.5
Collections	10.5



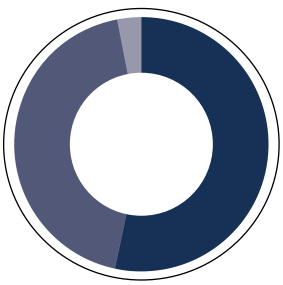
REVENUE CONTRIBUTION BY INDUSTRY (%)

BFSI	29.2
Telecom & Media	33.9
Healthcare	36.8
Others	0.1



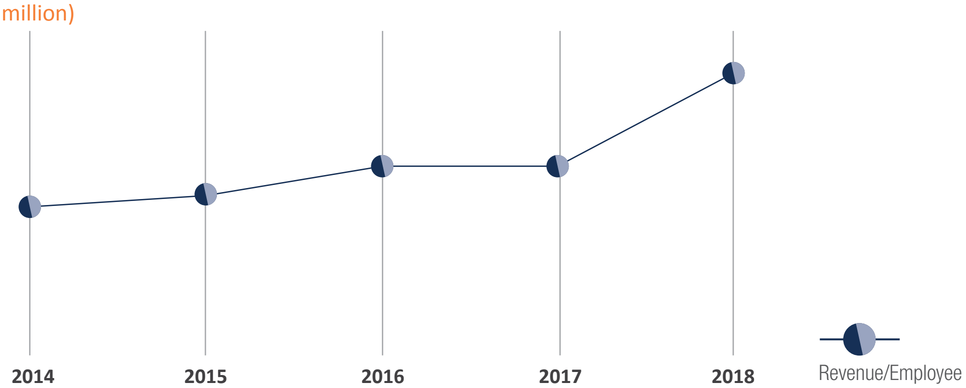
REVENUE CONTRIBUTION BY GEOGRAPHY (%)

US	53.6
UK	43.6
India	2.8
Rest of the world	0.0



REVENUE/ EMPLOYEE (₹ in million)

2018	1.89
2017	1.37
2016	1.35
2015	1.20
2014	1.11



Innovation in Action

We at Firstsource are committed to design innovative solutions and implement them for our clients. Our 'client-first' approach gives us the competitive edge. We use leading-edge technologies to achieve sustainable and measurable results for our clients.

Adding value for clients

We enhance value for clients by transforming how they approach their business. We help them stay relevant in their industries and create long-term value by implementing customised technology solutions and platforms. We deploy a unique combination of multiple technologies in the wide spectrum of Digital transformation, to meet the diverse needs of our clients.

During FY2017-18, we provided pioneering solutions to a range of clients across diverse industries. We have highlighted three instances where we made a significant positive impact on the clients' business.

Ensuring Accuracy and Improving NPS through Deployment of a Customised IP based Solution

With labour-intensive legacy processes in Provider Data operations impacting overall service quality, while jeopardising long-term client relationships, a global healthcare benefits company was in dire need of business solutions to remove redundancies in its processes.

At Firstsource Healthcare, we identified opportunities to develop and implement a sustainable solution to modernise processes, address compliance issues and improve Net Promoter Score (NPS) at a rapid pace.

Identifying challenges

Accuracy is a given for a Provider Directory because it directly impacts the NPS. But in the wake of multiple input sources, inaccurate provider records and redundant updates to multiple databases the client's Provider Data Operations team was finding it a challenge to maintain a zero-error workflow. This led to delays in processing claims and discrepancies in payments because of which Service-Level Agreements (SLAs) took a hit.

Key observations

We observed that 60% of the errors in the secondary database were due to:

- Non-standardised input formats
- Information discrepancies between the client's primary and secondary databases

With Associates having to toggle between screens to verify /update the inputs received from Providers, made the process vulnerable to errors.

Enduring solutions

We implemented Firstsource Healthcare's Sympraxis-powered Automated Workflow and Robotic Process Automation (RPA) solution. It provided validation and automation features necessary to improve accuracy and ensure faster Turnaround Time (TAT), as a sustainable solution for the client's problem.

Sustainable solution features

- Validates Provider Directory demographic updates
- Eliminates visual comparison between two databases for greater accuracy and faster Turnaround Time (TAT)
- Leverages RPA to simplify complex processes
- Implements the Six Sigma data-driven methodology to improve quality

Outcomes

- 100% platform accuracy since solution implementation
- 80% uplift in provider platform productivity
- Eight-day reduction in average TAT
- Consistent achievement of SLA for quality

Improving the Customer Experience and Accelerating Savings

A leading mortgage service provider in the US had limited visibility on its contact drivers, customer experience and high propensity of contact, which led to dissatisfied customers. The client thus lost several opportunities to connect with its target audience.

Identifying challenges

- Dissatisfied customers
- High propensity to contact
- No measure of customer experience
- Limited visibility of the Client's contact drivers

Observing key metrics

The client received ~1.9 million calls annually, while the propensity of repeat contacts was at 3.5 per year.

At Firstsource Mortgage, we observed:

- 23% customers called from websites
- 11% customers were confused with the login procedure
- 10% contacts were generated due to correspondence
- 7% of the total service requests resulted in 42% of repeat contacts
- 15% Associate opportunities

We further discovered broken workflows and lack of coordination between teams, which led to high turnaround time:

- PMI removal
  - Process: 3 days
  - Actual time taken: 29 days
- Payoff statement
  - Process: 2 days
  - Actual time taken: 4 days

Implementing technology-based solutions

We implemented contemporary technology like FCI speech and text analytics for:

- End-to-end journey mapping
- Emotion detection
- Contact triggers

Helped us identify:

- Upstream and downstream process opportunities
- Associate opportunities

and hence worked out an improvement plan with the clients.

Revamping outcomes

Corrective steps taken

Contact avoidance opportunities identified by:

- Simplifying customer correspondences
- Streamlining service request processes
- Self-serve optimisation

Impact

- 12% contact avoidance
- Reduced cost-to-serve by 10%

Transforming Customer Care Services

With messaging becoming an integral part of customers' lives, businesses took advantage of the fundamental interconnectedness of the digital reality. They realised that Messaging Apps are more than just conversation platforms – rather they have the potential to be an effective customer support channel. In essence, Messaging redefined customer service. It's become a preferred customer service medium because of its immediacy and ease-of-use. Moreover, it provides clients the opportunity to personalise and enhance the customer experience.

One of the world's largest media and entertainment conglomerate sensed this opportunity and decided to move its Voice calls from the Interactive Voice Response (IVR) to Messaging channel to achieve a shared vision of digital customer service.

Designing long-term solutions

We designed a unique solution for the client's customer care, wherein we

- Integrated IVR to deflect calls to Facebook Messenger and SMS
- Deployed messaging within the client's App

This new system allows customers to change their mode of communication to SMS or Facebook Messenger (FBM) just like how they could with their family or friends. This also helps them to have their conversations while on-the-go instead of being put on hold during calls. We addressed the security concerns by implementing a verification solution that permits customer identification through SMS and FBM channels, creating a secure connection to client's customer care.

Offering effective outcomes

Our solutions resulted in:

- 30% deflection from the voice channel
- CSAT between 80–90%
- 2.2x efficiency over voice
- Up to 10 concurrent conversations handled by each Associate
- 120,000+ conversation per week in 10 weeks from launch

Going ahead

Setting priorities for the upcoming year

- Increase deflection from 30% up to 50%
- Encourage self-service using the App

Message from the Chairman

Dear Shareholders,

Over the last few years, the Company has consistently reinvented itself and achieved the dual goals of staying relevant and creating sustainable value for stakeholders. The Company has effectively instituted a culture of innovation that nudges people to push boundaries and explore their potential. Proven domain expertise in transforming customers' businesses and processes, coupled with the ability to stay agile, has given the Company a competitive advantage.

Improved macro-environment

The global economy witnessed broad-based recovery in FY17 on the back of improving investments, strong global trade, favourable monetary policies and healthy traction in corporate earnings. This trend resonated in the technology spends made by corporates – particularly in the digital business. As per Nasscom estimates, the Indian Business Process Management (BPM) industry is set to attain a size of USD 50-55 billion by the end of 2025, compared to USD 29.8 billion in FY17. Rising adoption of digital technologies like Artificial Intelligence (AI) and Machine Learning (ML), among others, will drive growth in these segments. Firstsource has strong expertise in these segments and we implement solutions across the spectrum of digitisation capabilities.

Getting future-ready

Digital technologies have made traditional business models less relevant. This has created a tremendous opportunity as companies see the need to upgrade their legacy systems or require assistance with analysing consumer behaviour. We are focused on servicing these companies on the strength of our technology-led capabilities and by augmenting our teams to develop niche skills.

In this fiercely competitive world, your Company will continue to set new benchmarks. Extending the high-performance philosophy, a bit further, we are committed to make winning our default behaviour. That's because we understand that 'average' is officially over. Likewise, to enable our people to perform at their optimum, we consistently invest in their learning and development because a continuously learning organisation is what will make us fit to lead in the future.

Road ahead

Our future growth will be driven by a healthy mix of organic and inorganic initiatives. We will have to innovate at a faster pace to keep up with the rapidly changing business needs and customer expectations. Our biggest challenge is to develop a thinking organisation that is a pulsating mass of employees who are well-informed, attuned to technology trends and as domain experts engage customers in enriching conversations that translate into memorable experiences.

I have great pleasure in informing you that we declared our maiden dividend this year. This is truly a milestone for your Company. I would like to extend heartfelt thanks to every member of our global team for bringing the Company this far. We extend our gratitude to all our stakeholders and seek their continued support in our journey.

Regards,

Sanjiv Goenka
Chairman, RP-Sanjiv Goenka Group and Firstsource Solutions Ltd.

Message from the Managing Director & CEO

Dear Shareholders,

Digital revolution is changing the way we do business today. Organisations are breaking free from the binary mode of thinking 'in' or 'outside' the box. They are thinking 'without a box' as it frees them from predefined contexts and gives them a fresh worldview! The opportunities are endless so to speak and it is critical for organisations to harness them by weaving in agility and innovation into their workplace culture.

At Firstsource, we promote an innovative mindset to encourage constant learning because as the world around us becomes complex and dynamic, it is critical for us to widen our aperture and synthesise diverse perspectives. It's our collective ability to question convention and think creatively that has helped us emerge as a transformation partner to our clients. We hold a good track record of transforming our clients' businesses with our technology-driven solutions – readying them for their next big leap.

Re-purposing ourselves

Business is much more than seamless workflows and robust operations. To create sustainable value, our businesses have to be financially viable and future-proof. However, our domestic operations were not yielding the returns that we had anticipated from a capital allocation standpoint – a compelling enough reason for us to divest this business. Re-priortising our investments helped us improve free cashflow and we successfully repaid debt worth USD 61.7 million in FY18. Your Company is on track to de-leverage its long-term debt in FY19.

The divestment had a one-time effect on our financial performance for FY18. Even as our consolidated revenues grew 2.8% in constant currency, the growth was higher at 7.1% when adjusted for the divestment of the domestic business. Our operating EBITDA margin expanded by 66 basis points to 13% and our net profit grew at 16.6% in the year. To summarise, your Company demonstrated an impressive performance on the back of which the Board felt confident in declaring a 15% dividend – a first in the Company's history.

Business objectives

Our aim is to drive a transformation framework that solidifies your Company's standing with its clients by helping them stay ahead of their day-to-day business challenges. Today, Artificial Intelligence (AI) is the buzzword du jour for enterprises, Analytics a natural progression for data-driven organisations and Machine Learning (ML) models are trained on huge datasets. Therefore, your Company will continue to invest in expanding its Transformation Centres of Excellence based on the three vectors – people, process and technology. We will further strengthen our Digitisation frameworks by expanding our team to bring in niche skills as well as work on more use cases to develop integrated solutions. As we gain traction, we may consider Mergers & Acquisitions (M&A) opportunities in these areas for capability enhancement. Our investment in NanoBI, a data analytics outfit, in 2014 was a step in this direction.

On the business front, we are making steady progress in Healthcare on the back of our technology-led solutions such as UCIM and Sympraxis. We made a significant pivot in our Mortgage business which was originally an origination-focused entity – that in effect exposed us to economic uncertainties. Therefore, to bring greater stability and predictability in our operations, we added Mortgage servicing to our current offerings.

Furthermore, we made a foray into a new vertical – energy and power – by on-boarding UK's leading power and gas company. The success of this engagement will depend upon the efficiencies we drive through our transformation initiatives and tools, amongst other value-added propositions.

Power of people

Recognising people as our biggest differentiator, we stepped up our game in the talent development, performance management and capability development space. Leveraging technology-led interventions and providing mentoring opportunities and competency building and skilling / upskilling frameworks, our people practices endeavour to provide a continuous learning environment for professional and personal development to employees. To that end, the emphasis is on building a high-performance culture, where meritocracy takes precedence over everything else and people are motivated to push boundaries and excel at whatever they do.

Stay ahead with us

Poised for growth and emerging stronger, we undertook a brand refresh exercise to position your Company as future-ready to address the realities of the digital age by virtue of leveraging its suite of capabilities. This promise is encapsulated in our new positioning, 'Stay Ahead.' Besides revisiting our Mission and Vision statements, we re-articulated our core Values from IIPACE to ASPIRE - Agility, Spirit of Collaboration, People Centricity, Integrity, Risk-Taking & Innovation and Excellence - and introduced a fresh colour palette. The refreshed brand elements reflect the evolving brand persona of Firstsource: of a thought leader, a transformation partner that is confident, self-assured and upright.

Infused with a renewed vigour thus, we at Firstsource are committed to deliver excellence in whatever we do and stay ahead by staying relevant.

I would like to thank the Board, our regulators, clients, my colleagues and more importantly our shareholders for their continued faith and support to the Company.

Regards,

Rajesh Subramaniam
Managing Director & CEO

Board of Directors


Sanjiv Goenka - Chairman


Rajesh Subramaniam - MD & CEO


Y. H. Malegam


Pradip Kumar Khaitan


Charles Miller Smith


Shashwat Goenka


Donald W. Layden Jr.


Subrata Talukdar


Grace Koshie


Pradip Roy


V. K. Sharma

Leadership Team

Rajesh Subramaniam
Managing Director & CEO

Dinesh Jain
Chief Financial Officer

Venkataraman K. R.
CEO, Healthcare

Sean Canning
COO, Customer Management

Siddharth Parashar
Chief Revenue Officer, Customer Management

Erik Anderson
CEO, Mortgages

Arjun Mitra
CEO, Collections & CM, US

Shalabh Jain
Chief Transformation Officer

Soma Pandey
Chief Human Resources Officer

Arun Tyagi
Finance Controller & Head, Operational Excellence CoE

Raji Raghavan
Head of Marketing

Building Momentum with Change

At Firstsource, we have come a long way demonstrating resilience, consolidating our businesses and delivering value for our stakeholders. We have negotiated challenges with poise and have emerged stronger.

Our focus has always been on building a company that enables our stakeholders — clients, employees, shareholders and communities — to stay ahead of the curve. We are confident that our capabilities and domain expertise will help us scale new heights. Thus, readying ourselves for the opportunities that lie ahead, we are adopting a transformational approach: our processes, systems, functions and people practices. As we embrace new ways, our brand identity demanded a re-positioning. Our new positioning reflects the strides we are making and commitment to reward our stakeholders for reposing their faith and trust in us.

Embracing disruptions and transformation

We are confident that a strong brand positioning aligned to the current technological disruption in the Business Process Management (BPM) industry is certain to propel us to the next phase. We want to be perceived as thought leaders with transformational technology capabilities. Our ambition is to emerge as a trusted and long-term transformation partner, committed to driving operational excellence and value for clients.

We are all set to embrace, enhance and evangelise the disruptions in the market through a transformation programme.

Staying ahead of the curve

Our new strapline, 'Stay Ahead', positions us as a forward-looking, market-savvy and client-centric company that possesses the capabilities and agility to navigate through challenging business scenarios. We will be the transformation partner to our stakeholders, empowering them to stay ahead of the curve through enhanced experiences.

Carving a niche

As a leading provider of customised BPM services, we believe in a consultative approach to business. Our objective is to go beyond industry standards, re-establishing benchmarks in the BPM space. We uncover opportunities, recognise potential and unlock value for our clients by challenging stereotypes and asking pertinent questions. We deliver process excellence for clients through our transformational capabilities, deep domain expertise, proprietary tools and platforms, coupled with the best-in-class talent pool.

Our commitment to Firstsourcers

Aspire. Achieve. Advance.

Developing the Employer Brand

At Firstsource, we have always attracted industry's best talent. We are positive that the change in our positioning will appeal more to the industry's top talent pool, thus facilitating recruitment of talent across all our locations.

Impacting key stakeholders

We believe this transformation will significantly improve how we engage with our stakeholders and help us develop enduring relationships with them. The new identity will facilitate a more symbiotic relationship between the Company and its stakeholders in the following ways:

Clients

For us, every client is important, with unique challenges and business needs. Therefore, dismissing the one-size-fits-all approach, we focus on building lifetime value by creating memorable client journeys.

Spread across the globe, as our clients brace themselves for technology-led innovations, our new brand identity is forward looking and holds the promise of enabling clients to stay ahead in the game. Our re-articulated core values, Agility, Spirit of Collaboration, People Centricity, Integrity, Risk-Taking & Innovation and Excellence (ASPIRE), further the aspirational sentiment that our clients harbour.

Going forward, we will focus on developing pin-pointed strategies for client requirements. We will further leverage the digital medium to help them stay relevant in their businesses and benefit from an omni-channel strategy.

Employees

At Firstsource, our people are our most important asset. We strive to bring out the best in them because we believe skilled, motivated and empowered people drive better business. Therefore, we are helping our people- Firstsourcers- align their long-term personal goals with the strategic objectives of the Company.

We overhauled our performance enhancement process to provide them with augmented learning and development opportunities.

Firstsourcers continue to get hands-on experience in emerging technologies as they are part of our workstreams. We also help them upskill or reskill in the use of new technologies through various training programmes. We believe these efforts will help us chart a new course for the Company.

Shareholders

We believe in value creation for all our stakeholders, especially for our shareholders. We are confident that with ASPIRE as the foundation, Firstsourcers will outperform and exceed client expectations. This will translate into financial value for our shareholders.

Also, consistent performance of the Company in the equity markets is an indicator of our capabilities for future.

Communities

We operate in diverse communities with the objective to create a positive impact. Our corporate philosophy encourages us to give back to the communities and thus, we lead various social development projects that help us to attain this objective. At Firstsource, we endeavour to engage with the communities around us to help them stay ahead of the current socio-economic issues ranging from pollution to poverty.

Awards and Accolades

CORPORATE AWARDS

Welsh Contact Centre (WCC) Awards 2018

Bagged awards in three categories, including Gold for ‘Outsourced Contact Centre of the Year’, ‘People Engagement’ and an individual award in the ‘Trainer of the Year’ category

UK Complaint Handling (UKCH) Awards 2018

Won the award for ‘Best Personal Entertainment and Telecoms’

North East Contact Centre Awards 2017

Received multiple awards, including Gold and Silver for ‘Contact Centre of the Year (under 250 seats)’ and ‘Recruitment Champion’, along with individual awards in ‘Inspirational Leader 2017’ and ‘Customer Experience Champion of the Year’

European Contact Centre and Customer Service Awards (ECCCSA) 2017

Honoured with three awards, including a Gold for ‘Medium Contact Centre of the Year’ and Silver for ‘Outsourcing Partnership of the Year’ and ‘Outsourced Contact Centre of the Year’

Global Sourcing Association (GSA) Awards 2017

Awarded the ‘BPO Contract of the Year’

UK Customer Experience Awards 2017

Won two awards, including Gold for ‘Large Contact Centre’ and an individual award for ‘CX Professional of the Year’

NASSCOM BPM Strategy Summit 2017

Secured the prestigious ‘Customer Service Excellence Award’ for the category ‘Return on Investment’

ANALYST RECOGNITIONS

Everest Group's — (i) Mortgage BPS Service Provider Landscape with Services PEAK Matrix™ Assessment 2017

(ii) Contact Centre Outsourcing (CCO) PEAK Matrix™ Assessment 2017

Recognised as a 'Major Contender', identifying the Company's focus on excellence and delivery and highlighting its commitment to provide a smart and collaborative partnership for clients

Everest Group's Service Provider Landscape PEAK Matrix™ Assessment 2017

Acknowledged as 'Major Contender' for Healthcare Provider and Payer businesses, distinguishing the Company's investments and progress in the digital arena, especially with RPA deployment for Payer and automation solutions for Provider services

Everest Group's PEAK Matrix™ Assessment 2017

Recognised as a 'Major Contender' in Banking BPO–Service Provider Landscape, acknowledging the Company's focus on excellence and celebrating its capabilities to consistently enhance customer experience

NelsonHall recognition

Ranked as a 'Leader' in the Telecoms market by NelsonHall in one of their industry reports, significantly improving the Company's performance from a 'High Achiever' in the past

INDUSTRY RECOGNITIONS

Investors in People (IIP)

Achieved the 'Gold' standard by 'Investors in People (IIP)' as the first BPM Company in the UK, ranking among the top 7% of the country's businesses

Global Outsourcing 100 List for 2017

Recognised as a 'Leader' in the International Association of Outsourcing Professionals (IAOP) and named a 'Superstar of the Global Outsourcing 100' because of our exceptional performance and high scores achieved during the IAOP evaluation

Making a Difference across the World

At Firstsource, giving back to the communities is a part of our corporate ethos. As a corporate citizen, we are committed to operating in an economically, socially and environmentally responsible manner while balancing the interests of our diverse stakeholders.

Our Corporate Social Responsibility (CSR) team actively pursues various social initiatives by applying our core values – Agility, Spirit of Collaboration, People Centricity, Integrity, Risk-Taking & Innovation and Excellence (ASPIRE) – to these diverse activities.

Social Initiative Areas

We further voluntarily undertake various CSR activities for communities in which we live and work to enable their holistic development. We pursue social initiative areas across geographies, which are:

Employee volunteering

Payroll giving

Response to disasters

Partnering with NGOs

Participating in fundraising events

Directors' Report

Dear Members,

Directors of your Company take great pleasure in presenting the **17th Annual Report** on the business and operations of your Company and the Audited Financial Statements for the financial year ended March 31, 2018.

FINANCIAL RESULTS:

Pursuant to the notification dated February 16, 2015 issued by the Ministry of Corporate Affairs, the Company has adopted the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 with effect from April 1, 2016. The performance of the Company for the FY2017-18 is summarized below:

(₹ in Million)

Particulars	Consolidated		Standalone	
	FY2017-18	FY2016-17	FY2017-18	FY2016-17
Total Income	35,406.78	35,588.15	8,739.79	9,548.51
Profit Before Interest and Depreciation	4,643.37	4,411.95	2,470.18	2,445.43
Interest and Finance Charges (net)	404.03	453.16	62.32	67.75
Depreciation/ amortization	659.24	589.61	215.30	190.32
Profit Before Tax	3,580.10	3,369.18	2,192.56	2,187.36
Share in net (loss) of associate	(0.01)	(0.01)	-	-
Profit from ordinary activities before tax and after share in net loss	3,580.09	3,369.17	2,192.56	2,187.36
Provision for Taxation (including Deferred Tax Charge/ Credit)	314.31	576.79	273.40	302.77
Net Profit After Tax	3,265.78	2,792.38	1,919.16	1,884.59
Profit attributable to:				
Owners of the Company	3,265.19	2,799.96	1,919.16	1,884.59
Non-controlling Interest	0.59	(7.58)	-	-
Total	3,265.78	2,792.38	1,919.16	1,884.59
Balance in Profit & Loss Account	7,199.79	4,407.93	11,499.91	9,615.32
Closing Balance in Profit & Loss Account	10,493.72	7,199.79	13,447.81	11,499.91
Earning Per Share (Rs.) – Basic	4.78	4.14	2.81	2.79
Earning Per Share (Rs.) – Diluted	4.73	4.08	2.78	2.75

RESULT OF OPERATIONS:

The consolidated total income decreased from INR 35,588.15 Million to INR 35,406.78 Million, a decrease of 0.51% over the previous financial year. The consolidated Net Profit after Tax increased from INR 2,792.38 Million to INR 3,265.78 Million, a growth of 16.95% over the previous financial year. The detailed analysis of the consolidated results forms part of the Management Discussion & Analysis Report provided separately as part of the Annual Report.

The standalone total income decreased from INR 9,548.51 Million to INR 8,739.79 Million, a decrease of 8.47% over the previous financial year. The standalone Profit after Tax increased from INR 1,884.59 Million to INR 1,919.16 Million, an increase of 1.83% over the previous financial year.

INCREASE IN SHARE CAPITAL:

During the year, your Company issued/ allotted 5,214,482 equity shares of the face value of INR 10/- each on the exercise of stock options under Firstsource Solutions Employee Stock Option Scheme 2003 (ESOS 2003). Consequently, the outstanding, issued, subscribed and paid up capital of the Company has increased from 681,308,337 shares to 686,522,819 shares of INR 10/- each aggregating to INR 6,865.22 Million as on March 31, 2018.

DIVESTITURE OF THE DOMESTIC BUSINESS:

During the year under review, a Business Transfer Agreement was signed on July 7, 2017 with Vertex Customer Management India Private Limited to sell a portion of Company's India domestic business and the said transaction/(s) has been closed successfully during the period under review.

GLOBAL OPERATION CENTERS:

The Company, on a consolidated basis have 37 global operation centers as on March 31, 2018. The centers are located across India, US, UK and Philippines. 10 of the Company's operation centers are located in 7 cities in India, 18 in US, 7 in UK and 2 in Philippines.

During the year, the Company incurred capital expenditure of INR 625.05 Million mainly towards refurbishment and maintenance of operation centers, technology upgrade and setting up of new operations centers.

QUALITY INITIATIVES:

The Company follows the global best practices for process excellence and the quality framework is based on COPC principles. The Company uses innovative techniques like Speech & Text Analytics, Robotic Process Automation and Intelligent action board to drive improvements across. Also, as part of the Quality Management System, the Company has embraced ISO 9001:2008. The Company continues to follow process improvement methodologies like Six Sigma, Lean and Kaizen.

AWARDS AND ACCOLADES:

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

Awards:

- Triple awards at the Welsh Contact Centre (WCC) Awards 2018 in the UK: Gold in 'Outsourced Contact Centre of the Year'; Gold in 'People Engagement' for the Caridff HR teams and Individual award in the 'Trainer of the Year' categories. The awards recognise the teams' commitment to delivering great customer experiences and making Firstsource an employer of choice.
- Won the award for 'Best Personal Entertainment and Telecoms' at the prestigious UK Complaint Handling (UKCH) Awards 2018. The award recognises the company's partnership with giffgaff, the community-run network which delivered record breaking results for the telecoms company in a highly competitive marketplace.
- Won multiple awards at the North East Contact Centre Awards 2017: Gold in the 'Contact Centre of the Year (under 250 seats)' category. This award recognises the Firstsource Middlesbrough team's commitment to understanding and responding to customer needs and delivering great customer experiences. Silver for the Middlesbrough HR team in the 'Recruitment Champion' category, for its commitment to making Firstsource an Employer of choice, while delivering value to clients and contributing to Firstsource's overall business performance. Individual awards in the categories of 'Inspirational Leader 2017' and the 'Customer Experience Champion of the Year'.
- Won 3 awards at the European Contact Centre and Customer Service Awards (ECCCSA's) 2017: Gold in Medium Contact Centre of the Year, Silver in Outsourcing Partnership of the Year for work done with Sky and Silver in Outsourced Contact Centre of the Year for work done out of the Middlesbrough office in the UK. The awards recognise the team's commitment to understanding and responding to customer needs and delivering great customer experiences.
- Awarded the 'BPO Contract of the Year' at the Global Sourcing Association (GSA) Awards 2017, in recognition of the on-going work with Sky. This win recognises Firstsource's long-term partnership with Sky and the success achieved by creating a joint operational management structure, transparent culture and the innovative use of technology and approach to customer experience.
- Won two awards at the UK Customer Experience Awards 2017: Gold in the Large Contact Centre category in partnership with Sky and CX Professional of the Year for Kathryn Chivers, VP – Sales Operations, UK. The wins celebrate Firstsource's work in Cardiff office in the UK to deliver top quality customer experiences.
- Won the prestigious 'Customer Service Excellence Award' at the NASSCOM BPM Strategy Summit 2017. This award in the 'Return on Investment (ROI)' category recognises Firstsource's focus on providing agile solutions across channels and creating immense RoI for its client.

Analyst Recognition:

- Recognised as a 'Major Contender' in Everest Group's Mortgage BPS Service Provider Landscape with Services PEAK Matrix™ Assessment 2017. The positioning recognises Firstsource's focus on excellence and delivery, and highlights the company's commitment to providing a smart and collaborative partnership for clients.
- Healthcare Provider and Payer businesses were also recognised as 'Major Contender' in Everest Group's Service Provider Landscape PEAK Matrix™ Assessment 2017. The positioning recognises the investments and strides made in the digital arena, especially with RPA deployment for Payer and automation solutions for Provider services.
- Recognised as a 'Major Contender' in Everest Group's Contact Centre Outsourcing (CCO) PEAK Matrix™ Assessment 2017. This positioning recognises Firstsource's focus on excellence and delivery while highlighting the organisation's commitment to building smart and collaborative partnership with clients.
- Recognised as a 'Major Contender' in Banking BPO–Service Provider Landscape by Everest Group's PEAK Matrix™ Assessment 2017. This recognition acknowledges the organisation's focus on excellence and celebrates its' capabilities to consistently enhance customer experience.
- Ranked as a 'Leader' in the Telecoms market by NelsonHall in one of their industry reports. The ranking as 'Leader' significantly improves the organisation's performance from a 'High Achiever' in the past.

Industry Recognition:

- Firstsource is the first BPM Company in the U.K to achieve the 'Gold' standard by Investors in People (IIP). The standard defines what it takes to lead, support and manage people for sustained success. The organisation is now in the top 7% of businesses in the UK, which falls under this Gold accreditation.
- Firstsource recognised as a 'Leader' in the International

Association of Outsourcing Professionals' (IAOP) Global Outsourcing 100 List for 2017. In addition, it has also been named a 'Superstar of the Global Outsourcing 100', because of its' exceptional performance and high scores achieved during the IAOP evaluation.

CONSOLIDATED FINANCIAL STATEMENTS:

In accordance with Section 129(3) of the Companies Act, 2013 and in view of notification issued by the Ministry of Corporate Affairs on Ind-AS, the Company has prepared consolidated financial statements of the Company and all its subsidiaries as per Ind-AS, which forms part of this Annual Report.

DIVIDEND:

Your Company takes immense pleasure to inform that the Board of Directors at its meeting held on May 7, 2018 recommended final maiden dividend at the rate of 15% i.e. INR 1.50 per share of INR 10/- each fully paid up equity shares of the Company for the FY2017-18.

APPLICABILITY OF DIVIDEND DISTRIBUTION POLICY:

Pursuant to SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016 dated July 8, 2016, the top five hundred listed entities based on market capitalization (calculated as on March 31 of every financial year) shall formulate a Dividend Distribution Policy which shall be disclosed in their annual reports and on their websites.

The Board of Directors of the Company has approved the draft of Dividend Distribution Policy at its meeting held on August 8, 2017. The applicability of the said policy will be effective from FY 2016-17 to the Company and the same is available on the website of the Company at the link http://www.firstsource.com/blog/wp-content/uploads/2017/10/Dividend-Distribution-Policy.pdf.

TRANSFER TO RESERVE:

The Board of Directors of the Company (hereinafter referred to as the "Board") have not recommended transfer of any amount of profit to reserves during the year under review other than as mentioned above. Hence, the remaining amount of profit for the financial year under review has been carried forward to the Statement of Profit and Loss.

HUMAN RESOURCES:

On a consolidated basis, the Company has 18,703 employees as of March 31, 2018.

PARTICULARS OF THE EMPLOYEES AND RELATED DISCLOSURES:

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 ("Act") read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 form part of this Report and are annexed as Annexure I.

The statement containing particulars of employees as required under Section197(12) of the Act read with Rules 5(2) and 5(3) of the Companies (Appointmentand Remuneration of Managerial Personnel) Rules, 2014, is provided in a separate annexure forming part of this Report. Further, the Report and the accounts are being sent to the members excluding the aforesaid annexure. In terms of Section 136 of the Act, the said annexure is open for inspection at the Registered Office of the Company. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary.

PUBLIC DEPOSITS:

During the year under review, your Company has not accepted any deposits under Section 73 of the Act, and as such, no amount on account of principal or interest on public deposits was outstanding as of March 31, 2018.

PARTICULARS OF LOANS, INVESTMENTS, GUARANTEES AND SECURITIES:

Particulars of loans given, investments made, guarantees given and securities provided along with the purpose for which the loan or guarantee or security is proposed to be utilized by the recipient are provided in the notes to the standalone financial statements. (Please refer to Note 5 & 28 to the standalone financial statements).

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES:

The Company seeks to be a good corporate citizen in all aspects of its operations and activities. We commit to operating in an economically, socially and environmentally responsible manner whilst balancing the interests of diverse stakeholders. Our CSR Policy is governed and guided by our Group's corporate vision to enable inclusive growth and our aspiration to be India's leading business group serving multiple market segments, for our customers, shareholders, employees and community. The Company seeks to undertake programmes in the areas of Healthcare, Education, Environment, Arts & Culture, Promotion of Sports as well as support initiatives towards Gender Equality and Empowerment of Women.

The Board constituted a Corporate Social Responsibility (CSR) Committee, pursuant to Section 135 of the Act, consisting of Shashwat Goenka (Chairman), Rajesh Subramaniam, Subrata Talukdar and Pradip Roy (Independent Director) as its members. The CSR Committee meets once in a year. The details of CSR Committee and its meetings are given in Report on Corporate Governance forming part of the Annual Report. The CSR Committee has framed and formulated a CSR Policy indicating the activities to be undertaken by the Company, in accordance with Schedule VII of the Act and the Companies (Corporate Social Responsibility Policy) Rules, 2014 issued under the Act. The same has also been approved by the Board. The CSR policy is available on the website of the Company at the link http://firstsource.com/blog/wp-content/uploads/2016/06/fsl-corporate-social-responsibility-policy.pdf. The Annual Report on CSR Activities, as stipulated under the Act and the Listing Agreement forms an integral part of this Report and is appended as Annexure II. The details of focus areas of engagement as mentioned in the CSR Policy of the Company are mentioned in the said Annual Report on CSR Activities.

The CSR activities, as per the provisions of the Act, may also be undertaken by the Company through a registered trust. Accordingly, "RP – Sanjiv Goenka Group CSR Trust" ("CSR Trust") was formed along with other group companies to pursue CSR activities as mentioned in the CSR Policy of the Company. During the year, the Company has spent an amount of INR 34.51 Million, being 2% of the average net profits of the Company for the last 3 years on CSR activities as mentioned in the CSR Policy. Out of the said amount, majority of the amount has been contributed by the Company towards the corpus of the CSR Trust, which would be spent by the CSR Trust on the focus areas as mentioned in the CSR Policy of the Company.

The CSR at the Company is a platform for giving back to the communities in which we live and work. The Company looks to engage employees in our focus areas where possible through programmes such as Employee Volunteering, Payroll Giving, Participating in fundraising events, Partnering with NGO's and Response to disasters.

India:

- As part of the 'Give India' Payroll Giving Program, Firstsource employees contribute towards various charities on a monthly basis. The total contribution this FY year was around INR 2 Million;
- Firstsource donated INR 0.5 Million towards 'Wheels of Change'. They work in the disability space and have a novel cab service called 'Kickstart'. The donation was towards modification of one of their cabs to make it accessible for people with disability;
- Firstsource donated INR 0.25 Million towards Light of Life trust for organizing a fundraiser event "Kalpataru – A Musical". This is a platform for the underprivileged children to showcase their talent and the proceedings from this event was utilized for their education;
- Firstsource donated INR 0.2 Million towards Foundation For Excellence for providing Scholarship for underprivileged Engineering students;
- In Indore, employees participated in a plantation drive organized by the Government of Madhya Pradesh. The team went to Devguradiya to plant trees and were felicitated by the Forest department officials;
- Employees in Chennai office visited Christ Faith Home, a shelter for more than 100 homeless children. The team members distributed provision items to the shelter and they had a chance to interact and conduct fun activities for the children;
- In Mumbai, employees visited Shram Yash Charitable Trust, a shelter home for 32 children. The volunteers distributed snacks and collected stationery materials. They also had interacted with the children and conducted some fun activities for them;
- Employees in Pondicherry visited a service home and spent quality time with children;
- The Firstsource Dream source Committee at Trichy, visited 'Hope of the Hopeless' orphanage which is home to 90 odd orphans. They spent quality time with the children and also donated provisions as part of the 'Joy of giving' initiative;
- Employees from Bangalore office visited Swanthana, an NGO for underprivileged and differently abled girls. With the support and contribution of fellow Firstsourcers, the volunteers who visited the NGO donated groceries, a washing machine, blenders, cleaning solutions, blankets and bed sheets. The remaining funds were issued to the NGO through a cheque to assist them in construction of a section that was damaged due to rains;
- Firstsource joined hands with Shine Treechy- an NGO dedicated to Environmental conservation and Social development in Trichy. 2000 Palm saplings were planted in a pre-identified area.

Philippines:

- Employees in Philippines visited Bahay Punlaan as part of the CSR initiative called 'Plant-a-Tree for Mother Earth'. This initiative helped in replanting and restoring the rainforest;
- A CSR activity was held in partnership with the Department of Labour and Employment at 'Bahay Aruga', Manila and pooled in resources to provide for school supplies and other provisions for the children at the orphanage;
- Employees of the Company's office in Manila, for more than 3 years in a row have been sponsoring the Chosen Children Village Foundation, Inc., an internationally acclaimed facility geared towards securing the future children with special needs. Our employees supported this foundation by selling Christmas Cards painted by the children of the foundation. A total of 321 Christmas cards were sold and PHP 16,050 was raised to support the foundation.

UK:

- Supershoes fundraising were our annual charity of choice. Firstsourcers have been actively supporting Supershoes a charity which empowers children fighting cancer. Fundraising has involved activities like Waterside Half Marathon, Errigal Peak Challenge, cake sales, Funky Shoe Weeks, Ice Bucket Challenge, Onesie day, Raffle to win tickets to the Wales vs Georgia rugby match, etc. A total of GBP 3,556.33 was raised towards Supershoes in FY17-18;
- To mark World Suicide Prevention Day, Aware NI held 'Mood Walk' in Derry with the aim of raising money for AWARE and the services they provide in the local area;
- Black Eye fundraising boxing match was organized and a total of GBP 1,460 was raised to support the Altnagelvin Neonatal Intensive Care Unit (NICU);
- During Christmas employees participated in donations of toys and gifts to support disadvantaged children in conjunction with the Business in The Community Cares @ Christmas initiative across Northern Ireland sites. In Warrington, ticket

sale donations following the site's Christmas Party, were given towards Saint Rocco's Hospice;

- Staff across firstsource's offices took part in various activities namely 'Wear Pink to Work' day, Dress down day and bake sale to create awareness around breast cancer care;
- During the cold spell referred to as the 'Beast from the East,' staff in Cardiff raised well over GBP 672, which was enough to buy 100+ sleeping bags, 100+ rucksacks and 150+ pairs of socks for the homeless;
- Staff in Cardiff took part in a litter picking activity in partnership with Business in the Community. This organization works closely with businesses to tackle a wide range of issues that are essential to building a fairer society and a more sustainable future.

USA:

- Multiple events were organized for Making Strides for Breast Cancer. Over USD 14,000 was raised from bake sales, raffles, yard sales, Annual walks, lunch events, selling breast cancer prevention items, jeans day, penny wars, etc.;
- Louisville employees raised funds for Toys for Tots. Managers and supervisors all volunteered to receive a pie for every USD 15 that was placed in their jar. Total USD 230.66 was raised for the charity;
- To assist the hurricane affected in US Virgin Islands and Puerto Rico, employees decided to act quickly and raise donations. Two shipments were sent by boat and one shipment via freight company (all through donated time/efforts). School Supply drives were organised at multiple offices. For Hurricane Harvey affected, all offices in US encouraged donation;
- As part of Back to school campaign, Louisville employees donated binders and notebooks to local schools and Colorado Springs office donated over 540 school supply items;
- In association with Habitat for Humanity in Louisville, community clean up was helped by cleaning up around homes, planting and yard maintenance in specific areas;
- Blood donation drive was carried out in association with UNYTS. Employees donated a total of 36 Whole Blood Units and 8 Double Red Cell Products. Also, 13 employees signed up to be organ donors;
- Employees from multiple offices donated a variety of items for all ages to local homeless/women's shelters, and also partnered with YWCA women's shelter to provide mittens;
- As part of the "Adopt a family" initiative, employees adopted a child for the holiday season and donated clothing and toys so that children could have a nice Christmas holiday;
- Firstsource Advantage employees in association with Salvation Army organized various fundraising events. During the past year Firstsource has done multiple food drives with proceeds going towards the Salvation Army Food Bank. Participation was done in Pack a Backpack initiative which helped support 20 young children in need of school supplies;
- The Company held multiple 50/50s throughout the year, and raised a total of USD 2,264 for American heart organization, American Red Cross, American Cancer Society etc.

RISK MANAGEMENT:

The Company has implemented a comprehensive and fully integrated 'Enterprise Risk Management' framework in order to anticipate, identify, measure, manage, mitigate, monitor and report the principal risks and uncertainties that can impact its ability to achieve its strategic business objectives.

The Company has introduced several improvements to Enterprise Risk Management and processes to drive a common integrated view of risks and optimal risk mitigation responses. This integration is enabled by alignment of Risk Management and Internal Audit methodologies and processes in order to maximize enterprise value of the Company and ensure high value creation for our stakeholders over a time.

The details of the 'Enterprise Risk Management' framework with details of the principal risks and the plans to mitigate the same are given in the 'Risk Management Report' section of the 'Management Discussion and Analysis Report' which forms part of this Annual Report.

INTERNAL FINANCIAL CONTROLS:

The Company has in place adequate internal financial controls with reference to financial statements. Such internal financial controls over financial reporting are operating effectively and the Statutory Auditor has also expressed their opinion on the same in the Annexures to the Auditors Report.

WHISTLE BLOWER POLICY:

The Company has a Whistle Blower Policy (the "WB Policy") with a view to provide vigil mechanism to Directors, Employees and other Stakeholders to disclose instances of wrongdoing in the workplace and report instances of unethical behavior, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. The WB Policy also states that this mechanism provides for adequate safeguards against victimization of Director(s)/ Employees who avail of the mechanism and also provides for direct access to the Chairman of the Audit Committee in exceptional cases. The WB Policy has been posted on the website of the Company and the details of the same are explained in the 'Report on Corporate Governance' forming part of this Annual Report. The WB Policy is available at the website of the Company at the below link http://firstsource.com/blog/wp-content/uploads/2016/06/Whistle-Blower-Policy.pdf

PREVENTION OF SEXUAL HARRASSMENT POLICY:

The Company has a 'Prevention of Sexual Harassment Policy' in force in compliance to the requirements of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The objective of this Policy is to ensure a safe, secure and congenial work environment where employees deliver their best without any inhibition, threat or fear. The Company has Zero Tolerance to any form of harassment especially if it is sexual in nature. The complaints filed under the Policy are reported to the Audit Committee at its quarterly meetings with details of action taken thereon.

BOARD OF DIRECTORS:

1. Subrata Talukdar (DIN 01794978) retires by rotation and being eligible, has offered himself for re-appointment at the ensuing Annual General Meeting("AGM");
2. Re-appointment of Mr. Pradip Roy (DIN 00026457) as an Independent Director on the Board of the Company for a term of three (3) consecutive years, subject to Member's approval.

All the Independent Directors of the Company have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Act.

Board and Audit Committee Meetings:

During the FY2017-18, the following 4 Board Meetings and Audit Committee Meetings were held on:

1. May 5, 2017;
2. August 8, 2017;
3. November 1, 2017; and
4. February 7, 2018.

Time gap between any two meetings was not more than one hundred twenty (120) days.

The full details of the said meetings are given in the 'Report on Corporate Governance' forming part of this Annual Report.

The Familiarisation Programmes for Independent Directors:

The Company has put in place a system to familiarise its Independent Directors with the Company, their roles, rights & responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, etc. The details of such familiarization programmes are put up on the website of the Company at the below link: http://firstsource.com/blog/wp-content/uploads/2016/06/fsl-details-of-independent-directors familiarisation-programme.pdf.

BOARD EVALUATION:

(i) **Performance Evaluation of the Independent Directors and Other Individual Directors:**

The Company has framed a policy for Appointment of Directors and Senior Management and Evaluation of Directors' Performance ("Board Evaluation Policy"). The said policy sets out criteria for performance evaluation of Independent Directors, other Non-Executive Directors and the Executive Directors.

Pursuant to the provisions of the Act and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), the Board carries out the performance evaluation of all the Directors (including Independent Directors) on the basis of recommendation of the Nomination and Remuneration Committee and the criteria mentioned in the Board Evaluation Policy. The Board decided that the performance evaluation of Directors should be done by the entire Board of Directors excluding the Director being evaluated and unanimously agreed on the following assessment criteria for evaluation of Directors' performance:

a. Attendance and active participation in the Meetings;
b. Bringing one's own experience to bear on the items for discussion;
c. Governance – i) Awareness ii) Observance; and
d. Value addition to the business aspects of the Company.

(ii) **Performance Evaluation of Executive Director:**

The performance of the Managing Director & CEO is evaluated on the basis of achievement of performance targets/ criteria given to him by the Board from time to time.

(iii) **Performance Evaluation by the Board of its own performance and its Committees:**

The performance of the Board is evaluated by the Board in the overall context of understanding by the Board of the Company's principle and values, philosophy and mission statement, strategic and business plans and demonstrating this through its action on important matters, the effectiveness of the Board and the respective Committees in providing guidance to the management of the Company and keeping them informed, open communication, the constructive participation of members and prompt decision-making, level of attendance in the Board meetings, constructive participation in the discussion on the Agenda items, monitoring cash flow, profitability, income & expenses, productivity & other financial indicators, so as to ensure that the Company achieves its planned results, effective discharge of the functions and roles of the Board etc.

The performance of the Committees is evaluated by the members of the respective Committees on the basis of the Committee effectively performing the responsibility as outlined in its Charter, Committee meetings held at appropriate frequency, length of the meetings being appropriate, open communication & constructive participation of members and prompt decision-making etc.

POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION:

The criteria for Directors' appointment and for determining qualification, positive attributes and independence of a Director as mentioned in the 'Policy for Appointment of Directors and Senior Management and Evaluation of Directors' Performance' in terms of Section 178(3) of the Act is mentioned below:

Appointment criteria and qualifications:

1. The Nomination and Remuneration Committee shall identify and ascertain the integrity, qualifications, expertise and experience of the person for appointment as Director, Key Managerial Personnel ("KMP") or at Senior Management level and recommend the same to the Board for appointment, if found suitable;
2. A person should possess adequate qualifications, expertise and experience for the position he/ she is considered for appointment. The Committee has discretion to decide whether qualifications, expertise and experience possessed by a person

are sufficient/ satisfactory for the concerned position; and

3. The Company shall not appoint or continue the employment of any person as Managing Director/ Whole time Director who has attained the age of seventy years, provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice or such motion indicating the justification for extension of appointment beyond seventy years.

Meeting of Independent Directors:

There should be atleast one meeting of Independent Directors in a year, without the attendance of non-independent Directors and members of the Management.

The Independent Directors in the meeting:

i. Review the performance of non-independent Directors including Managing Director & CEO and the Board as a whole;

ii. Review the performance of the Chairperson of the Company, taking into account the views of executive Directors and non-executive Directors; and

iii. Assess the quality, quantity and timeliness of the flow of information between the Company's management and the Board that is necessaryfor the Board to effectively and reasonably perform its duties.

Remuneration Policy:

The Board, on the recommendation of the Nomination and Remuneration Committee framed a Remuneration Policy for Non-Executive Directors (including Independent Directors) and a Remuneration Policy for Key Managerial Personnel and other Employees of the Company. The details of Remuneration Policy for Non-Executive Directors and Independent Directorsare provided as Annexure IIIA and details of Remuneration Policy for Key Managerial Personnel and Other employees of the Company are provided as Annexure IIIB to this Report.

COMMITTEES OF THE BOARD:

A detailed note on the Board and its Committees is provided in the 'Report on Corporate Governance' forming part of this Annual Report. The composition of the major Committee/(s) is as follows:

Audit Committee:

As on March 31, 2018, the Audit Committee comprised of 3 Independent Directors namely Y. H. Malegam (Chairman), Charles Miller Smith and Ms. Grace Koshie and 1 Non – Independent Director, namely Subrata Talukdar.

Nomination and Remuneration Committee:

As on March 31, 2018, the Nomination and Remuneration Committee comprised of 3 Independent Directors viz. Y. H. Malegam (Chairman), Charles Miller Smith and Pradip Roy and (1) Non-Independent Director, namely Subrata Talukdar.

Corporate Social Responsibility (CSR Committee):

As on March 31, 2018, CSR Committee comprised of Shashwat Goenka (Chairman), Rajesh Subramaniam, Subrata Talukdar and 1 Independent Director, namely Pradip Roy.

Stakeholders Relationship Committee:

As on March 31, 2018, Stakeholders Relationship Committee comprised of members viz. Subrata Talukdar (Chairman) and Rajesh Subramaniam.

Investment Committee:

As on March 31, 2018, Investment Committee comprised of members viz. Y. H.Malegam (Chairman), Rajesh Subramaniam and 1 Non-Independent Director, namely Subrata Talukdar.

Strategy Committee:

As on March 31, 2018, Strategy Committee comprised of members viz. Shashwat Goenka (Chairman), Rajesh Subramaniam, Subrata Talukdar and 1 Independent Director, namely Donald W. Layden Jr.

RELATED PARTY TRANSACTIONS:

All the contracts/ arrangements/ transactions that were entered into by the Company during the financial year with related parties were on an arm's length basis and in the ordinary course of business. During the year, the Company had not entered into any contract/ arrangement/ transaction with related parties which could be considered material, requiring approval of the Board/shareholders, in accordance with the policy of the Company on materiality of related party transactions. All Related Party Transactions are placed before the Audit Committee for approval.

The policy on Related Party Transactions as approved by the Board is available on website of the Company at the below link: http://firstsource.com/blog/wp-content/uploads/2016/06/Related-Party-Transaction-Policy.pdf.

Details of Related Party Transactions are given at Note No. 24 to the Standalone Financial Statements. None of the Directors of the Company has any pecuniary relationships or transactions vis-a-vis the Company.

EMPLOYEES STOCK OPTION SCHEME:

With a view to provide an opportunity to the employees of the Company to share the growth of the Company and to create long-term wealth, the Company has an Employee Stock Option Scheme (ESOS), namely, the Firstsource Solutions Employee Stock Option Scheme 2003 (ESOS 2003). The Scheme is applicable to the eligible employees that include Employees and Directors of the Company and its Subsidiary Companies. The Scheme is in compliance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("SEBI ESOP Regulations"), as amended. There has not been any material change in the Scheme during the financial year. The disclosure pursuant to SEBI ESOP Regulations read with Circular No CIB/CFD/Policy/CELL/2,2015 dated June 16, 2015, are given on the website of the Company (http://www.firstsource.com/us/investors-corporate-governance).

SUBSIDIARY COMPANIES:

As on March 31, 2018, your Company has 15 subsidiaries and 1 Associate Company:

Domestic Subsidiary: (1)

1. Firstsource Process Management Services Limited (Formerly known as Anunta Tech Infrastructure Services Limited) [Wholly Owned Subsidiary ("WOS") of the Company]

International Subsidiaries: (14)

1. Firstsource Solutions UK Limited, UK (WOS of the Company)
2. Firstsource Solutions S.A., Argentina (Subsidiary of Firstsource Solutions UK Limited)
3. Firstsource Group USA, Inc., USA (WOS of the Company)
4. MedAssist Holding, LLC, USA (WOS of Firstsource Group USA, Inc)
5. Firstsource Business Process Services, LLC, USA (WOS of Firstsource Group USA, Inc)
6. Firstsource Advantage, LLC, USA (WOS of Firstsource Business Process Services, LLC)
7. One Advantage, LLC, USA (WOS of Firstsource Business Process Services, LLC)
8. Firstsource Solutions USA, LLC, USA (WOS of MedAssist Holding, LLC)
9. Firstsource Transaction Services, LLC, USA (WOS of Firstsource Solutions USA, LLC)
10. ISGN Solutions Inc. (WOS of Firstsource Group USA, Inc)
11. ISGN Fulfillment Services, Inc. (WOS of ISGN Solutions Inc.)
12. ISGN Fulfillment Agency, LLC (WOS of ISGN Fulfillment Services, Inc.)
13. Firstsource BPO Ireland Limited (WOS of the Company)
14. Firstsource Dialog Solutions (Private) Limited (Subsidiary of the Company)

Associate Company: (1)

1. Nanobi Data and Analytics Private Limited

The Company has no other joint venture Company. No company has ceased to be a joint venture or associate during the FY 2017-18.

Report on the Performance and Financial Position of Subsidiaries:

A report on the performance and financial position of each of the subsidiaries as per the Act, in the prescribed format AOC – 1 is annexed to the consolidated financial statement and hence not repeated here for the sake of brevity. The Company has a policy on material subsidiaries pursuant to Regulation 16(1)(c)of the Listing Regulations. The same is available on website of the Company viz: http://firstsource.com/blog/wp-content/uploads/2016/06/Material-Subsidiary-Policy.pdf.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

Management Discussion and Analysis Report for the year as stipulated under Regulation 34(3) of the Listing Regulations is separately given and forms part of this Annual Report.

BUSINESS RESPONSIBILITY REPORT:

Business Responsibility Report for the year as stipulated under Regulation 34(3) of the Listing Regulations is separately given and forms part of this Annual Report.

REPORT ON CORPORATE GOVERNANCE:

The adherence to the corporate governance practices by the Company not only justifies the legal obedience of the laws but dwells deeper conforming to the ethical leadership and stability. It is the sense of good governance that our leaders portray, which trickles down to the wider management and is further maintained across the entire functioning of the Company.

The Company is committed to maintain the highest standards of corporate governance and adheres to the corporate governance requirements set out by SEBI.

The report on Corporate Governance as stipulated under provisions of Chapter IV & Schedule V of the Listing Regulations is separately given and forms part of this Annual Report. The requisite certificate from a Practicing Company Secretary confirming compliance of the conditions of corporate governance is attached to the Report on Corporate Governance.

EXTRACT OF ANNUAL RETURN:

The details forming part of the extract of the Annual Return in Form MGT- 9 is annexed herewith as Annexure IV.

STATUTORY DISCLOSURES OF PARTICULARS:

A) Conservation of Energy:

The Company continues to make progress towards energy conservation across all its operation centers. The Company is continuously monitoring earlier initiatives of reducing energy consumption within data center/(s) and across its' operation centers. The Company, similar to its previous year's initiatives of GREEN IT, continued to replace the normal Desktops and old Thin clients with Mini Desktops/ Zero thin-clients in US Geography as the power consumption of mini desktop & Zero thin-clients was 2.5 times less than the power consumed by normal desktops and nearly 5 times less during standby mode. Scripts have been deployed where possible to shut down the Desktops/ Thin clients which are not being used for more than 1 hour which helps conserve energy.

B) Absorption of Technology:

The Company has been innovating consistently to absorb newer technology offerings which can benefit business to improve operational efficiency with a cost effective manner. During the year, the Company has invested on newer technology with Software defined network with Cisco on Cisco's M5 next generation blade infrastructure. The Company is also migrating it's vast range of physical servers across multiple data centers in India, US & UK on to virtual servers as a result of which there will be savings of Power costs on account of reduction in power consumption and cooling costs. This is the first step towards hosting our Applications to cloud and ease of management of our Data center Infrastructure and Applications.

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, 66.23% of the Company's standalone total revenues were derived from exports. The Company provides BPO services mostly to clients in North America, UK and Asia Pacific region. The Company has established direct marketing network around the world to boost its exports.

FOREIGN EXCHANGE EARNED AND USED:

The Company's Foreign Exchange Earnings and Outgo during the year were as under:

(Standalone figures in ₹ Million)

Particulars	FY2018	FY2017
Foreign Exchange Earnings	5,788.20	5,683.29
Foreign Exchange Outgo (including capital goods and imports)	293.15	155.59

SECRETARIAL AUDIT:

Pursuant to the provisions of Section 204 of the Act read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company obtained Secretarial Audit Report from Rathi & Associates, a Company Secretaries in Practice for the FY2017-18. The Secretarial Audit Report is annexed to this Report as Annexure V.

STATUTORY AUDITORS AND AUDITORS' REPORT:

M/s. Deloitte Haskins & Sells LLP, Chartered Accountants, bearing Registration Number: 117366W/W-100018, were appointed as the Statutory Auditors of the Company by the members at their 16th Annual General Meeting (AGM) for a term of consecutive five (5) years i.e. till the conclusion of 21st AGM. In view of the amendment effective from May 7, 2018 the first proviso to Section 139(1) has been omitted and as a effect, ratification of the appointment of the Statutory Auditors at the 17th AGM has not been considered.

The Notes on financial statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditors' Report does not contain any qualification, reservation or adverse remark. However, there is Emphasis of Matter in the Auditors' Report which is self-explanatory.

GENERAL:

Your Directors state that no disclosure or reporting is required in respect of the following matters as there were no transactions on these matters during the FY2017-18:

1. Issue of equity shares with differential rights as to dividend, voting or otherwise;
2. Issue of shares to employees of the Company under any scheme save and except Employees Stock Option Scheme as referred to in this Report;
3. The Managing Director & CEO does not receive any remuneration or commission from any of its subsidiaries; and
4. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and the Company's operations in future.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement under Section 134(3) (c) and 134(5) of the Companies Act, 2013, Directors of your Company state and confirm that:

1. In the preparation of the annual accounts for the FY2017-18, the applicable Ind-AS accounting standards have been followed and there are no material departures from the same;
2. 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 as at March 31, 2018 and of the profit of the Company for year ended on that date;
3. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. The Directors had prepared the annual accounts on a going concern basis;
5. The Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
6. The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

ACKNOWLEDGMENTS:

The Board wishes to place on record its sincere appreciation for the support and co-operation extended by all the customers, vendors, bankers and business associates. The Board also expresses its gratitude to the Ministry of Telecommunications, Collector of Customs and Excise, Director – Special Economic Zone and various Governmental departments and organisations for their help and co-operation.

Further, 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

Sanjiv Goenka
Chairman

Kolkata
May 7, 2018

Annexure I to the Directors' Report

Information required under Section 197 of the Companies Act 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

(i) The Ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the FY2017-18 and

(ii) The percentage increase in remuneration of each Director, Managing Director & Chief Executive Officer, Chief Financial Officer and Company Secretary of the Company in the FY2017-18.

Name & Designation	Remuneration/ Sitting Fees of each Director & KMP for FY2017-18 (₹)	% increase/ decrease in remuneration in the FY2017-18	Ratio of remuneration of each Director to median remuneration of employees
A. Directors			
Rajesh Subramaniam, MD & CEO*	73,442,933*	57.16%	353.83
Sanjiv Goenka, Chairman, NI-NED	400,000	-	1.93
Y. H. Malegam, I-NED	900,000	-	4.34
Charles Miller Smith, I-NED	650,000	-	3.13
Donald W. Layden Jr., I-NED	500,000	150%	2.41
Pradip Roy, I-NED	700,000	(6.67%)	3.37
V. K. Sharma, I-NED	450,000	-	2.17
Grace Koshie, I-NED	650,000	30%	3.13
Shashwat Goenka, NI-NED	500,000	-	2.41
Subrata Talukdar, NI-NED	950,000	(5%)	4.58
Pradip Kumar Khaitan, NI-NED	300,000	-	1.45
B. Key Managerial Personnel			
Dinesh Jain, President & CFO*	20,329,785	20.81%	Not Applicable
Pooja Nambiar, CS & Compliance Officer**	2,348,111	236.53%	Not Applicable

Legends: KMP – Key Managerial Personnel, MD & CEO- Managing Director & Chief Executive Officer, NI-NED – Non Independent, Non-Executive Director, I-NED - Independent, Non-Executive Director, CFO – Chief Financial Officer, CS- Company Secretary

Notes:

1. *The remuneration is exclusive of taxable value of perquisite on stock options exercised during the year.
2. **Ms. Pooja Nambiar was appointed as a Company Secretary & Compliance Officer w.e.f. January 31, 2017. (For FY2016-17 the salary reported for approx. 3 months). Therefore, the % increase in remuneration in the FY2017-18 is drastically high due to change in the coverage period.
3. Non-Executive Directors have received only sitting fees and no other remuneration have been paid to them.
4. Median remuneration of all the employees of the Company for the FY2017-18 is INR 207,564.

(iii) The percentage increase in the median remuneration of employees in the FY2017-18

Median remuneration of employees during the FY2017-18 was INR 207,564 compared to INR 154,836 of the previous financial year. However, during the FY2017-18, the Company has sold domestic business; to make the median comparable the Company has excluded Asia Business Unit (ABU) employees from FY2016-17 and recalculated median which comes to INR 201,600. This is used for comparison with current year median. This increase in median remuneration by 3% was mainly due to reduction in employee's strength from 16,252 employees in FY2016-17 to 8,801 employees in FY2017-18.

Also, the reduction in employees happened in lower salary bracket due to sale of domestic business to Vertex Customer Management India Private Limited and due to ramp down in other domestic processes.

The payment of managerial remuneration was as per the remuneration approved by the Shareholders of the Company and within the limit specified under the Companies Act, 2013.

(iv) The number of permanent employees on the rolls of Company

As on March 31, 2018, there were 8,801 permanent employees on the rolls of Company on standalone basis.

(v) The explanation on the relationship between average increase in remuneration and Company performance

Profit Before Tax increased by 6.26% and Profit After Tax increased by 16.95% on a consolidated basis in the FY2017-18, compared to previous FY. The market projections indicated a hike ranging 7-9%. The average increase of 3% in the median remuneration of the comparable employees during the FY was largely in line with the market projections and performance of the Company. Employees received hikes considering the criticality of the roles they play, their individual performance in the FY2017-18 and skills set they possess.

(vi) Comparison of the remuneration of the Key Managerial Personnel against the performance of the Company

The total remuneration of Key Managerial Personnel (KMPs) increased from INR 66.68 million in the FY2016-17 to INR 86.18 million in the FY2017-18, an increase of 29.24%, whereas Profit Before Tax increased by 6.26% and Profit After Tax increased by 16.95% on a consolidated basis in the FY2017-18. The remuneration does not include the taxable value of Stock Options exercised by the KMPs during the year.

The increase in the total remuneration of KMPs was based on the overall performance of the Company and the individual performance of the concerned employee during the previous Financial Year and based on the Remuneration Policy of the Company.

(vii) Variations in the market capitalisation of the Company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase or decrease in the market quotations of the shares of the Company in comparison to the rate at which the Company came out with the last public offer

a) The market capitalisation as on March 31, 2018 was INR 3,638.57 crore (INR 2,844 crore as on March 31, 2017).

b) Price Earnings ratio of the equity shares of the Company was 11.62 as at March 31, 2018 on a consolidated basis and 9.88 as at March 31, 2017.

c) Percentage increase or decrease in the market quotations of the shares of the Company as compared to the rate at which the Company came out with the last public offer: The Company had come out with initial public offer (IPO) in 2007 at a price of INR 64 per share. The closing price of the Company's Equity share on the National Stock Exchange (NSE) and (BSE) as on March 31, 2018 was INR 53 and INR 53 respectively. The % decrease in share price as on March 31, 2018 at NSE with respect to issue price was 17.2%.

(viii) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration

Average percentile increase in the median remuneration of comparable employees in the FY2017-18 other than the Managing Director & CEO was 3% and the increase in the salary of the Managing Director & CEO was 57.16%.

The above increase in median remuneration by 3% was mainly due to reduction in employee's strength from 16,252 employees in FY2016-17 to 8,801 employees in FY2017-18 and the salaries of employees was in line with the market projection, the performance of the Company in the FY2017-18, the individual performance of the employees, the criticality of the roles they play and skills set they possess. The increase in the total remuneration of the Managing Director & CEO was linked with the improvement in the overall performance of the Company and his individual performance during the previous financial year.

(ix) The comparison of the each remuneration of Key Managerial Personnel against the performance of the Company during the FY2017-18 is as under:

Name	Remuneration of each KMP for FY2017-18 (₹)	% increase/ decrease in remuneration in the FY2017-18	Comparison of remuneration of the KMPs against the performance of the Company
Rajesh Subramaniam, Managing Director & CEO	73,442,933	57.16%	Profit Before Tax increased by 6.26% and Profit After Tax increased by 16.95% on a consolidated basis in FY2017-18
Dinesh Jain, President & CFO	20,329,785	20.81%	
Pooja Nambiar, CS & Compliance Officer*	2,348,111	236.53%*	

Notes:

1. The above remuneration is exclusive of the taxable value of perquisites on stock options exercised during the year.
2. The increase in the total remuneration of KMPs is based on the overall performance of the Company and the individual performance of the concerned employee during the previous FY.
3. *Ms. Pooja Nambiar was appointed as a Company Secretary & Compliance Officer w.e.f. January 31, 2017. (For FY2016-17 the salary reported for approx. 3 months). Therefore, the % increase in remuneration in the FY2017-18 is drastically high due to change in the coverage period.

(x) The key parameters for any variable component of remuneration availed by the Directors

Amongst Directors the variable component of remuneration is availed by the Managing Director & CEO only, since all other Directors are Non-Executive Directors who are paid only sitting fees for attending the meetings of Board/ Committees. The key parameters for variable component of the remuneration availed by the Managing Director & CEO is decided by the Nomination and Remuneration Committee based on the performance of the Company and the individual performance of the Managing Director & CEO during the previous financial year. This is in line with the Remuneration Policy as approved by the Board.

(xi) The ratio of the remuneration of the highest paid Director to that of the employees who are not Directors but receive remuneration in excess of the highest paid Director during the year

None of the employees of the Company received remuneration in excess of the highest paid Director of the Company.

(xii) Affirmation that the remuneration is as per the Remuneration Policy of the Company

Pursuant to Rule 5(1)(xii) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, it is affirmed that the remuneration paid to the Directors, KMPs, Senior Management and other employees of the Company is as per the Remuneration Policy of the Company.

Annexure II to the Directors' Report

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

1. A brief outline of the Company's CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes.

The Board of Directors of your Company (hereinafter referred to as the "Board") approved the Corporate Social Responsibility ("CSR") Policy of your Company in the FY2014-15 as recommended by the CSR Committee pursuant to Section 135 Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014.

It is a constant endeavor of the Company to work towards building sustainable livelihoods and for the upliftment of the undeserved in the society. The Company wishes to transcend the boundaries of conventional business and industry modalities and integrate good business practices with community development. The Company seeks to promote and strengthen the trust of its shareholders, other stakeholders and the public, operating in accordance with good corporate governance and CSR practices which is inherent in the Group's Philosophy. The Group has upheld its tradition of community service across the country and reached out to the undeserved in order to empower their lives and provide holistic development. CSR activities and efforts are constantly being made by Group Companies in the core focus areas of providing quality educational support to students from the disadvantaged sections of society, improved access to healthcare services and awareness building regarding efficient use of energy resources. Thus, we strive to reach out to the community at large and provide services that create holistic development and operate in alignment with the Group's philosophy. With this in view, your Company has framed its CSR Policy called as Firstsource Solutions CSR Policy (the "CSR Policy").

The objective of the CSR Policy is to formalize and institutionalize Company's efforts in the domain of CSR. The CSR Policy shall serve as a guiding document to help identify, execute and monitor CSR projects in keeping with the spirit of the CSR Policy. Our vision is to be recognized for our strong commitment towards the community and to uphold the values of community service. The Company seeks to be a good corporate citizen in all aspects of its operations and activities. The Company seeks to undertake programmes in the areas of Healthcare, Education, Environment, Arts & Culture, Promotion of Sports as well as support initiatives towards Gender Equality and Empowerment of Women. The CSR at the Company is a platform for giving back to the communities in which we live and work. Our CSR Policy focuses on leveraging the full range of the Company's resources - people, skills, expertise and funding to broaden access to basic facilities for the undeserved in India. As part of its initiatives under CSR, the Company through its employee engagement activities has contributed in a variety of areas. Our Social initiative areas across the geographies include Employee Volunteering, Response to disasters and Participating in popular fundraising events, etc. The full details of initiatives taken by the Company in India and in other geographies in which the Company operates through its subsidiaries are given in the Directors' Report under the CSR initiatives section.

The CSR Committee of the Company has identified the following thrust areas around which your Company shall be focusing its CSR initiatives and channeling the resources on a sustained basis:

I. Healthcare:

a. Setting up Hospitals, health centers and rural dispensaries;

b. Providing better sanitation services to the community;

c. Collaborating with organizations that deliver localised community healthcare programs and awareness campaigns in nearby villages/municipalities; and

d. Family Welfare.

II. Education:

a. Support technical training institutes, skill development centers, non-formal vocational programmes for the purpose of creating livelihood opportunities, soft skill training etc. to the rural youth;

b. Enhancing the access to employment opportunity by providing vocational or special training/ skills training related to the field of IT enabled services, BPO services etc.;

c. Support to or collaboration with technical/vocational training institutions for overall self development and capacity building of the youth; and

d. Undertake adult literacy programmes for the disadvantaged sections of society.

III. Environment:

a. Undertaking tree plantation drives within the community (including taking care of the saplings) and work towards 'Green Belt Development';

b. Undertaking projects such as provision of sanitary landfills and/ or other environmentally sensitive waste management techniques; and

c. Supporting disaster relief efforts through NGOs working in this area where possible.

IV. Art & Culture:

a. Preservation of ancient Indian manuscripts;

b. Preserve cultural heritage by protecting the monuments, preserving the archival materials and safeguarding the classical, folk and tribal traditions;

c. Maintenance and conservation of the monuments and sites of archaeological and heritage value;

d. Promotion of literary, visual and performing arts and preservation of ancient traditions such as ancient Indian musical instruments;

e. Collaborate with organisations promoting and propagating Indian art and culture

f. Maintenance, preservation and conservation of archival records and archival libraries; and

g. Promotion and strengthening of regional and local museums.

V. Gender equality and women empowerment:

a. Building and strengthening partnerships with civil society organisations, particularly women's organisations for spreading awareness in rural areas, regarding the equal rights for women in all spheres – political, economic, social, cultural and civil; and

b. Empower women by supporting them in the formation of self-help groups and facilitate establishing linkages with financial institutions for availing loans to start small enterprises.

VI. Contribution to PM's National Relief Fund/ any other fund set up by the Central Government:

Weblink to CSR Policy: The Company's CSR policy is posted at the below link http://firstsource.com/blog/wp-content/uploads/2016/06/fsl-corporate-social-responsibility-policy.pdf.

2. The Composition of the CSR Committee:

i) Shashwat Goenka, Chairman (Non Independent, Non – Executive Director)

ii) Rajesh Subramaniam (Managing Director & CEO)

iii) Subrata Talukdar (Non Independent, Non – Executive Director)

iv) Pradip Roy (Independent, Non – Executive Director)

3. Average net profit of the Company for last three financial years: INR 1,725.86 Million

4. Prescribed CSR Expenditure (two percent of the amount as in item 3 above): INR 34.51 Million

5. Details of CSR spend for the financial year:

a. Total amount spent for the financial year: INR 34.51 Million

b. Amount unspent, if any: Nil

c. Manner in which the amount spent during the financial year is detailed below:

Sr. No.	CSR Projects/ Activities identified	Sector in which project is covered	Projects or programs (1) Local area or other (2) Specify the state and district where projects or programs were undertaken	Amount Outlay (Budget) Project or programs wise	Amount Spent on the Project or Programs		Cumulative Expenditure up to reporting period (₹ in Million)	Amount spent: Direct or through implementing agency
					1. Direct Expenditure (₹ in Million)	2. Overheads (₹ in Million)		
1	Payroll Giving – admin charges	Education, Women Empowerment	Mumbai (Maharashtra), Bangalore (Karnataka)	-	0.2	Negligible	0.20	1) Through Implementing Agency (Give India) 2) Direct
2	Admin Expenses for India Smile Challenge and salary of CSR resource	-	-	-	0.32	Negligible	0.32	-
3	Light of Life Trust- sponsorship of fundraising event "Kalpataru- a musical"	Education and women empowerment	Maharashtra and Madhya Pradesh	-	0.25	Negligible	0.25	Direct
4	Foundation for Excellence - Scholarship for underprivileged	Education	Bangalore (Karnataka)	-	0.2	Negligible	0.2	Direct
5	Donation to " Wheels of Change" - specially modified cabs for persons with disability	Disability- Inclusion and Diversity	Bangalore (Karnataka)	-	0.5	Negligible	0.5	Direct
6	Contribution to RP-Sanjiv Goenka Group CSR Trust	Projects will be undertaken by the Group CSR Trust in accordance with applicable Rules/ Regulations	Kolkata (West Bengal)	-	33.04	-	33.04	1) Through "RP – Sanjiv Goenka Group CSR Trust" * 2) Direct
	TOTAL				**34.51**	**-**	**34.51**	

Note:

*RP – Sanjiv Goenka Group CSR Trust" ("Group CSR Trust") was formed on February 17, 2015 to pursue CSR activities as may be permitted under the Companies (Corporate Social Responsibility) Rules, 2014 as amended.

RESPONSIBILITY STATEMENT

The Responsibility Statement of the CSR Committee of the Board of Directors of the Company is reproduced below:

'The implementation and monitoring of Corporate Social Responsibility (CSR) Policy, is in compliance with CSR objectives and policy of the Company.'

Rajesh Subramaniam
Managing Director & CEO

Shashwat Goenka
Chairman, Corporate Social Responsibility Committee

May 7, 2018

Annexure IIIA to the Directors' Report

THE DETAILS OF REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

1. **PURPOSE OF THE POLICY**

This policy aims to set out the approach to make payment of Remuneration to the Non-Executive Directors, including Independent Directors of Firstsource Solutions Limited ("the Company").

2. **OBJECTIVE**

The Objective of this Policy is to ensure that-

a. The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Non-Executive Directors of the quality required to run the Company successfully; and

b. Relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

3. **REMUNERATION TO NON-EXECUTIVE DIRECTORS INCLUDING INDEPENDENT DIRECTORS**

A. **Remuneration/ Commission:**

The Non-Executive Directors may be paid remuneration as may be approved by the Board of Directors whereas the aggregate amount of such remuneration shall not exceed one percent of the net profits of the Company, except with the approval of shareholders in the general meeting, computed as per the applicable provisions of the Companies, Act 2013 and rules framed thereunder.

B. **Remuneration for Professional Services rendered by any Director:**

The remuneration payable to any Director shall be inclusive of remuneration payable to him for services rendered in any other capacity. However, the remuneration for services rendered by any such Director in any other capacity shall not be so included if the services rendered are of a professional nature and in the opinion of the Nomination and Remuneration Committee, the Director possesses the requisite qualification for the practice of the profession.

C. **Sitting Fees:**

The Board of Directors, at its meeting held on August 1, 2014 had decided a sitting fees of INR 100,000 to be paid for attending each meeting of the Board and INR 50,000 for attending each meeting of a Committee of the Board of which the Director is member, payable to all the Non-Executive Directors of the Company including Independent Directors.

D. **Reimbursement of Expenses:**

Beside the sitting fees, Non-Executive Directors are also entitled for reimbursement of travel, hotel and other incidental expenses incurred by them in the performance of their roles and duties.

E. **Stock Options:**

Pursuant to the provisions of the Companies Act, 2013, an Independent Director of the Company shall not be entitled to any stock option of the Company.

F. **Refund of Excess Remuneration paid to any Director:**

If any Director draws or receives directly or indirectly, any remuneration in excess of the limits prescribed under the Companies Act, 2013 without prior consent of Shareholders/ Central Government, where required, he shall refund the same to the Company.

G. **Premium on Insurance Taken by the Company:**

The premium paid on the insurance taken by the Company for indemnifying the Directors against any liability in respect of breach of trust for any negligence, default, misfeasance, breach of duty or breach of trust for which they may be found guilty in relation to the Company, shall not be treated as part of remuneration payable to any such Director. However, if such Director is proved guilty, the premium paid on such insurance shall be treated as part of remuneration.

Annexure IIIB to the Directors' Report

THE DETAILS OF REMUNERATION POLICY FOR KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES

1. **PURPOSE**

   The purpose of this policy is to define the remuneration policy for employees at all levels.

2. **GRADE STRUCTURE**

   The Company follows grade structure in most of the geographies. Broadly, grades are divided into Associates and Coordinators, Junior Management, Middle Management, Senior Management and Managing Director & CEO.

3. **PAY PHILOSOPHY**

   The Company follows a total compensation approach by which it seeks to attract, retain and motivate employees.

4. **SALARY STRUCTURE**

   All employees' salary structures are a mix of fixed pay components and variable pay components. In the Company, compensation practices differ across different levels and geographies.

5. **ANNUAL VARIABLE PAY STRUCTURE**

   Some employees get Variable Pay on an annual basis-

- **Eligibility:**
    - Managers and above: India, Philippines, UK
    - US: GM+ and employees having Annual Variable Pay
    - Variable pay is a part of an employee's CTC
- Payout is linked to financial performance of the Company, Business Unit and individual employee's performance.
- The Company performance is decided by the Nomination and Remuneration Committee every year.
- Variable Pay Pool & Payout is approved by Nomination and Remuneration Committee.

6. **LONG TERM INCENTIVE PLANS/ ESOP**

a. **Eligibility**

- Eligibility restricted to senior positions - Critical and key employees
- All Grants approved by Nomination and Remuneration Committee
- Granted on quarterly basis for New joiners and Annually for existing employees

b. **Vesting Schedule**

- 25% after 1 year
- 12.5% after every 6 months for next 3 years

c. **Exercise Period**

- 10 years from the date of grant

7. **INCREMENTS**

   The Company usually administers hikes in the month of July but this differs depending on geography and employee category and is subject to Board/ Nomination and Remuneration Committee approval.

Annexure IV to the Directors' Report

FORM NO. MGT 9
EXTRACT OF ANNUAL RETURN
as on the financial year ended on March 31, 2018
[Pursuant to Section 92 (3) of the Companies Act 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014]

I. REGISTRATION & OTHER DETAILS:

1.	CIN	L64202MH2001PLC134147
2.	Registration Date	December 6, 2001
3.	Name of the Company	Firstsource Solutions Limited
4.	Category/ Sub-category of the Company	Public Company/ Limited by shares
5.	Address of the Registered office & contact details	5th Floor, Paradigm 'B' Wing, Mindspace, Link Road, Malad – West, Mumbai – 400 064, India Contact no: (022) 66660888
6.	Whether listed company	Yes
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any.	3i Infotech Limited, Tower #5, 3rd to 6th Floor, International Infotech Park, Vashi, Navi Mumbai – 400 703 Contact no: (022) 6792 8000

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY: (All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

Sr. No.	Name and Description of main products/ services	NIC Code of the Product/service	% to total turnover of the company
1	IT- Enabled Services – BPO	63999	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

Sr. No.	Name the Company	Address of the Company	CIN/GLN	Holding/ Subsidiary /Associate	% of Shares held	Applicable Section
1	Spen Liq Private Limited** {Wholly Owned Subsidiary (WOS) of CESC Limited}	31 Netaji Subhas Road, PS Hare Street, Kolkata - 700 001, West Bengal	U72900WB1995PTC075089	Holding	54.47%	2(46)
2	CESC Limited**	CESC House, Chowringhee Square, Kolkata- 700 001, West Bengal	L31901WB1978PLC031411	Holding	Nil	2(46)
3	Firstsource Process Management Services Limited (Formerly known as Anunta Tech Infrastructure Services Limited)	3rd Floor, Block 5A & 5B, Pritech Park- SEZ, Marathalli, Sarjapur Outer Ring Road, Bellandur, Bangalore-560103 Karnataka	U72200KA2010PLC055713	Subsidiary	100%	2(87)(ii)
4	Firstsource Solutions UK Limited	Space One, 1 Beadon Road, London W6 0EA, UK	NA	Subsidiary	100%	2(87)(ii)
5	Firstsource Solutions S.A.	San Martin 344, 4th Floor, Buenos Aires, Argentina	NA	Subsidiary	99.98%	2(87)(ii)
6	Firstsource Group USA, Inc.	National Registered Agents, Inc., 160 Greentree Drive, Dover, Delaware 19904, USA	NA	Subsidiary	100%	2(87)(ii)
7	Firstsource Business Process Services, LLC	National Registered Agents, Inc., 160 Greentree Drive, Dover, Delaware 19904, USA	NA	Subsidiary	100%*	2(87)(ii)
8	ISGN Solutions Inc.	National Registered Agents, Inc., 160 Greentree DR STE 101, Dover, DE, 19904	NA	Subsidiary	100%*	2(87)(ii)

9	ISGN Fulfillment Services, Inc.	National Registered Agents, Inc., 116 Pine Street- Suite 320, Dauphin County, Harrisburg, Pennsylvania 17101	NA	Subsidiary	100%*	2(87)(ii)
10	ISGN Fulfillment Agency, LLC	National Registered Agents, Inc., 160 Greentree DR STE 101, Dover, DE, 19904.	NA	Subsidiary	100%*	2(87)(ii)
11	Firstsource Advantage LLC	C T Corporation System 111 Eighth Avenue, New York 10011, USA	NA	Subsidiary	100%*	2(87)(ii)
12	One Advantage LLC	C T Corporation System 208 SO Lasalle St, Suite 814 Chicago, IL 60604, USA	NA	Subsidiary	100%*	2(87)(ii)
13	MedAssist Holdings LLC	National Registered Agents, Inc., 160 Greentree Drive, Dover, Delaware 19904, USA	NA	Subsidiary	100%*	2(87)(ii)
14	Firstsource Solutions USA, LLC	National Registered Agents, Inc., 160 Greentree Drive, Dover, Delaware 19904, USA	NA	Subsidiary	100%*	2(87)(ii)
15	Firstsource Transaction Services LLC	National Registered Agents, Inc., 160 Greentree Drive, Dover, Delaware 19904, USA	NA	Subsidiary	100%*	2(87)(ii)
16	Firstsource BPO Ireland Limited	Stokes Place, Saint Stephen's Green, Dublin 2, Ireland	NA	Subsidiary	100%	2(87)(ii)
17	Firstsource Dialog Solutions Pvt. Ltd.	Level 11, Access South Tower, No 278/4, Union Place, Colombo-2, Sri Lanka	NA	Subsidiary	74%	2(87)(ii)
18	Nanobi Data and Analytics Private Limited	2nd Floor, 259, 2nd Main, 6th Cross, Indira Nagar, Binnamangala Stage1, Bangalore-560038, India	U72200KA2012PTC062235	Associate	23.36%	2(6)

* Representing aggregate % of shares held by the Company and/or its subsidiaries.

**Spen Liq Private Limited and its holding company, CESC Limited, forms part of Promoter and Promoters Group company respectively as per SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity):

1. Category-wise Share Holding:

Category of Shareholders	No. of Shares held at the beginning of the year [As on April 1, 2017]				No. of Shares held at the end of the year [As on March 31, 2018]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian	-	-	-	-	-	-	-	-	-
a) Individual/ HUF	-	-	-	-	-	-	-	-	-
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corporate	373,976,673	-	373,976,673	54.89	373,976,673	-	373,976,673	54.47	(0.42)
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
Sub-Total (A)(1)	373,976,673	-	373,976,673	54.89	373,976,673	-	373,976,673	54.47	(0.42)
(2) Foreign	-	-	-	-	-	-	-	-	-
a) NRIs- Individuals	-	-	-	-	-	-	-	-	-
b) Other – Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other....	-	-	-	-	-	-	-	-	-
Sub-total (A) (2):-	-	-	-	-	-	-	-	-	-

Total shareholding of Promoter (A) = (A)(1)+(A)(2)	**373,976,673**	**-**	**373,976,673**	**54.89**	**373,976,673**	**-**	**373,976,673**	**54.47**	**(0.42)**
B. Public Shareholding									
1. Institutions	-	-	-	-	-	-	-	-	-
a) Mutual Funds	13,546,896	-	13,546,896	1.99	15,103,000	-	15,103,000	2.20	0.21
b) Banks / FI	33,018,428	-	33,018,428	4.84	33,130,054	-	33,130,054	4.83	(0.01)
c) Central Govt	-	-	-	-					-
d) State Govt(s)	-	-	-	-					-
e) Venture Capital Funds	-	-	-	-					-
f) Insurance Companies	-	-	-	-					-
g) FIIs	62,540,403	-	62,540,403	9.18	52,443,605	-	52,443,605	7.64	(1.54)
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
Sub-total (B)(1):-	**109,105,727**	**-**	**109,105,727**	**16.01**	**100,676,659**	**-**	**100,676,659**	**14.67**	**(1.34)**
2. Non-Institutions									
a) Bodies Corporate									
i) Indian	34,181,248	-	34,181,248	5.02	37,250,953	-	37,250,953	5.43	0.41
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individual shareholders									
i) Individual shareholders holding nominal share capital upto INR 1 lakh	67,364,866	6,454	67,371,320	9.89	78,742,750	6,484	78,742,750	11.47	1.58
ii) Individual shareholders holding nominal share capital in excess of INR 1 lakh	96,305,249	-	96,305,249	14.14	94,907,400	-	94,907,400	13.82	(0.32)
c) Others (specify)									
Foreign Companies	39,986	-	39,986	0.00	791,567	-	791,567	0.12	0.07
NBFCs registered with RBI	328,134	-	328,134	0.05	176,817	-	176,817	0.03	0.02
Sub-total (B)(2):-	**198,219,483**	**6,454**	**198,225,937**	**29.11**	**211,875,971**	**6,484**	**211,882,455**	**30.84**	**1.74**
Total Public Shareholding (B)=(B)(1)+(B)(2)	**307,325,210**	**6,454**	**307,331,664**	**45.12**	**312,552,630**	**6,484**	**312,559,114**	**45.52**	**0.40**
C. Shares held by Custodian for GDRs & ADRs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Grand Total (A+B+C)	**681,301,883**	**6,454**	**681,308,337**	**100.00**	**686,516,335**	**6,484**	**686,522,819**	**100.00**	**-**

2. Shareholding of Promoters:

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year (As on April 1, 2017)			Shareholding at the end of the year (As on March 31, 2018)			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	
1	Spen Liq Private Limited	373,976,673	54.89	-	373,976,673	54.47*	-	(0.42)
	Total	**373,976,673**	**54.89**	**-**	**373,976,673**	**54.47**	**-**	**(0.42)**

Note: *There is no change in the total shareholding of promoters between April 1, 2017 and March 31, 2018. The decrease in % of total shares of the Company from 54.89% to 54.47% is due to ESOS allotment of 5,214,482 shares.

3. Change in Promoters' Shareholding (please specify, if there is no change):

Sr. No.	Particulars	Shareholding at the beginning of the year (As on April 1, 2017)		Cumulative Shareholding during the year (April 1, 2017 to March 31, 2018)	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	At the beginning of the year	373,976,673	54.89	-	-
2	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/ sweat equity etc.)*	-	-	-	-
3	At the end of the year	373,976,673	54.89*	373,976,673	54.47

Note: *There is no change in the total shareholding of promoters between April 1, 2017 and March 31, 2018. The decrease in % of total shares of the Company from 54.89% to 54.47% is due to ESOS allotment of 5,214,482 shares.

4. **Shareholding Pattern of top ten Shareholders: (Other than Directors, Promoters and Holders of GDRs and ADRs):**

Sr. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year (April 1, 2017)/end of the year (March 31, 2018)		Cumulative Shareholding during the Year (April 1, 2017 to March 31, 2018)	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	**ICICI Bank Ltd**				
	At the beginning of the year	32,330,719	4.74		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Purchase)	3,158,040	0.46		
	Transfer (Market Sale)	(2,673,201)	(0.39)		
	At the end of the year	32,815,558	4.78	32,815,558	4.78
2	**Jhunjhunwala Rakesh Radheshyam^**				
	At the beginning of the year	25,000,000	3.67		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Purchase)	2,500,000	0.36		
	Transfer (Market Sale)	(5,500,000)	(0.80)		
	At the end of the year	22,000,000	3.20	22,000,000	3.20
3	**Goldman Sachs India Fund Limited#**				
	At the beginning of the year	18,847,763	2.77		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Purchase)	872,145	0.13		
	Transfer (Market Sale)	(19,719,908)	(2.87)		
	Shareholding as on August 1, 2017	Nil	Nil	Nil	Nil
4	**Steinberg India Emerging Opportunities Fund Limited**				
	At the beginning of the year	16,900,000	2.48		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Purchase)	1,100,000	0.16		
	Transfer (Market Sale)	(285,824)	(0.04)		
	At the end of the year	17,714,176	2.58	17,714,176	2.58
5	**Dimensional Emerging Markets Value Funds**				
	At the beginning of the year	4,150,603	0.61		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Purchase)	614,088	0.09		
	Transfer (Market Sale)	(1,818,780)	(0.26)		
	At the end of the year	2,945,911	0.43	2,945,911	0.43
6	**Birla Sun Life Trustee Company Private Limited A/C Birla Sun Life Pure Value Fund#**				
	At the beginning of the year	4,150,000	0.60		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Sale)	(4,150,000)	(0.60)		
	Shareholding as on 21.07.2017	Nil	Nil	Nil	Nil
7	**Birla Sun Life Trustee Company Private Limited A/C Birla Sun Life Midcap Fund#**				
	At the beginning of the year	4,000,000	0.59		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Purchase)	900,000	0.13		
	Transfer (Market Sale)	(4,900,000)	(0.71)		
	Shareholding as on 21.07.2017	Nil	Nil	Nil	Nil
8	**Virginia Tech Foundation, INC. Steinberg India Asset Management, Ltd.**				
	At the beginning of the year	3,500,000	0.51		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Purchase)	100,000	0.01		
	Transfer (Market Sale)	(146,409)	(0.02)		
	At the end of the year	3,453,591	0.50	3,453,591	0.50

9	**Emerging Markets Core Equity Portfolio (THE PORTFOLIO) Of DFA Investment Dimension Group INC (DFAIDG)**				
	At the beginning of the year	3,321,558	0.49		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Sale)	(234,024)	(0.03)		
	At the end of the year	3,087,534	0.45	3,087,534	0.45
10	**GMO Implementation Fund A Series Of GMO Trust#**				
	At the beginning of the year	3,028,310	0.44		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Purchase)	7,134	Negligible		
	Transfer (Market Sale)	(2,894,288)	(0.42)		
	At the end of the year	141,156	0.02	141,156	0.02
11	**Aditya Birla Sun Life Trustee Private Limited A/C Aditya Birla Sun Life Small and Midcap Fund***				
	At the beginning of the year	2,200,000	0.32		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Purchase)	6,000,000	0.87		
	Transfer (Market Sale)	(1,601,000)	(0.23)		
	At the end of the year	6,599,000	0.96	6,599,000	0.96
12	**HDFC Small Cap Fund***				
	At the beginning of the year	Nil	Nil		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Purchase)	7,094,000	1.03		
	At the end of the year	7,094,000	1.03	7,094,000	1.03
13	**IL and FS Securities Services Limited***				
	At the beginning of the year	1,664,047	0.24		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Purchase)	6,174,469	0.90		
	Transfer (Market Sale)	(5,434,189)	(0.79)		
	At the end of the year	2,404,327	0.35	2,404,327	0.35
14	**Madhusudan Murlidhar Kela***				
	At the beginning of the year	2,011,111	0.30		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Purchase)	Nil	Nil		
	Transfer (Market Sale)	Nil	Nil		
	At the end of the year	2,011,111	0.29	2,011,111	0.29
15	**The Emerging Markets Small Cap Series of the DFA Investment Trust Company***				
	At the beginning of the year	1,977,855	0.29		
	Increase/ decrease in shareholding during the year				
	Transfer (Market Purchase)	Nil	Nil		
	Transfer (Market Sale)	(115,888)	(0.02)		
	At the end of the year	1,861,967	0.27	1,861,967	0.27

Notes:

1. The full details of datewise increase/ decrease in shareholding of the Top 10 shareholders are available at the website of the Company at the link: http://www.firstsource.com/us/investors-corporate-governance
2. @ Mr. Rajesh Subramaniam is a Managing Director & CEO of the Company. Market Purchase is on account of allotment of shares pursuant to ESOPs.
3. ^ Out of total 22,000,000 shares, Jhunjhunwala Rakesh Radheshyam transferred 3,500,000 shares to his other demat account.
4. # Ceased to be in the list of Top 10 shareholders as on March 31, 2018. The same is reflected above since the shareholder was one of the Top 10 shareholders as on April 1, 2017.
5. * Not in the list of Top 10 shareholders as on April 1, 2017. The same has been reflected above since the shareholder was one of the Top 10 shareholders as on March 31, 2018.

5. **Shareholding of Directors and Key Managerial Personnel (KMPs):**

Sr. No.	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year (April 1, 2017)/end of the year (March 31, 2018)		Cumulative Shareholding during the year (April 1, 2017 to March 31, 2018)	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the company
A)	**Directors**				
1	**Rajesh Subramaniam, Managing Director & CEO**				
	At the beginning of the year	750,000	0.11		
	Increase/ decrease in shareholding during the year				
	ESOS Allotment	2,750,000	0.40		
	Transfer (Market Sale)	(747,216)	(0.11)		
	At the end of the year	2,752,784	0.40	2,752,784	0.40
2.	**Y. H. Malegam, Director**				
	At the beginning of the year	212,500	0.03		
	Increase/ decrease in shareholding during the year				
	ESOS Allotment	150,000	0.02		
	Transfer (Market Sale)	(100,000)	(0.01)		
	At the end of the year	262,500	0.04	262,500	0.04
3.	**Charles Miller Smith, Director**				
	At the beginning of the year	Nil	Nil		
	Increase/ decrease in shareholding during the year				
	ESOS Allotment	60,000	0.01		
	Transfer (Market Sale)	-	-		
	At the end of the year	60,000	0.01	60,000	0.01
B)	**KMPs**				
4.	**Dinesh Jain, President & CFO**				
	At the beginning of the year	100,000	0.02		
	Increase/ decrease in shareholding during the year				
	ESOS Allotment	306,250	0.04		
	Transfer (Market Sale)	(186,250)	(0.03)		
	At the end of the year	220,000	0.03	220,000	0.03

Note:

1. The full details of datewise Increase/ decrease in shareholdering of the Directors and Key Managerial Personnels are available at the website of the Company at the link: http://www.firstsource.com/us/investors-corporate-governance.
2. The Directors of the Company who have not held any shares at any time during the year, are not shown in the above list.

V. INDEBTEDNESS -Indebtedness of the Company including interest outstanding/accrued but not due for payment.

(Amount in ₹ millions)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year (April 1, 2017)				
i) Principal Amount	1,085.58	771.80	-	1,857.38
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	3.80	-	-	3.80
Total (i+ii+iii)	**1,089.38**	**771.80**	**-**	**1,861.18**
Change in Indebtedness during the financial year				
Addition	-	-	-	-
Reduction	(1,088.67)	(609.32)	-	(1,697.99)
Net Change	**(1,088.67)**	**(609.32)**	**-**	**(1,697.99)**
Indebtedness at the end of the financial year (March 31, 2018)				
i) Principal Amount	-	162.48	-	162.48
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	0.71	-	-	-
Total (i+ii+iii)	**0.71**	**162.48**	**-**	**162.48**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(Amount in ₹)

Sr. No.	Particulars of Remuneration	Rajesh Subramaniam MD & CEO
1	Gross salary	
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	69,769,300
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	27,946
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-
2	Stock Option*	64,800,000*
3	Sweat Equity	-
4	Commission - as % of profit - others, specify...	-
5	Others	
	- Club Membership Fees	58,100
	- Residence Maintenance. Charges	194,688
	- Gas	-
	- Electricity	51,625
	- Medical	-
	- Contribution to Provident Fund	1,188,000
	Total (A)	**136,089,659**
	Ceiling as per the Act	INR 110.35 Million (being 5% of the net profits of the Company calculated as per Section 198 of the Companies Act 2013, the said calculation excludes the perquisite value of Stock Option)

*Taxable value of perquisite on stock options exercised during the year.

B. Remuneration to other directors:

(Amount in ₹)

Sr. No.	Particulars of Remuneration	Name of Directors						Total Amount
		Y. H. Malegam	**Charles Miller Smith**	**Donald Layden**	**Pradip Roy**	**V. K. Sharma**	**Ms. Grace Koshie**	
1	**Independent Directors**							
	Fee for attending Board and Committee meetings	900,000	650,000	500,000	700,000	450,000	650,000	**3,850,000**
	Commission	-	-	-	-	-	-	**-**
	Others, please specify	-	-	-	-	-	-	**-**
	Total (1)	900,000	650,000	500,000	700,000	450,000	650,000	3,850,000
		Sanjiv Goenka	**Subrata Talukdar**	**Shashwat Goenka**	**Pradip Kumar Khaitan**			
2	**Other Non-Executive Directors**							
	Fee for attending Board and Committee meetings	400,000	950,000	500,000	300,000			**2,150,000**
	Commission	-	-	-	-			
	Others, please specify	-	-	-	-			
	Total (2)	400,000	950,000	500,000	300,000			2,150,000
	Total (B)=(1+2)							**6,000,000** Refer Note 1
	Total Managerial Remuneration (A+B)							**142,089,659** Refer Note 2
	Overall Ceiling as per the Act	INR 242.77 Million (being 11% of the net profits of the Company calculated as per section 198 of the Companies Act 2013)						

Notes:

1. In terms of the provisions of the Companies Act, 2013, the remuneration payable to the Managing Director shall not exceed 5% of net profit of the Company. The same is within the said limit.
2. The remuneration payable to directors other than executive directors shall not exceed 1% of the net profit of the Company. The remuneration paid to the Non-Executive Directors is well within the said limit.
3. The total managerial remuneration payable to directors, including Managing Director and whole-time Director shall not exceed 11% of the net profits of the Company. The same is within this limit.

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MANAGING DIRECTOR/MANAGER/WHOLE TIME DIRECTOR:

(Amount in ₹)

Sr. No.	Particulars of Remuneration	Key Managerial Personnel		
		Dinesh Jain President & CFO	Pooja Nambiar Company Secretary & Compliance Officer	Total
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-Tax Act 1961	20,152,276	2,486,117	22,638,393
	(b) Value of perquisites u/s 17(2) Income-Tax Act 1961	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	
2	Stock Option*	6,003,563	-	6,003,563
3	Sweat Equity	-	-	
4	Commission	-	-	
	- as % of profit	-	-	
	others, specify...			
5	Others			
	- Medical	-	-	-
	- LTA	-	-	-
	- Contribution to Provident Fund	576,540	93,312	669,852
	Total	**26,732,379**	**2,579,429**	**29,311,808**

*Taxable value of perquisite on stock options exercised during the year.

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty					
Punishment			**None**		
Compounding					
B. DIRECTORS					
Penalty					
Punishment			**None**		
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty					
Punishment			**None**		
Compounding					

Annexure V to the Directors' Report

SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2018

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members
Firstsource Solutions Limited
Mumbai

Dear Sirs,

We have conducted the Secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practice by Firstsource Solutions Limited (hereinafter called "**the Company**"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's Books, Papers, Minutes Books, Forms and Returns filed and other records maintained by the Company and also the information and explanation provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the Financial Year ended March 31, 2018 complied with the statutory provisions listed hereunder, and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by **Firstsource Solutions Limited** ("the Company") as given in **Annexure I**, for the Financial Year ended on March 31, 2018, according to the provisions of:

(i) The Companies Act, 2013 ('the Act') and the rules made thereunder:

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

i. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations, 2015");
ii. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
iii. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and;
iv. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

Provisions of the following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') were not applicable to the Company during the financial year under report:-

i. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
ii. The Securities and Exchange Board of India (Registrars to a Issue and Share Transfer Agents) Regulations, 1993;
iii. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
iv. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 and;
v. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008.

We have also examined compliance with the applicable clauses of the Secretarial Standards including the revised Secretarial standards applicable with effect from October 1, 2017 issued by The Institute of Company Secretaries of India and approved by the Central Government under Section 118(10) of the Companies Act, 2013 on June 14, 2017.

We further report that, based on the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof, on test-check basis, the Company has, interalia other laws, acts, regulations and guidelines as applicable, complied with the following laws applicable specifically to the Company:

(a) Information Technology (IT) Act, 2005;
(b) Special Economic Zones Act (SEZ), 2005; and
(c) Software Technology Parks of India (STPI) rules and regulations.

During the financial year under report, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive

Directors and Independent Directors. The composition of the Board of Directors during the financial year under report was in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

None of the directors have communicated dissenting views, in the matters / agenda proposed from time to time for consideration of the Board and its Committees thereof, during the year under the report, hence dissenting views were not required to be captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period the Company has not undertaken event/ action having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to above.

For RATHI & ASSOCIATES
COMPANY SECRETARIES

HIMANSHU S. KAMDAR
PARTNER
FCS No. 5171
C.P. No. 3030

Date: May 7, 2018
Place: Mumbai

Note: This report should be read with our letter which is annexed as Annexure-II and forms an integral part of this report.

ANNEXURE - I

List of documents verified:

1. Memorandum of Association & Articles of Association of the Company;
2. Annual Report for the Financial Year ended March 31, 2017;
3. Minutes of the meetings of the Board of Directors, Audit Committee, Nomination and Remuneration Committee, Stakeholders' Relationship Committee, Corporate Social Responsibility Committee and Annual General Meeting held during the Financial Year under report along with Attendance Register;
4. Statutory Registers viz.
   - Register of Directors & Key Managerial Personnel and their Shareholding;
   - Register of Contracts with Related Party and Contracts and Bodies etc. in which Directors' are interested (Form MBP-4);
   - Register of loans, guarantees and security and acquisition made by the Company (Form MBP-2); and
   - Register of Charges (Form CHG-7); and
   - Register of Investments (Form MBP-3).
5. Agenda papers circulated to all the Directors/members for the Board Meetings and the Committee Meetings;
6. Declarations and/or Disclosures received from the Directors and Key Managerial Personnel of the Company pursuant to the provisions of 184, 164 and 149(7) of the Companies Act, 2013;
7. Intimations received from Directors and Designated Employees under the Internal Code for Prevention of Insider Trading;
8. e-forms filed by the Company from time to time under applicable provisions of the Companies Act, 2013 and attachments thereof during the financial year under report;
9. Intimations, documents, reports and returns filed with the Stock Exchanges pursuant to the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 during the financial year under report;
10. Details of sitting fees paid to all Non-Executive & Independent Directors for attending the Meetings of the Board and Committees;
11. Intimations given to employees of the Company for closure of the trading window from time to time;
12. Form C received from the designated employees pursuant to SEBI (Prohibition of Insider Trading) Regulations, 2015;
13. Various Policies made under the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
14. Documents related to issue of shares under ESOP Scheme viz. ESOP Scheme, Exercise forms, Listing applications, Corporate Action Form, etc. filed with Stock Exchanges and Listing approvals received thereon.

ANNEXURE – II

To
The Members
Firstsource Solutions Limited
Mumbai

Dear Sirs,

Our report of even date is to be read along with this letter.

1. Maintenance of Secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test check basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices that we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the Management Representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For RATHI & ASSOCIATES
COMPANY SECRETARIES

HIMANSHU S. KAMDAR
PARTNER
FCS No. 5171
C.P. No. 3030

Date: May 7, 2018
Place: Mumbai

Business Responsibility Report

INTRODUCTION

The Securities and Exchange Board of India (SEBI) in 2012 mandated the top 100, and later in 2015 the top 500 listed entities on National Stock Exchange of India Limited and BSE Limited to prepare a 'Business Responsibility Report' as part of the Annual Report. This is as per clause (f) of sub regulation (2) of Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The report outlines the organization's performance from the environmental, social and governance perspective.

Firstsource Solutions Limited ("the Company") being part of the top 500 listed entities has developed this Business Responsibility Report based on the suggested framework of SEBI, strengthening its commitment towards transparent disclosure of its environmental and social performance.

Continuing on the Company's mission to tackle social issues, the Company is committed to monitor and report its social and environmental performance with the aim of providing a clear picture to the stakeholders and investors.

Section A: General Information about the Company

1.	Corporate Identity Number (CIN)	L64202MH2001PLC134147
2.	Name of the Company	Firstsource Solutions Limited
3.	Registered address	5th Floor, Paradigm 'B' Wing, Mindspace, Link Road, Malad - West, Mumbai- 400 064, India
4.	Website	www.firstsource.com
5.	Email id	complianceofficer@firstsource.com
6.	Financial year reported	April 1, 2017 to March 31, 2018
7.	Sector(s) that the Company is engaged in (industrial activity code-wise)	Name and description of main product/ services: The Company provides BPO services. Description – IT- Enabled Services – BPO. NIC Code of the product/ services: 63999
8.	List three key products / services that the Company manufactures/ provides (as in balance sheet)	Customer Management Services, Revenue Cycle Management Services and Mortgage Processing Services
9.	Total number of locations where business activity is undertaken by the Company Number of international locations (Provide details of major five) Number of national locations	The Company along with its 15 subsidiaries has 37 global delivery centers of which 10 are located in India, 18 in USA, 7 in UK and 2 in Philippines as per the details given below: **India (10):** Chennai (2), Mumbai (2), Bangalore (2), and 1 each in Pondicherry, Vijayawada, Indore, and Trichy. **USA (18):** Louisville (2) in Kentucky, Kingston & Amherst in New York, Rockford and Belleville in Illinois, Salt Lake City in Utah, Colorado Springs, Eugene in Oregon, Palm Bay in Florida, Rocky Hill in Connecticut and 7 operational hubs of MedAssist. **United Kingdom (7):** Belfast (2), Cardiff, Londonderry, Middlesbrough, Warrington and Derby. **Philippines (2):** Manila, Cebu
10.	Markets served by the Company - Local/ State/ National/ International	The Company is carrying out business activity across all India, US, UK and Philippines.

Section B: Financial Details of the Company

1.	Paid up Capital of the Company	₹ 6,865,228,190
2.	Total turnover	₹ 7,628,183,789
3.	Total profit after tax	₹ 1,919,157,023
4.	Total spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%):	₹ 34,517,218 (2% of Average Profit of 3 preceding years)
5.	List of activities in which expenditure in four above was incurred:	Please see below:

Details	Amount (in ₹)
Administration Expenses- salary for CSR resource	320,549
Amount spent towards administration charges for Give India (FY2017)	202,986
Amount donated to "Wheels of Change" – modification of cab for making it accessible for people with disability	500,000
Amount donated to Light of Life Trust – sponsorship of fundraising event "Kalpataru – A Musical" for education of children	250,000
Amount donated to Foundation for Excellence	200,000
Amount yet to be spent	**33,043,683**

Section C: Other Details

1.	Does the Company have any Subsidiary Company/ Companies?	As on March 31, 2018, the Company had 1 domestic subsidiary, 14 foreign subsidiaries and 1 associate Company. The details of the same are given in Directors' Report.
2.	Does the subsidiary Company / Companies participate in the Business Responsibility Reportinitiatives of the parent Company? If yes, then indicate the number of such subsidiary company(s).	No.
3.	Does any other entity / entities (e.g. suppliers, distributors etc.), that the Company does business with, participate in the Business Responsibility Report initiatives of the Company? If yes, then indicate the percentage of such entity/ entities? [Less than 30%, 30-60%, More than 60%]	No. The Company does not mandate its suppliers/ distributors to participate in the Company's Business Responsibility Report initiatives.

Section D: Business Responsibility Report Information

1.		Details of Director/ Directors responsible for Business Responsibility Report	Business Responsibility functions are interalia, monitored by the Corporate Social Responsibility Committee of the Board of Directors of the Company formed in terms of Section 135 of the Companies Act 2013.
	a)	Details of the Director/ Directors responsible for the implementation of the Business Responsibility Report policy/ policies	Chairman/Members of Corporate Social Responsibility Committee
		DIN	03486121
		Name	Mr. Shashwat Goenka
		Designation	Non-Executive Non-Independent Director
		DIN	02617781
		Name	Mr. Rajesh Subramaniam
		Designation	Managing Director & CEO
		DIN	00026457
		Name	Mr. Pradip Roy
		Designation	Independent Director
		DIN	01794978
		Name	Mr. Subrata Talukdar
		Designation	Non-Executive Non-Independent Director
	b)	Details of the Business Responsibility head:	
		Name	Ms. Soma Pandey
		Designation	EVP, Head – Human Resources
		Telephone No.	+91(80) 66336000
		E-mail ID	soma.pandey@firstsource.com

1. Principle-wise (as per NVGs) Business Responsibility Report Policy/ Policies (Reply in Y/ N)

The National Voluntary Guidelines (NVGs) on Social, Environmental and Economic Responsibilities of Business released by the Ministry of Corporate Affairs has adopted nine areas of Business Responsibility:

Principle 1	P1	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability
Principle 2	P2	Businesses should provide goods and services that are safe, and contribute to sustainability throughout their life cycle
Principle 3	P3	Businesses should promote the wellbeing of all employees
Principle 4	P4	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized
Principle 5	P5	Businesses should respect and promote human rights
Principle 6	P6	Businesses should respect, protect and make efforts to restore the environment
Principle 7	P7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
Principle 8	P8	Businesses should support inclusive growth and equitable development
Principle 9	P9	Businesses should engage with and provide value to their customers and consumers in a responsible manner

Sr. No	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	Do you have a policy/ policies for	Y	NA	Y	Y	Y	Y	NA	Y	Y
2.	Has the policy been formulated in consultation with the relevant stakeholders?[1]	Y	NA	Y	Y	Y	Y	NA	Y	Y
3.	Does the policy conform to national/ international standards? If yes, specify?	Y (Global Ethics Policy on lines of ILO conventions)	NA	Y (Heath, Safety & Environment Policy complies with ISO 18001 and ISO 14001 standard)	Y (Corporate Social Responsibility policy complies with Companies Act, 2013)	Y (Global Ethics Policy and HR policies on lines of ILO conventions)	Y (Health, Safety & Environment complies with ISO 14001 Standard)	NA	Y (Corporate Social Responsibility policy complies with Companies Act, 2013)	Y (Voice of Customer)
4.	Has the policy been approved by the Board? If yes, has it been signed by the MD/ Owner/ CEO appropriate Board Director? [2]	Y	NA	Y	Y	Y	Y	NA	Y	Y
5.	Does the Company have a specified committee of the Board/ Director / Official to oversee the implementation of the policy? [3]	Y	NA	Y	Y	Y	Y	NA	Y	Y
6.	Indicate the link to view the policy online? [4]	Y	NA	Y	Y	Y	Y	NA	Y	Y
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	NA	Y	Y	Y	Y	NA	Y	Y
8.	Does the Company have in-house structure to implement its policy / policies?	Y	NA	Y	Y	Y	Y	NA	Y	Y
9.	Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies? [5]	Y	NA	Y	Y	Y	Y	NA	Y	Y
10.	Has the Company carried out independent audit/evaluation of the working of this policy by an internal or external agency? [6]	Y	NA	Y	Y	Y	Y	NA	Y	Y

Notes

1. All the policies are formulated with detailed consultation and benchmarking across industry. The policies are in compliance majorly with all applicable laws.
2. As per Company practice, all the policies are approved by the concerned authority depending upon the nature of policy. The concerned authority could be either Managing Director& CEO/ Functional Head etc.
3. All the policies have a policy owner and the respective policy owners are responsible for implementation of the policy.
4. The requisite policies are available on the Website of the Company and the web link is http://www.firstsource.com/investors/
5. Any grievance relating to any of the policy can be escalated to the policy owner/ Managing Director& CEO / Audit Committee Head.
6. Implementation of policies is evaluated as a part of internal governance by policy owners.

2. Governance related to Business Responsibility

1.	Indicate the frequency with which the Board of Directors, Committee of the Board or the CEO assesses the Business Responsibility Report performance of the Company. Within 3 months, 3-6 months, annually, more than 1 year	CEO/ Business heads review the performance of respective policies covering the principle given in the Business Responsibility Report on an annual basis.
2.	Does the Company publish a Business Responsibility Report or a Sustainability Report? What is the hyperlink for viewing the report? How frequently it is published?	Yes, Annually. The same is available on website of the Company. The link for Business Responsibility Report is http://www.firstsource.com.

Section E: Principle wise Performance

Principle 1: Ethics, Transparency and Accountability

Businesses should conduct and govern themselves with Ethics, Transparency and Accountability:

1.	Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/ No. Does it extend to the Group/ Joint Ventures/ Suppliers/ Contractors / NGOs / Others?	No, it covers employees, suppliers, contractors, service providers and their employees.
2.	How many stakeholder complaints were received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof in about 50 words or so.	No complaints were received from stakeholders during the period under review, except those 15 complaints received from the shareholders of the Company, which all were satisfactorily resolved.

Principle 2: Product Lifecycle Sustainability

Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle:

1.	List three of your products or services whose design has incorporated social or environmental concerns, risks and/ or opportunities	Not applicable.
2.	For each such product, provide the following details in respect of resource use (energy, water, raw material and so on) per unit of product (optional)	Not applicable.
3.	Does the Company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably? Also provide details thereof, in about 50 words or so	Not applicable.
4.	Has the Company taken any steps to procure goods and services from local and small producers, including communities surrounding their place of work? If yes, what initiatives were taken to improve their capacity and capability of local and small vendors?	Not applicable.
5.	Does the Company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling them (separately as <5%, 5-10%, >10%)? Also provide details thereof, in about 50 words or so	Not applicable.

Principle 3: Employee Wellbeing

Businesses should promote the wellbeing of all employees:

1.	Total number of employees.	As on March 31, 2018, the strength of the permanent employees on roll workforce stands at a total of 8,801.
2.	Total number of employees hired on temporary/ contractual/ casual basis.	As on March 31, 2018, the strength of employees hired on temporary/ contractual/ casual basis stands at a total of 16.

Employment Type	Headcount
Part Time Employees	14
Casual Based	NA
Contract Employees	2
Total	**16**

3.	Total number of permanent women employees.	As on March 31, 2018, the strength of permanent women employees stands at a total of 2,367
4.	Total number of permanent employees with disabilities.	As on March 31, 2018, the number of permanent employees with disabilities associated with the Company stands at a total of 35
5.	Do you have an employee association that is recognized by the Management?	No
6.	What percentage of your permanent employees are members of this recognised employee association?	Not Applicable
7.	Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year	There were overall 15 cases of sexual harassment reported for India in FY17-18. Out of which 12 are closed and the 3 pending, are March 2018 cases.
8.	What percentage of your under-mentioned employees that were given safety and skill up-gradation training in the last year? 1. Permanent employees (includes classroom and e-learning) 2. Permanent women employees 3. Casual/temporary/ contractual employees 4. Employees with disabilities	The Company is in the business of services and requires its employees to continuously improve their skill. Accordingly, 100% of the employees have gone through the skill upgrade training.

Principle 4: Stakeholder Engagement

Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized:

1.	Has the Company mapped its internal and external stakeholders? Yes/ No	Yes, the Company has mapped its stakeholders as a part of its stakeholder engagement process. Key categories are: 1) Customers/ Clients; 2) Shareholders/Investors; 3) Partners (Suppliers / Vendors / Landlords); 4) Employees; 5) Regulatory Bodies; 6) Industry forum; and 7) Community.
2.	Out of the above, has the Company identified the disadvantaged, vulnerable and marginalized stakeholders?	Yes, The Company commits to operate in an economically, socially and environmentally responsible manner whilst balancing the interests of diverse stakeholders. The Company's initiatives in the areas of Corporate Social Responsibility are targeted to bring meaningful difference in the lives of its associated stakeholders.
3.	Are there any special initiatives undertaken by the Company to engage with the disadvantaged, vulnerable and marginalised stakeholders?	The Company has partnered with Give India who is our Payroll Giving partners. Employees are encouraged to sign up for payroll giving program and contribute to the NGO's of their choice. The beneficiaries of these NGO's belong to the marginalized, economically weak and disadvantaged sections of the society, especially girl child, underprivileged women and youth and persons with disabilities. Besides this, in partnership with NGO's the Company has recruited underprivileged youth for BPO operations.

Principle 5: Human Rights

Businesses should respect and promote human rights:

1.	Does the policy of the Company on human rights cover only the Company or extend to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs/ Others?	Global Ethics Policy covers aspects of human rights and extends to all employees and contractors, group companies, joint ventures and suppliers.
2.	How many stakeholder complaints were received in the past financial year and what percent was satisfactorily resolved by the Management?	No stakeholder complaint was received in FY 2017-18.

Principle 6: Environmental Management

Businesses should respect, protect, and make efforts to restore the environment:

1.	Does the policies related to Principle 6 cover only the Company or extends to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs/ Others?	The Policy on environment covers the Company only. The Company encourages parties associated with its value chain like vendors, suppliers, contractors, etc. to follow the principles envisaged in the policy.
2.	Does the Company have strategies/initiatives to address global environmental issues, such asclimate change, global warming, and others? If yes, please give hyperlink for webpage etc.	Yes. The Company has proactively taken several initiatives to create positive impact on the environment. Refer to CSR section of the report for complete details. http://www.firstsource.com/investors/
3.	Does the Company identify and assess potential environmental risks? Y/ N	Yes.
4.	Project(s) related to Clean Development Mechanism.	Currently, the Company has not undertaken any project related to Clean Development Mechanism.
5.	Has the Company undertaken any other initiatives on clean technology, energy efficiency, renewable energy and so on? If yes, please give hyperlink to web page and others.	Yes, the Company has taken multiple initiatives towards energy efficiency and use of renewable energy at its site. http://www.firstsource.com/investors/
6.	Are the emissions/ waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?	The Company provides BPO services which is a non-pollution generating Industry. There is no emission or industrial wastes generated. The general E-waste is disposed as per the PCB norms.
7.	Number of show cause/ legal notices received from CPCB/ SPCB, which are pending (i.e. not resolved to satisfaction) as on the end of the financial year	No show cause notices were received by the Company either from CPCB or SPCB.

Principle 7: Public Advocacy

Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner:

1.	Does the Company represent in any trade and chambers/ association? If yes, name only those major ones that the Company deals with	The Company is a member of the National Association of Software and Services Companies (NASSCOM).
2.	Has the Company advocated/ lobbied through the above associations for the advancement or improvement of public good? If yes, specify the broadareas (drop box: governance and administration, economic reforms, inclusive development polices, energy security, water, food security, sustainable business principles and others)	Not Applicable.

Principle 8: Inclusive Growth

Businesses should support inclusive growth and equitable development:

1.	Does the Company have specified programmes/ initiatives/ projects in pursuit of the policy related to Principle 8? If yes, provide details thereof	Yes, the Company considers Corporate Social Responsibility as an important aspect of its operations. It has aligned its thrust areas in line with the requirements of Schedule VII to the Companies Act, 2013. To oversee implementation of various initiatives, Company has formed a Board Level Committee called Corporate Social Responsibility (CSR) Committee. The details of various CSR initiatives of the Company are given in the Directors' Report.
2.	Are the programmes/ projects undertaken through in-house team/ own foundation/ external NGO/ government structures/ any other organisation?	The projects were undertaken by both the internal teams as well as through/ in-coordination with external agencies like NGOs and Government Institutions.
3.	Has the Company done any impact assessment for its initiative?	The CSR Committee do review impact assessment for its initiatives. Further the RP – Sanjiv Goenka Group CSR Trust" ("Group CSR Trust"), to which the Company has contributed major amount, is also pursuing the CSR activities permitted under the Companies (Corporate Social Responsibility) Rules, 2014 as amended.
4.	What is the Company's direct contribution to community development projects (Amount in? and the details of the projects undertaken)?	The Company needs to spend an amount of INR 34.51 Million in various CSR activities during FY2017-18, out of which INR 1.47 Million were already spent by the Company and the balance amount of INR 33.04 Million has been transfer to the RP-Sanjiv Goenka Group CSR Trust ("CSR Trust"). The details of the amount incurred and areas covered are given in Annexure II on Annual Report on Corporate Social Responsibility Activities forming part of Directors' Report.
5.	Has the Company taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in around 50 words	The total spent was contributed to "RP – Sanjiv Goenka Group CSR Trust" ("Group CSR Trust") which was formed to pursue CSR activities as may be permitted under the Companies (Corporate Social Responsibility) Rules, 2014 as amended.

Principle 9: Value for Customers

Businesses should engage with and provide value to their customers and consumers in a responsible manner:

1.	What percentage of customer complaints/ consumer cases is pending, as on the end of the financial year?	Nil
2.	Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/ No/ N.A./ Remarks (additional information)	Not applicable
3.	Cases filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/ or anti-competitive behaviour during the last five years and pending as on the end of the financial year. If yes, provide details thereof, in about 50 words or so	Nil
4.	Did the Company carry out any consumer survey/ consumer satisfaction trends?	Consumer Satisfaction Survey is carried out by the Company every year to gauge consumer sentiments and to take appropriate measuresto improve customer satisfaction and experience.

For and on behalf of the Board of Directors

Shashwat Goenka
Chairman, Corporate Social Responsibility Committee

Kolkata
7 May 2018

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

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

Global Economic Outlook

The global economy has been witnessing an upward growth trajectory in the past year. Recovery tailwinds and positive economic activity has been increasingly synchronised across the regions. Low unemployment rates and resultant financial buoyancy across the developed economies and strong economic recovery in the emerging markets have fueled the overall global growth. A strong 2017 and the continual recovery in investment, trade and manufacturing is providing a much needed boost. According to reports published by IMF and OECD, the global economic growth is estimated to edge up to 4% in 2018.

The United States and the Euro area is expected to register a growth rate of 2.9% and 2.8% respectively for 2018 and 2019. The outlook for advanced economies appears to be positive on the back of strong upswing across the regions such as USA, Japan and Germany. The tax reductions and public spending increases announced over the past three months in the United States, coupled with a substantially easier FY stance in Germany, are key factors behind the upward growth outlook. The ongoing improvement in the business investments and strong global trade is expected to bring out strong economic activity across the developed economies in the coming year.

Economic growth in the East Asia and Pacific region is estimated to drop to 6.2% in 2018 from 6.4% in 2017, with China reportedly looking towards a reduction to 6.4% in 2018 from 6.8% in 2017. This moderation in growth rates can be attributed towards the increased political tension in the area and rise in global protectionism.

According to estimates, the South Asian region is expected to report acceleration in economic activity from 6.5% in 2017 to 6.9% in 2018. The Indian economy has been one of the main driving forces in the global economic turnaround. From recovery after economic volatility in 2016 post demonetization, to the implementation of Goods and Services Tax (GST) in the second quarter in 2017, the Indian economy witnessed a year of rebound in terms of GDP growth. The Indian economy is expected to pick up 7.2% in FY18 against the rate of 6.7% in the FY17 and grow further to 7.5% in FY19.

From the widening market reach of China, the shifting priorities and market sentiments and the subsequent change in trade policies and market paradigms globally, India emerges as a strong economic force. FY19 promises to be an interesting year on the backs of recovery tailwinds and a hope for sustained growth. With the dynamic state of the world economy, the country continues to take steps towards a progressive and sustainable economic future.

Industry Structure and Development

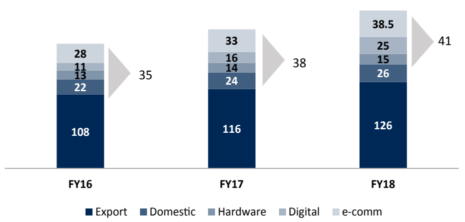
The IT industry has been continuously recovering from the impact of 2016 headwinds such as geo-political issues, broader slowdown in IT spending by banking and financial companies, implications of the Brexit referendum and uncertainty over H1-B rules in the US. However, the ever growing dependency on technology and innovative disruptions in the sector has helped the IT industry maintain its position as a market giant and prime industry for growth. The economic tensions have eased and a sense of optimism has returned as the industry has now adapted and diversified itself into niche and path-breaking segments such as analytics, Blockchain, Robotic Process Automation (RPA), Internet of Things (IoT), Artificial intelligence (AI) and cloud computing. In the latest CompTIA report, it is estimated that the global IT industry will grow at a faster rate of 5.1% in 2018 from 4% in 2017. According to Gartner, the worldwide IT spending is projected to total USD 3.7 trillion in 2018, an increase of 4.5% from 2017. Worldwide software spending is forecasted to grow 9.5% in 2018 and 8.4% in 2019 to total USD 421 billion.

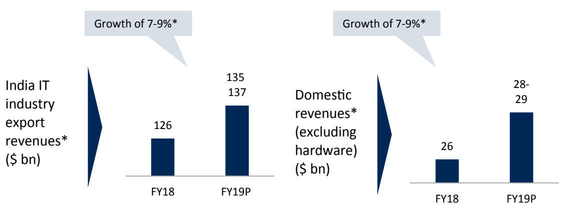
According to NASSCOM, in 2017, the global IT-BPM market stood at USD 1.3 trillion reflecting a growth of 4.3% over 2016. IT services grew a modest 2.4% driven by the continuous need for digital solutions and BPM sector grew at 3.4% driven by greater implementations of robotic automation. The global sourcing growth outperformed the global IT-BPM spending in 2017, with the global sourcing segment growing 1.4 times to reach USD 185-190 billion.

According to market reports, the global BPM market size is expected to grow at a CAGR of 10-12% over the period of 2017 – 2022 and is expected to reach USD17.96 billion by 2022. Implementation of newer digital technologies, business dexterity, cost efficiency, increased consumer spending are some of the key growth drivers in the global BPM industry. There has been a considerable increase in BPM solutions adoption across small to large businesses. BPM solutions are expected to dominate the industry in the next five years, with segments such as automation, platform/ BPaaS/ operation mechanisms and analytics contributing towards the sustained growth in the BPM sector.

The Indian IT-BPM industry, once impacted by the downturn in the global industry activity, has now slowly gained traction and has been growing at a steady clip.

IT Industry Revenue Break-up





*In constant currency

According to NASSCOM, Indian IT- BPM industry is set to grow ~8% in FY2018 –from USD 154 billion in FY2017 to USD 167 billion (excl. e-Commerce), an addition of USD 12 billion. Share in total service exports is projected at >45% and the industry's contribution relative to India's GDP is ~7.9%. India continues to be the leader in global sourcing market with a share of 55%. In FY2018, Indian IT-BPM exports are expected to touch USD 126 billion, a 7.7% growth over FY2017. IT services exports grew at 6% to USD 69 billion in FY2018 driven by growth in software testing and ISO (hosted applications). BPM exports grew at 8% to USD 28 billion over FY2017 driven by analytics, robotics and other digital technologies. The Indian BPM industry is expected to hit the USD 50 billion mark by 2025. With the growing requirement for digital technologies, technology companies have made substantial investments in building the necessary skills and capabilities to address new and changing customer demands.

In FY2018, Company's Revenues declined by 0.6% in rupee terms and grew by 2.8% in constant currency terms. Normalizing for the Domestic business divestment in the middle of FY2018, Company's Revenues grew by 3.7% in rupee terms and 7.1% in constant currency.

Segment Outlook

Healthcare

Firstsource predominantly addresses two segments within the Healthcare vertical, the Payer market represented by the Health Insurance companies and the Provider market represented by hospitals, physician groups in the US. As per Markets and Markets Research report, the global healthcare BPM market is expected to reach USD 312 Billion by 2022 from USD 191 Billion in 2017, at a CAGR of 10.2% from 2017 to 2022. Patent cliffs, complex clinical trial protocols and new reporting requirements are propelling pharmaceutical companies to outsource their R&D and manufacturing processes to other countries, which is driving the healthcare outsourcing market. North America (U.S. and Canada) commands the highest share of the global healthcare IT outsourcing market. This can be attributed to the growing pressure to cut healthcare costs; rise in demand for applications management services, application development, and infrastructure outsourcing for providers, life sciences, and payers; growing population to be covered under the insurance policy as per HIPPA Act; lack of in-house IT experts; and the new ICD 10 guidelines.

The Healthcare payer BPM value chain consists of product development, member engagement, network management, care management and claims management services. According to Nelson Hall, the global healthcare payer BPM market is expected to reach over USD 34.2 billion by 2022. The market growth has been decelerating from a 12% during 2013-2016 to a CAGR of 7-9% from 2016-2018. Several factors have accounted for this change such as declining payer profitability, value-based reimbursement models, changes in US federal healthcare policy and payer provider convergence. The US healthcare payer market has been impacted by the introduction of the Patient Protection and Affordable Care Act (PPACA). The key driver for this segment is claims processing services. As the act expanded insurance access to more than 30 million US citizens, the increased claims processing workload led to large-scale outsourcing of these services by payers. With the healthcare system becoming more value based than before, precision and proper care at every step of the process is of utmost importance, to ensure the best customer experience. The payer outsourcing section is to benefit from the rising healthcare payer and insurance market.

The healthcare provider services are segmented into medical billing, medical coding, medical transcription and revenue cycle management (RCM). Today, revenue cycle management (RCM) have enabled the provider to simplify the financial experience for patients and their staff while maximizing revenue reimbursement for uncompensated as well as compensated care. RCM outsourcing helps to maximise accuracy of data upfront in the process thereby reducing errors and denials at the back end, thus improving revenue and profitability for providers. The RCM outsourcing market is expected to grow at a CAGR of approximately 13% during 2018-2022. The company is mainly focused on the revenue cycle management services, including front-end eligibility services, receivable management, back-end early-stage collections, denial management besides providing analytics solutions for Denial Management and automated workflow solutions for Eligibility Services. Hospitals are outsourcing its revenue cycle management services due to a continuous rise in the administrative costs, which are creating pressure on profitability. Rising cases of bad debt write offs are forcing them to adopt more sophisticated technology systems and solutions. Further, increase in regulatory compliance and consolidation among payers is pushing providers to outsource their RCM process and optimise costs. With the change in the complexity of the business, demand for automation in RCM services is gaining traction.

According to industry analysts, 2018 is expected to be the year of digital health technologies such as Artificial Intelligence (AI), Internet of Medical things (IoMT), big data analytics and robotics. Technological advancements in the segments such as hospital contact centers as well as web-enabled claims, member-management, and Medicaid Management Information Systems (MMIS) are prime examples of the wide spread adoption of digital technologies in the provider segment. Furthermore, with an increased usage of mobile technology, the convenience of the customers has increased due to development of medical assistance apps and easy access softwares.

The provider as well the payer market, needs to develop a better understanding of the challenges, ways to maximise reimbursements, follow regulatory guidelines and focus on value based customer service. Hence, for added efficiency in the system, there has been a rise in outsourcing in the healthcare sector.

Firstsource is uniquely positioned to harness this growth opportunity as it works for 3 of the top 5 Payers and over 650+ hospitals in the US and it offers an end-to-end suite of services to cater to the Payers and Providers. Its presence across both the segments of this market gives the Company a strong differentiating edge. Firstsource help their clients in this market to improve their processes and meet the needs of the increasing number of patients, while improving the customer experience. Digital application in the provider segment is expected to scale rapidly in the short term. Transformation solutions around digital app-based customer experience and applications around analytics is driving growth in the healthcare provider segment of the company. In FY2018, Healthcare segment contributed 36.8% towards the company's total revenue.

Telecommunications and Media (T&M)

According to NelsonHall report, the global Customer Management Services (CMS) market is projected to be USD 62.7 billion and is expected to grow at a CAGR of 5.1% for the period of 2014- 2019. While North America will continue to remain the largest market in term of size, APAC and MEA are expected to register significant growth in their market traction for the forecast period.

SMACA (Social, Mobility, Automation, Cloudand Analytics) segment is estimated to increase its contributions to the telecom market to 25% from the current 7%. SMACA has enabled the organisations to become more digitised. While BPM service providers are focusing more on analytics-based solutions, the service providers which have a strong IT foothold are emphasising more on mobility and cloud-based solutions. With the emergence of social media as a strong force in today's media centric world, automation has been the focus of all the telecom service providers. (Source: Zion Market Research).

The telecom sector is predicted to continue to grow, innovate, ideate and develop. In 2018, the world is looking forward towards the development and implementation of the 5G network, which has until now only been theorised. Large scale investments, human resources and time periods will be needed in order to conceive, plan and implement the 5G spectrum. The world is expected to witness the first commercial market deployments of 5G in 2018. IoT (Internet of things) is expected to be an integral part of the future growth and development of the industry. With the world becoming more virtually connected than ever, its demand to view as well as share high quality content has only increased. Due to this, telecom companies have a huge amount of data with them. This opens doors for the BPM companies to use their information regarding the socio-demographic data, data analysis and human behaviour to capture and excel in this field.

Rapid technological changes, high staked competition and pricing pressure has made it alarmingly urgent for Telecom companies to focus on efficient customer engagement and satisfaction in order to win their loyalty, trust and faith. Telecom companies have been able to identify and implement the perfect combination of traditional interaction channels (IVR, phone support, SMS, email, paper correspondence) and the new-age technology driven communication channels (webchat, video chat, social media, and virtual-assistants). Investing in an effective omni-channel framework reduces the overall cost-to-serve for the telecom and media organizations, thus helping them work more efficiently and effectively. The companies need to focus on the experiences of their customers on various channels while simultaneously ensuring that they have a seamless and hassle-free experience across all the channels.

Over the last decade, the Telecom operations management market witnessed high growth due to increased need for telecom companies to effectively and timely address varied customer demands in a highly competitive environment. High operational costs and complexity of the telecom infrastructure has brought about a demand for telecom operations management. Telecom companies also incur huge costs while refining their operations and seek for Operations Support System (OSS) providers to deliver effective telecom services. Scarcity of efficient system integrators has brought about an added need for outsourcing in the telecom industry. From Development of new technologies such as next generation operations support systems, business support systems, service delivery platforms and over-the-top (OTT) to network management, consumer management and mediation, the IT-BPM sector plays a major role in the smooth management and functioning of the outsourced telecom sector.

There has been a considerable increase in the number of users of telecom systems in order to connect themselves across the world. These service providers are burdened by the huge volumes of operational processes while competing against each other to provide fast, affordable and cutting-edge offerings to their customers. Hence, there has been a rise in Robotic Process Automation (RPA)which help them tackle problems and streamline their business processes. RPA enables telecom companies to manage their back office tasks easily and deal with huge volumes of repetitive and rules-based operational processes. Today, there has been a considerable rise in RPA based outsourcing in the Telecom outsourcing industry.

Gen 'Z' customers expect seamless, personalised and relevant experience across all interaction points/ channels. Their behaviours, feedback and opinion influences business decisions, strategy and operations. Business growth is more about increasing existing customer's wallet share, reduce churn and ensuring strong brand advocacy and loyalty. Service providers who are able to provide compelling digital solutions, which combine the power of analytics to create a seamless omni-channel experience (voice, physical, messaging, web, applications, email, social, chat etc.) for their end customers are growing above the industry average. Today, they are able to use the power of real time interaction analytics (advanced speech and text analytics, natural language processing and artificial intelligence) to understand customer sentiment and predict next best action across multiple channels, thereby improving the overall experience measured through strong advocacy in the Net Promoter Scores (NPS).

US and UK Cable Industry

According to industry estimates, like many industries, the cable industry is not immune to shifting preferences. While there exists a strong battle over viewership and subscribership between cable network providers and streaming services, the residential revenues of the US cable network service are estimated to grow from USD 108.38 billion in 2016 to USD 117.7 billion in 2026. Broadband subscriptions are estimated to increase by more than 8 million over the next 10 years, reaching 71 million, and coming in at more than 1.6x the number of video subscriptions.

The media industry is in a transformative phase, with the advent of streaming services such as Netflix and Hulu, the cable network industry is seeing a steady decline in its subscribers. Everywhere TV was introduced with the idea of making cable network available to everyone, even on the go. The massive rise in the number of people who view content on secondary mediums such as mobile phones and tablets is seen to further increase the competition between Everywhere TV and other streaming services. This was mainly seen as a competitive strategy against the streaming services which are taking on the viewers at a rapid pace. According to Leichtman Research, Netflix now has more subscribers in the US (50.85 million) as compared to the largest US cable company's customer base (48.61 million). In today's highly competitive world, customer retention and loyalty is of the utmost importance. Due to this, the role of Quad play is increasing in value in for the companies. More services and programs are being bundled with Triple Pay to come off as more appealing and attractive to the consumer.

The availability and introduction of new and advanced technology will make the process of digitization a lot smoother for the telecom companies who are still reliant on manual processes. With customer satisfaction and retention in mind, the telecom companies are expected to shell out more investment in order to provide better infrastructure and technologies. This will not only benefit the customer and the parent company but also the IT-BPM companies. With a rise in the volume of technological advances in the last year, the coming year will be an interesting one to watch, especially for the Telecom led companies.

As digital transformation and technological applications are becoming a turning point for the telecom industry, there has been a rising need for IT-BPM solutions among the top industry players. From investing into data structures and automation to business operation and systems management, there has been a rising need for BPM support. With this, the companies are able to rapidly grow at a rising pace and also bring in massive growth opportunities for the IT-BPM sector as well. Telecom industry is estimated to remain in the spotlight in 2018 and worldwide connectivity becoming a daily necessity. It is expected to be a whirlwind of a year for the Telecom IT-BPM sector.

The distinctive advantage for the company is its ability to provide an omni-channel interaction across different lines through interplay of digital and analytics. In FY2018, Telecommunication and Media segment contributed 33.9% towards the company's total revenue.

BFSI

The BFSI sector includes insurance companies, commercial banks and cooperatives and also non-banking financial companies, mutual funds and pension funds among others. According to market reports, the global outsourcing market in BFSI sector is expected to grow at a CAGR of 6.79% during the period 2016-2020. The global BFSI outsourcing sector is witnessing increased application of automation technology due to rapid advances in technology and related systems. Financial projects are now done through automated systems, managed by highly skilled professionals. With the increase in technology integration and rise in demand for technologically advanced banking systems, the need for outsourcing in the BFSI sector is all the more stronger.

After the landmark Brexit referendum, Moody's Investors Service had changed its banking systems outlook for UK to negative. For 2017, Moody's revised it banking sector outlook to stable on the back of stronger credit profiles and increased resilience to weakening operating condition. The UK banking system is expected to remain healthy on the back of improved capital positions, strong loan quality and robust liquidity and funding positions. The banking system's key credit metrics have strengthened relative to last year. Although the heightened uncertainty prior to the UK leaving the EU still exists, the banks today are well placed to withstand the tougher conditions. The increase in UK banks' regulatory capitalization levels was driven by a combination of profit retention, business and asset disposals, improved data quality and internal model enhancements.

However, it is expected that the operating conditions for banks will deteriorate modestly over the next 12-18 months, driven by heightened uncertainty on the exit policies and newer trade laws to be set once the UK exits from the European Union. Although slower economic growth is likely lead to a slight increase in delinquent loans, Moody's expects that the banks' robust solvency will help them absorb any unexpected losses.

As far as the US market is concerned, we are gradually seeing an increase in interest rates from the Fed after almost 35 years of a secular declining trend. The interest rates were increased to 2.0% by the Federal Open Market Committee in June 2018 and it is expected that this will increase to almost 3% and beyond by 2020. This apart, the unemployment rate in U.S dropped to 3.8% from 4.1% in December 2017, its lowest level since the heady days of the dot-com boom in early 2000. The increase of jobs is reflecting healthy gains in a broad range of industries, from manufacturing and transportation to health care and retailing. The unemployment rate is expected to drop to 3.6% in 2018 and 3.5% in 2019 and 2020 (both years). Economists see unemployment falling towards 3.6% in 2018 as remarkable and this extremely tight labor market should, at long last, push up wages which will accelerate the consumer spending and business investment.

While the increase in interest rates will slow down refinancing of mortgages, the stronger economy and higher inflation will be positive for home prices and it is expected that first-time homebuyer activity will increase while repeat buyers will continue to languish. This could have a positive impact on loan originations focused on the new home purchases and home equity segment, whilst having a negative impact on the refinancing segment.

The other big change in the landscape as far as US is concerned is the tax reforms put in place by the current administration. With the largest tax reform this generation has seen, there are new opportunities for growth across all sectors. The legislation as it currently stands would substantially reduce the tax incidence on businesses of all sizes. Banks in the US today pay one of highest tax rates, and the proposed reforms would free up an enormous amount of capital that will ultimately be put back into economy. Beyond the banking industry, any business paying taxes will have fresh capital to redeploy into innovative technologies and business expansion. With this in the background, our businesses in the US will see increased opportunities.

The last area of focus for Firstsource in the US market is in the accounts receivables management business. According to a report from NASDAQ consumer debt in the US has been rising at an alarming pace and the trend shows no sign of slacking. To get some sense of the numbers, credit card debt had reached an all-time high of USD 1.023 trillion. Student loans have become the largest source of household debt outside of mortgages. The most recent reports indicate a total US student loan debt of USD 1.48 trillion – that's an average of more than USD 37,000 per graduate. And the student loan delinquency rate is 11.2%. Car loans are also rising. Americans now owe USD 1.1 trilion in auto loans – a new record. At the same time, the cost of consumer goods and services is also increasing. The cost of several major areas of household expenditure – including medical expenses, housing, and food and beverages – has increased faster than income growth since 2007. The American economy is strong and shows every sign of remaining so in the coming months. And while the economy remains strong, people across the nation will keep spending. And this plays well into Firstsource's business of collections and receivables management. The need for a new generation of consumer-centric, automated, technology-driven debt collection experiences has never been greater.

The year of 2017 witnessed a revolution in the BFSI sector in terms of technology integration and innovation. Some of the key drivers in the BFSI space are implementation of digital culture and designing a modern harnesses digital intelligence and enabling mobility. Cloud-based technology has helped in making banks more rapidly responsive, focus on user adoption by identifying use cases based on work profiles and transforming business by process alignment with the new tools. This has aided banks exemplify their internal operations but also enhance the overall customer experience. AI has transformed both back and front office operations due to its self-improving mechanisms and help in managing data security. Technological advancements have crossed over into the Fintech industry and have led to an increase in technological investments by these firms. Mobile technology and automation has also enabled banks and financial institutions reduce their turnaround time and minimise errors.

Today, the BFSI sector which used to view Fintech companies as competitors, are now partnering with them in order to take on the challenges faced in a digital-first world. The newer technological trends in the Fintech sector will most likely lead to an increase in the outsourcing activity in the BFSI sector in the long term. Newer trends such as blockchain, machine learning, automated personalization and advanced data security are expected to be the main focus for Fintech industry in the coming few years. On the backs of the outburst of cryptocurrency mechanism in the spotlight since the past year, industry players are now interested in integration of blockchain technologies within the financial systems. A blockchain network will help to reduce fraud, speed up contract enforcement, and increase transparency in the banking system. With more technology becoming more omnipresent by the day, it is important for the Banking and Financial Institutions to integrate into a technologically driven ecosystem.

With the increased need for digital transformation in the BFSI sector, Firstsource acts as the perfect partner for Banks and Financial businesses. The company helps the clients to transform business operations, deliver end-to-end solutions, innovate their internal business processes and implement data management solutions. Currently, the demand environment for the transformation led growth especially on the robotic process automation in several back office processing is doing extremely well for the mortgage businesses in the US and the BFSI businesses in the UK.

US Credit Card Collections

The credit card market is one of the United States' largest consumer financial markets and it continues to grow by most measures. Even though household income levels and employment rates are ticking up in the US, the credit card debts are approaching all time highs. In June of 2017, the credit card debt reached USD 1.021 trillion, besting the record set back in April on 2008, during the great recession. In 2017, credit card debt collection was one of major driver for the debt collection. According to the Federal Reserve, the US national debt ended at USD 20.244 trillion, an increase of USD 671 billion from the start of the FY year.

There has been an increase in the Credit card delinquencies in the past year, a potential ominous sign for the economy. Consumers with higher credit scores continue to account for majority of the credit card debt and spending. However, there has been an increase in the share of consumers with lower scores holding credit cards, which is one of the leading reasons for missed payments and rise in credit debts. Today, the US' credit card delinquency rate has reached rates higher than during the financial crisis in 2008. It is accounted that the average credit card debt held per person is USD 4,453 and USD 8,683 per household. The delinquency rates have reduced considerably to 7.47% as compared to 13.74% in 2010. Rising employment rates increase in per person incomes and growth in economic prowess in the US market is expected to bring about an increase in personal spending and in turn benefit the credit collection system in the short term future.

Overall, the BFSI sector is set to go through an overhaul with newer innovations, disruptions and technological advancements, bringing in more technological dependence and collaboration between Banking-Finance Sector and the technology sector.

In FY2018, BFSI segment contributed 29.3% to its total revenue working across multiple product lines across the US and the UK. The Company has been able to deploy the latest disruptive interventions in this segment providing a fillip to its goal of delivering transformational value to its customers.

To conclude, the BPM industry is advancing with technological changes and continues to be highly competitive. The company has been able to withstand major macroeconomic events like Brexit, policy change in the US, demonetisation in India and repealing of Obamacare in the last couple of years. The company continues to successfully deliver value to its customers and maintain its position in the BPM industry due to its continuous focus on technology led transformation and providing innovative solutions to its customers.

Mortgage Market

The Housing Market in the US is strong and strengthening on the back of a strong economy, relatively low unemployment rates, new household formation and favorable demographics. With rising job rates, lowered delinquency rates, the chances are cautiously optimistic for the mortgage market. In the first half of 2017, real estate values in the United States surpassed their pre-housing crisis levels. The total value of real estate owned by individuals in the United States is USD 24 trillion, and total mortgages clock in at USD 10 trillion.

The mortgage market is undergoing a cyclical transition. Most experts believe an era of ultra-low interest rates which have driven a strong mortgage market on the back of consistently high percentages of refinances every year has finally come to an end. In the past year, the 30-year mortgage rate has increased over 100 basis points and is anticipated to increase further on the back of a central bank tightening cycle, the end of quantitative easing and QE-twist. With the mortgage market making the shift from refinance-dominated to a more purchase-dominated one, a trend which is estimated to be carried forward in 2018, the refinance share of mortgage activity is expected to decline to 25%. Taking into consideration the strict guidelines and regulations that are to be adhered by while processing mortgages, banks face a number of challenges, ranging from escalating compliance costs, compliance monitoring and timely response. In today's time, it has become expensive to become an originator as the cost of company's processing, underwriting, closing cost and cost of sales have shot up.

The aforementioned challenges contribute to the main reason that companies decide to outsource. Due to this inclination towards outsourcing work, the outsourcing industry now manages clients from world over, near and off shore operations included. The mortgage outsourcing industry is going through a phase of change and adaption wherein it is adopting a more digitalised and technologically advanced approach in processing and other aspects. It is using a combination of analytical insights, digitalised platforms and automation.

Numerous clients are starting out with using intelligent-automated technologies for their everyday tasks and then gradually moving towards artificial intelligence. Robotic Process Automation (RPA) is another trend that has been on the rise recently in the mortgage industry. Analytics and detailed data analysis is gaining momentum in the Mortgage BPO industry as it facilitates better understanding of the process and the elements of loan origination process. The major areas covered under mortgage analytics understand the likelihood to close, predictive loan default and delinquency modelling to determine propensity to default, and loan fraud detection to help with the appraisal process and predictive modelling for loan origination to help prioritise underwrite-time.

Continue to differentiate through Innovation, new technological trends and non-linear disruptive service offerings. Develop value enhancing productised solution offerings.

The success of any strategic initiative is measured by the outcomes it generates. The Business Transformation Offerings (BTO) has enabled the Company to build and deploy tangible differentiators that give it the competitive edge to win high-impact deals.

During FY2018, the Company significantly bolstered its Business

Transformation Offerings (BTO). Under the BTO framework, the Company continues to:

Build Transformative Productised Solutions through a combination of Robotic Process Automation, Workflow technologies, Digital and Analytics based predictive models.

The Company continued to make significant strides last year in developing productised "arrowheads" that help clients address the market shifts in their respective industries. Robotics Process Automation (RPA) continues to dominate the marketplace with businesses using various elements of RPA to automate the routine, manual and rule- based activities. Industry analysts estimate that the automation efforts are likely to grow at CAGR of excess of 30% over the next few years. The Center of Excellence created last year implemented many RPA projects and delivered significant benefits to its client across the US and the UK geographies in BFSI and Healthcare industry segments. By combining its proprietary workflow tools and robotic automation methods the company was successful in streamlining client processes, eliminate redundant and repetitive tasks, delivering significant productivity benefits to clients as well as improved business outcomes. This is particularly relevant in back office processes across industries but more relevant in the banking and healthcare sector.

Analytics-based predictive models help to predict consumer interaction behaviour, their Net Promoter Scores (NPS), and churn predictive models which are a direct correlation metric to consumer loyalty to our clients' brand and product. Using consumer demographic data, customer interaction journeys across multiple channels (digital, voice, chat, email etc.), and transaction history, the Company has created analytical models to predict future interaction behaviour patterns of consumers. These models help to maximise revenue potential and reduce churn hence, delivering enhanced business outcomes to the clients. Going forward, the Firstsource Analytics Services will continue to be a significant investment area for the Company.

As online (web), messaging and mobile channels drive a distinctive, holistic consumer engagement platform, the Company has created a productised service (First Digital) which analyzes, provides insight and improves consumer engagement by mapping customer journeys. These help the clients use these channels more effectively and reduce their total cost-to-serve without affecting the NPS.

Productisation of services is made possible through inventive technology partnerships, innovative product ideas along with a sound branding and go-to-market strategy. These help to generate significant value to the clients. The Company continues to invest in its product portfolio comprising of productised solutions in Customer Interaction Analytics (First Customer Intelligence), Web Chat (First Chat), Robotics Process Automation (First Smartomation), Workforce Management (First WF Suite), Complaints Management (First Resolve), the Company Analytics Services and FirstDigital and Workflow Solution (Sympraxis). In the healthcare provider segment, analytics led hospital enrollment, Uncompensated Care Integrated Management (UCIM) and denials-management productised services are helping generate non-linear outcome-based fees for the Company.

Strengthen domain expertise and develop deep industry knowledge by building strong Centres of Excellence (CoEs), aided by forging technology partnerships.

The Company has proven and differentiated horizontal capabilities in its current business portfolio. These capabilities include customer management, collections and transaction processing. There are dedicated CoEs for these three horizontals that continue to expand these capabilities across its target industry verticals. The Company continues to invest heavily in building industry and domain knowledge, and establishing knowledge management systems for effective dissemination. It has set up an incubation cell within the organisation, which looks to incubate transformative solutions through associations with start-up ecosystems, in-house ideas and established organisations. Besides, it will continue to strengthen the CoEs by forging strong technology partnerships with niche product and platform organisations, which will enable the Company to propose niche bundled offerings to its customers. Artificial-Intelligence led disruptions, Machine-Learning based solutions are some of the areas that the Company is currently focussing on enhancing its portfolio of offerings.

Continue to focus on Customer Management, Financial Services, Mortgage and Healthcare segments

The Company has been focusing on expanding its footprint in the customer management and healthcare segments. The acquisition and integration of ISGN Solutions in the US mortgage industry marked its entry in a new market segment, thereby enabling it to expand its mortgage services portfolio in the US markets. The Company made significant strides in its penetration of the US mortgage market by bringing together the vertical domain expertise and the horizontal customer management expertise, coupled with RPA and AI to provide industry-oriented transformative solutions to clients. Continued efforts to drive transformative interventions in Mortgage, healthcare and cards through a combination of automation and analytics will help the Company maintain its competitive edge in the market.

Unique value proposition for the healthcare industry

The company is one of the few players who straddle across both the Payer and Provider segments of the Healthcare Industry. With the Healthcare Industry moving from the 'fee-for-service' to 'value-based-reimbursement' model, understanding of the intricacies of information exchange between Payers and Providers, and being able to deploy transformation tools to improve the same is of significant value. Healthcare industry lags behind other industries in simplifying processes and improving customer (member and provider) satisfaction. The company, with its very strong Customer Management capabilities, is uniquely positioned to help Healthcare become 'retail-like' in consumer orientation. Companies partnerships and alliances with Healthcare organizations like EBIX Healthcare and Connance have helped the company become a full service provider in the Payer industry and complete end-to-end RCM services provider to the hospital segment.

Retain and consolidate relationships with clients

In FY2018, the Company attributes roughly, 95% of its revenue from existing customers. Delivering enhanced services through robust account plans is a key focus area while strengthening its relationships with clients. The Company works with several 'Fortune 500', 'FTSE 100' and Blue Chip companies in the US, the UK and India. Many of these relationships have strengthened over time as the Company gets on-going work from these clients and gains a greater share of their BPM outsourcing budget. The successful extension of the partnership with Sky UK is a testimony to the relationship that the company builds with its clients.

Talent management, leadership development and creating a high-performance culture

The Company believes that along with its clients and shareholders, the most important stakeholders in its success are its people. The experience of clients and the quality of service provided to the customers of clients is directly dependent on the quality, engagement and morale of its employees. Hence the company continues to invest in and innovate around all people practices. From robust selection processes that allow the company to hire the best talent, to strong performance and talent management frameworks that ensure that all efforts in the organization are aligned to the vision and meritocracy is being celebrated, to investing in learning and succession planning for the future, the Company is committed to driving high performance and helping its employees to aspire, achieve and advance.

Competition

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

In the healthcare business the Company primarily competes with:

- Large global IT companies such as Dell, Xerox, HP, CSC, IBM, Accenture;
- BPM divisions of IT companies located in India including Wipro and Cognizant
- Healthcare focused Revenue Cycle Management companies located in the US such as Parallon, Navigant Cymetrix, R1 RCM, Change, Cardon (MedData-MedNAX), Conifer group etc;
- Healthcare focused offshore BPM providers, particularly in India such as Sutherland Global, HGS, Exela Technologies;
- Large global consulting groups such as PWC (RCM service and consulting)

In the BFSI business segment the Company primarily competes with:

- Large UK based BPM companies such as Capita and Serco;
- Large global IT companies located in the US and Europe such as IBM, Accenture, Dell, Xerox, HP and Capgemini;
- Large global diversified receivable management and collections companies such as Convergys;
- Credit card collection / recovery focused companies such as iQOR, GC Services, Alltran, Client Services, NCI, Alliance One and Northland Group Outsourcing Solutions Inc. (OSI), Epicenter, Zenta, Teleperformance,
- Mortgage focused companies, largely in the UK and US such as HML, Sutherland, TCS, Infosys, Wipro and Accenture
- BFSI focused offshore BPM providers, particularly in India such as Genpact, WNS, EXL;
- BPM divisions of IT companies located in India including TCS, Infosys, Wipro, HCL;
- and
- Captive operations of our clients.

In Telecommunications & Media business the Company primarily competes with:

- Large global BPM companies such as Convergys, Sitel, TeleTech, Sykes, Conduit, Transcom and Accenture etc;
- Telecoms & Media focused onshore BPM providers, particularly in the UK such as Serco, Capita, Web-Help, Vertex, Ventura; and
- BPM divisions of IT companies located in India including HCL, Tech Mahindra, Infosys, Wipro and Concentrix.

Human Resources

Our Employee Value Proposition 'Aspire. Achieve. Advance.' underpins our Enterprise-level HR Strategy.

Our promise to our people is that just as they bring their competencies and aspirations to the table, we support them to achieve their potential and grow their careers with us. From blue-chip client names to work for, a people centric culture to best in class learning and growth opportunities we are a great place to advance in. This promise is supported by initiatives across the entire employee experience with the company.

We believe that the right mix of innovative practices in Talent Attraction and Integration, Talent Engagement and Retention, Talent Development and Management will continue to motivate and retain talent across all levels. We make investments in the most critical people and critical roles, driving a high performance culture and enabling required quality levels across the organization.

Talent Attraction and Integration

We acknowledge that with rapidly changing demographics and disruptive technologies, the world of work is changing and good talent has more opportunities than ever before. In this "high demand market" we differentiate ourselves by putting the candidate and employee at the center of all our efforts. We are constantly in touch with thousands of candidates as well as Firstsource alumni to make sure that the value we offer as employers is in line with their expectations.

Our selection process is rigorous and targeted at taking in only those individuals who are predicted to succeed in our culture and deliver high performance to our clients. We use latest technology to test, onboard and train new joiners, so that they have a great experience, while also improving productivity of the recruitment and integration process.

Talent Engagement and Retention

While crafting the best experience for our talent, we attempt to create the optimum balance between cutting-edge tools and interfaces on the one hand and intelligent decision making and empathetic engagement on the other.

Firstsource believes that our employees are most engaged when they are challenged, well rewarded and have a chance to grow while also giving back to the society at large.

Our employee engagement and retention philosophy therefore, encompasses all aspects of our culture – inspiring our people to bring their best to work every day. We aim to nurture a unified global Firstsource culture that drives business outcomes in a rapidly changing world, through cutting-edge, robust and consistent people practices, enabling us to be a best-in-class talent magnet organization.

The main focus areas of employee engagement this year were connecting, celebrating and contributing.

We re-energised leadership connects and employee advisory forums to drive top-down as well as bottom up communication. Trust is built in the system by devolving responsibility and solving problems locally and driving engagement activities that are relevant in each microcosm.

Celebration is a way of life at Firstsource, and we introduced a more focused and aligned rewards framework for every level, encouraging peer recognition and friendly competition.

Our focus on well-being continued through more fitness initiatives in all our centres across the globe, walking challenges and health workshops.

The generous spirit of our people was at display in all the countries that we operate in – from payroll giving, to collection drives as well as volunteering, we were humbled by the outpouring of warmth all through the year.

Talent Development and Management

As an organisation, we are continuously working to ensure we have the right talent available at the right time to meet organization's goals. Our robust performance and talent management process combined with leadership and management development initiatives help us meet our talent demands for today and build a leadership pipeline for future.

Performance Management Process

Achieve. Collaborate. Enhance – that is ACE, the performance enhancement process at Firstsource which aims at helping individuals perform at their best. This year, we embarked on a journey to transform our process to enable a shift from performance management to performance enhancement. The philosophy underlying this change was to have a process that allows us to measure, enhance and reward performance effectively and help build a culture of meritocracy and excellence. The change has allowed us to move to a more holistic view of employee contributions and growth potential and move away from bell curve while creating a culture of constant feedback and coaching through performance dialogues. The revamped process has received positive user feedback and has resulted in improved process effectiveness within a year of its implementation.

Talent Management

Talent Management process helps the organization be future-ready by building leadership pipeline. A robust talent review process allows us to identify business critical roles along with identifying high potential leaders who can take on these critical roles. This ensures that we have succession and development plans in place thus de risking the organization from a leadership standpoint. Through our TM efforts last year, we have been able to retain our top talent and maintain succession readiness.

Leadership and Management Development

This year, the aim of Firstsource Academy has been to leverage technology and ensure that learning is relevant, real time and reachable for our diverse set of employees spread over multiple geographies. Firstsource Academy provides learning across the whole gamut of functional/domain capabilities, managerial and leadership competencies, personal effectiveness, compliance and policy and special organization wide culture building interventions.

We believe that individuals are responsible for their learning and growth and they do this through Individual Development Plans. Relevant courses are made available to employees to help them build capability for their current roles as well as prepare them for future roles. The offerings are made available across multiple channels to ensure a true blended learning experience and make learning real time and reachable. Formats of learning includes e-learning, instructor led training, virtual classrooms, webinars, and video based learning.

With an emphasis on digital learning and through use of technology, total number of participants trained increased by 60% in FY18 with a big jump in number of courses available. Our investment in building domain / technical capabilities in new emerging technologies saw a 5X jump in number of participants availing these courses.

Recognition & Awards

- Gold Accreditation, Investors in People Standard (UK) - Firstsource Solutions was awarded gold accreditation against the Investors in People Standard, joining the top seven per cent of accredited organizations across the UK, demonstrating their commitment to high performance through good people management.
- Welsh Contact Centre Awards 2017 - Recognised in three categories, 'Diverse Workplace Award', 'Trainer of the Year' and 'Industry Champion'.
- UK Customer Experience Awards 2017 – Received by Katherine Chivers for CS professional of the year.
- Welsh Contact Centre Awards 2018 - Recognised in three categories, 'Outsourced Contact Centre of the Year', 'Trainer of the Year' and 'People Engagement'.

Shareholders' Funds

Share Capital: The authorised share capital of the Company is INR 8,720.00 million with 872 million Equity shares of INR 10 each. The paid up share capital as of March 31, 2018 stands at INR 6,865.23 million compared to INR 6,813.08 million as of March 31, 2017.

The increase in equity share capital of INR 52.15 million is on account of allotment of 5,214,482 shares to employees as stock options.

Reserves and Surplus: The Reserves and surplus of the Company increased from INR 13,466.95 million to INR 16,652.37 million. The details of increase in Reserves and surplus by INR 3,185.42 million are as below:

	Amount (₹ Million)
Increase on account of:	
Profit for the year less appropriation	3,293.93
Premium received on shares issued during the year	89.26
Exchange Difference on consolidation of non-integral subsidiaries/entities	515.42
Decrease on account of:	
Employee stock option reserve	(2.47)
Effective portion of cash flow hedges	(710.72)
Net Increase/(Decrease) in Reserves and surplus	3,185.42

Minority Interest

Minority interest is created on account of 74% consolidation of Firstsource Dialog Solutions (Private) Limited, Sri Lanka.

Minority interest as of March 31, 2018 is INR 12.53 million as compared to INR 11.75 million as of March 31, 2017.

Long-Term Borrowings

Secured long-term borrowings represent Term Loan, External Commercial Borrowing and finance lease obligation. Unsecured long-term borrowings represent loan from non-banking financial companies.

Secured long-term borrowings outstanding as of March 31, 2018 were INR 28.84 million as compared to INR 3,484.17 million as of March 31, 2017. The net decrease was on account of repayment of ECB of USD 16.70 million and movement of long term loan from non-current to current liabilities. Unsecured long-term borrowings outstanding as of March 31, 2018 were INR 113.36 million as compared to INR 95.77 million as of March 31, 2017. The net increase was on account of increase in loan from NBFCs.

Deferred Tax Liabilities

Deferred tax liabilities as of March 31, 2018 were INR 264.29 million as compared to INR 418.37 million as of March 31, 2017. This is due to decrease in deferred tax liability on amortization of goodwill and offset by further decrease in deferred tax assets on carried forward losses and others due to reduction in US tax rate from 34% to 21% effective January 1, 2018.

Provision for Employee Benefits

Provision for Employee Benefits represents provision for gratuity and compensated absences liability to employees based on actuarial valuation done by an independent actuary. These provisions as of March 31, 2018 were INR 346.44 million as compared to INR 370.34 million. The decrease in long term provisions from last year is due to decrease in provision for gratuity.

Short-Term Borrowings

Short-term borrowings as of March 31, 2018 were INR 6,580.95 million as compared to INR 6,066.84 million as of March 31, 2017. The movement is on account of, increase in line of credit from bank of INR 1,587.73 million offset by decrease of export finance of INR 619.25 million, and decrease in current maturities of long term borrowings to the extent of INR 454.37 million.

Trade Payables

Trade payables as of March 31, 2018 were INR 915.69 million as compared to INR 993.77 million as of March 31, 2017.

Other Financial Liabilities

Non-current other financial liabilities as of March 31, 2018 were INR 161.46 million as compared to Nil as of March 31, 2017. The increase in non-current other financial liabilities is on account of MTM liability on foreign currency forward contracts.

Other current financial liabilities as of March 31, 2018 were INR 1,468.73 million as compared to INR 982.90 million as of March 31, 2017. The increase in other financial liabilities is on account of increase in employee benefit payable.

Other Liabilities

Other current liabilities include amount advance received from customers and statutory taxes payable.

Goodwill

Goodwill as of March 31, 2018 was INR 19,308.07 million as compared to INR 19,223.62 million as of March 31, 2017.

The increase in goodwill during the year was INR 84.45 million. This increase was due effect of restatement of non-integral foreign subsidiaries at year end exchange rate.

Fixed Assets

The net block of tangible assets, intangible assets and capital work-in progress amounting to INR 1,510.35 million as of March 31, 2018 as compared to INR 1,497.38 million as of March 31, 2017, resulted in a net increase of the assets to the extent of INR 12.97 million. This is majorly due to net additions of INR 599.18 million and upward exchange rate impact of INR 73.03 million offset by depreciation charge for the year amounting to INR 659.24 million.

Investments

The investments of the company represent non-current investments of INR 122.62 million and current investments of INR 220 million as on March 31, 2018 as compared to INR 105.84 million and INR 1,522.67 million respectively as on March 31, 2017.

Deferred Tax Assets

Deferred Tax assets of the company as of March 31, 2018 were INR 2,175.49 million as compared to INR 1,608.95 million as of March 31, 2017. This increase majorly is on account of MAT carried forward INR 212.69 million and decrease in deferred tax liability on cash flow hedges INR 354.34 million.

Income Tax Assets

Income Tax assets of the company as of March 31, 2018 were INR 679.24 million as compared to INR 752.70 million as of March 31, 2017.

Other Non-Current Assets

The other non-current assets of the company as of March 31, 2018 were INR 1,956.68 million as compared to INR 1,732.81 million as of March 31, 2017. This increase is on account of deferred contract cost paid during the year.

Trade Receivables

Trade receivables amount to INR 3,784.79 million (net of provision for doubtful debts amounting to INR 163.54 million) as of March 31, 2018 as compared to INR 3,065.44 million (net of provision for doubtful debts amounting to INR 243.23 million) as of March 31, 2017. 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 claims. 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 of March 31, 2018 (calculated based on per-day sales in the year) were 39 days, as compared to 31 days as of March 31, 2017. The Company constantly focuses on reducing its receivables period by improving its collection efforts.

Cash and Bank Balances

Cash balance represents balance in cash with the Company to meet its petty cash expenditures. The bank balances in India include both Rupee accounts and foreign currency accounts. The bank balances in overseas current accounts are maintained to meet the expenditure of the overseas subsidiaries and branches. The cash and bank balance as of March 31, 2018 was INR 1,230 million as compared to INR 387.31 million as of March 31, 2017. This increase in cash was due to cash generated from operating activities and investing activities, offset partially by cash used for debt repayment.

Other Financial Assets

Other Financial Assets as of March 31, 2018 were INR 1,911.36 million as compared to INR 2,354.65 million as of March 31, 2017. The decrease in these assets was on account of decrease in MTM on foreign currency forward contracts.

Other Current Assets

The other current assets of the Company as of March 31, 2018 were INR 744.77 million as compared to INR 513.08 million as of March 31, 2017. This increase is due to prepaid expenses and current portion of deferred contract cost and indirect taxes recoverable.

Results of Operations

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

Particulars	FY2018		FY2017	
	₹ Million	% of Income	₹ Million	% of Income
Income from services	34,314.97		34,569.11	
Other operating income	1,037.50		986.99	
Revenue from operations	35,352.47	100%	35,556.10	100%
EXPENDITURE				
Personnel cost	23,954.75	67.8%	23,834.37	67.0%
Other expenses	6,808.66	19.3%	7,341.83	20.6%
Operating EBITDA (Earnings before Interest, Tax and Depreciation)	4,589.06	12.9%	4,379.90	12.3%
Depreciation and amortisation	659.24	1.9%	589.61	1.7%
Operating EBIT (Earnings before Interest and Tax)	3,929.82	11%	3,790.29	10.7%
Finance charges	404.04	1.1%	453.17	1.3%

Particulars	FY2018		FY2017	
	₹ Million	% of Income	₹ Million	% of Income
Other income	54.31	0.2%	32.05	0.1%
Profit before tax	3,580.09	10.1%	3,369.17	9.5%
Provision for taxation				
- Current tax expense (including MAT)	456.79	1.3%	454.36	1.3%
- Deferred tax charge/ (credit)	(142.48)	0.0%	122.43	0.3%
Profit after tax before minority interest	3,265.78	9.2%	2,792.38	7.9%
Minority interest	0.59	0.0%	(7.58)	0.0%
Profit after tax	3,265.19	9.2%	2,799.96	7.9%

Income

Income From Services

Income from services decreased by 0.7% to INR 34,314.97 million in FY2018 from INR 34,569.11 million in FY2017. The company attributes this increase in its income from services to new business from existing clients and addition of few new clients. This reduction was due to movement in currency during the FY2018 as compared to previous FY. The average exchange rate for consolidation of subsidiaries for USD and GBP in FY2018 was INR 64.47 per USD and INR 85.51 per GBP as compared to INR 67.06 per USD and INR 87.66 per GBP in FY2017. Sale of domestic business during the year, resulted in domestic revenues not available for 7 months in FY2018 compared to 12 months of revenues in FY2017. Normalizing for the above, the company recorded the growth of 3.7% in rupee terms and 7.1% at constant currency for FY2018.

Consolidated Revenues by Segment

The Company serves clients for Customer Management, Healthcare and Collections business. Clients from Customer Management accounted for 55% (FY2017: 56%), clients from Healthcare accounted for 35% (FY2017: 33%), clients from Collections accounted for 10% (FY2017: 11%) of the income from services in FY2018.

The following table gives a segment-wise breakdown of the income from services for the corresponding periods:

(₹ in Millions)

Business Segment	**FY2018**	FY2017
Customer Management	**18,868.24**	19,286.23
Healthcare	**11,853.21**	11,425.12
Collections	**3,593.52**	3,857.76
Total	**34,314.97**	34,569.11

Consolidated Revenues by Geography

The Company serves clients in North America, UK and India. Clients from North America accounted for 53% (FY2017: 56%), clients from UK accounted for 44% (FY2017: 37%), clients from India accounted for 3% (FY2017: 6%) while clients in rest of the world accounted for 0% (FY2017: 1%) of the income from services in FY2018. The following table gives a segment wise breakdown of the income from services for the corresponding periods:

(₹ in Millions)

Geography	**FY2018**	FY2017
US	**18,420.31**	19,417.97
UK	**14,969.47**	12,843.18
India	**925.19**	2,019.54
Rest of the World	**-**	288.41
Total	**34,314.97**	34,569.11

Consolidated Revenues by Industry

Healthcare accounted for 37%, Telecommunications & Media accounted for 34% and Banking, Financial Services & Insurance accounted for 29% of income from services in FY2018 and 36%, 32% and 32% of income from services respectively in FY2017.

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

(₹ in Millions)

Industry	**FY2018**	FY2017
Healthcare	**12,627.91**	12,375.74
Telecom & Media	**11,632.77**	11,131.25
BFSI	**10,019.97**	10,992.98
Others	**34.31**	69.14
Total	**34,314.97**	34,569.11

Client Concentration

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

(₹ in Million)

Client concentration to revenues	**FY2018**		FY2017	
	Amount	%	Amount	%
Top Client	**9,711.14**	28%	7,601.92	22%
Top 5 customers	**15,887.83**	46%	14,867.49	43%
All clients	**34,314.97**	100%	34,569.11	100%

In FY2018, the Company had top client accounting for 28% of the income from services compared to top client accounting for 22% of its income from services in FY2017.

The Company derives a significant portion of its income from a limited number of large clients. In FY2018, the Company had 13 clients contributing individually over INR 500 million each in annual revenues the same number as in FY2017. In FY2018 and 2017, income from the Company's five largest clients amounted to INR 15,887.83 million and INR 14,867.49 million respectively, accounting for 46% and 43% of its income from services respectively. Although the Company continues to increase and diversify its client base, it expects that a significant portion of its income will continue to be contributed by a limited number of large clients in the near future.

Other operating income

Other operating income/ (expense) of INR 21.60 million in FY2018 pertains to operating income in the nature of grants received in relation to the Company's business in UK of INR 43.15 million in FY2017 and includes exchange gain of INR 996.76 million for the year ended March 31, 2018 (FY2017: INR 943.84 million) on restatement and settlement of debtor balances and related gain / loss on forward / option contracts as these transactions relate to the operations of the Company

Revenue from Operations

The Company's revenue from operations decreased by 0.6% to INR 34,314.97 million in FY2018 from INR 34,569.11 million in FY2017 in rupee terms and grew by 2.8% in constant currency terms. Normalizing for the Domestic business divestment, Company's Revenues grew by 3.7% in rupee terms and 7.1% in constant currency.

Expenditure

Personnel costs

Personnel costs increased by 0.5% to INR 23,954.75 million in FY2018 from INR 23,834.37 million in FY2017, with the number of employees decreasing to 18,703 as of March 31, 2018 from 25,871 as of March 31, 2017. As on March 31, 2018, 9,894 employees were employed outside India and 8,809 employed in India as compared to 10,425 employees outside India and 15,446 employees in India as at end of FY2017. The increase in cost is attributed to increase in number of employees across the globe, more significantly in the US & the UK.

Operating Costs

Operating costs for FY2018 amounted to 19.3% of the income for that period, as compared to 20.6% of income in FY2017. Operating costs decreased to INR 6,808.66 million in FY2018 from INR 7,341.83 million in FY2017. This decrease is majorly attributed by reduction in operating expenses withhigh variability.

Operating EBITDA (Earnings before Interest, Tax and Depreciation)

As a result of the continuing operations, operating EBITDA increased by INR 209.16 million to INR 4,589.06 million in FY2018 from INR 4,379.90 million in FY2017. Operating EBITDA in FY2018 was at 13.0% of income as compared to 12.3% in FY2017.

Depreciation

Depreciation costs for FY2018 amounted to 1.9% of the income for that period, as compared to 1.7% in FY2017. Depreciation increased year-on-year by 11.8% to INR 659.24 million in FY2018 from INR 589.61 million in FY2017.

Operating EBIT (Earnings before Interest and Tax)

Operating Earnings before Interest and Tax (EBIT) increased by INR 139.53 million to INR 3,929.82 million in FY2018 from INR 3,790.29 million in FY2017. Operating EBIT in FY2018 amounted to 11.2% compared to 10.7% in FY2017.

Finance Cost

Finance cost for FY2018 amounted to 1.1% of income for that period, as compared to 1.3% of income in FY2017. Finance charges decreased by 10.8% to INR 404.04 million in FY2018 from INR 453.16 million in FY2017, due to repayment of debt during the year.

Other Income

Other income increased to INR 54.31 million in FY2018 from INR 32.05 million in FY2017. The components of other income in FY2018 were profit from the sale/redemption of current investments of INR 50.96 million, gain on sale of fixed assets of INR 3.40 million, Gain on sale of domestic contracts of INR 7.67 million, interest income of INR 14.64 million, other miscellaneous income of INR 0.36 million and foreign exchange loss of INR 22.72 million.

Profit Before Tax

Profit before tax increased by 6.3% to INR 3,580.09 million in FY2018 from a profit before tax of INR 3,369.17 million in FY2017. Profit before tax in FY2018 was 10.1% of the income, as compared to 9.5% of the income in FY2017.

Provision for Taxation

Provision for taxation decreased by 45.5% to INR 314.31 million in FY2018, from INR 576.79 million in FY2017. Income tax expense comprises of current tax, net change in the deferred tax assets and liabilities in the applicable FY period and minimum alternate tax credit. Current tax expense comprises tax on income from operations in India and foreign tax jurisdictions. During the year, certain centres of the Company had the benefit of tax-holiday under Section 10AA under the Special Economic Zone scheme. Current tax expense amounted to INR 456.79 million in FY2018 as compared to INR 454.36 million in FY2017.

There was a deferred tax credit of INR 142.48 million in FY2018 compared to a deferred tax charge of INR 122.43 million in FY2017.

Profit after Tax before Minority Interest

As a result of the foregoing, profit after tax before minority interest increased to INR 3,265.78 million for FY2018 from profit after tax before minority interest of INR 2,792.38 million in FY2017.

Minority Interest

Minority interest is INR 0.59 million in FY2018 as compared to INR (7.58) million in FY2017.

Profit after Tax

As a result of the foregoing, profit after tax increased by 16.6% to INR 3,265.19 million in FY2018 from profit after tax of INR 2,799.96 million in FY2017. Profit after tax in FY2018 was 9.2% of the income, as compared to 7.9% of the income in FY2017.

Liquidity and Capital Resources

Cash Flows

The Company needs cash to fund the technology and infrastructure requirements in its operation centres, to fund its working capital needs, to pay interest and taxes, to fund acquisitions and for other general corporate purposes. The Company funds these capital requirements through variety of sources, including cash from operations, short and long-term lines of credit and issuances of share capital. As of March 31, 2018, the Company had cash and cash equivalents of INR 1,230 million. This represents cash and balances with banks in India and abroad.

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

(₹ in Million)

	FY2018	FY2017
Net Cash flow from Operating activities	**3, 150.94**	1,998.04
Net Cash flow from/ (used in)Investing activities	**916.32**	(2,314.86)
Net Cash flow (used in)/ from Financing activities	**(3,267.77)**	35.07
Cash and cash equivalents at the beginning of the year	**387.31**	685.76
Foreign exchange (gain)/ loss on translating Cash and cash equivalents	**43.20**	(16.70)
Cash and cash equivalents at the end of the year	**1,230.00**	387.31

Operating Activities

Net cash generated from the Company's operating activities in FY2018 amounted to INR 3,150.94 million. This consisted of net profit before tax of INR 3,580.09 million and a net downward adjustment of INR 429.15 million relating to various non-cash items and non-operating items including depreciation of INR 659.24 million; net decrease in working capital of INR 743.86 million; and income taxes paid of INR 745.77 million. The working capital change was due to increase in trade receivables of INR 504.03 million, increase in loans and advances by INR 744.41 million and increase in liabilities and provisions by INR 504.58 million.

Net cash generated from the Company's operating activities in FY2017 amounted to INR 1,998.04 million. This consisted of net profit before tax of INR 3,369.17 million and a net downward adjustment of INR 1,371.13 million relating to various non-cash items and non-operating items including depreciation of INR 589.61 million; net decrease in working capital of INR 1,590.55 million; and income taxes paid of INR 566.92 million. The working capital change was due to increase in trade receivables of INR 83.01 million, increase in loans and advances by INR 1,226.78 million and decrease in liabilities and provisions by INR 280.76 million.

Investing Activities

In FY2018, the Company generated INR 916.32 million of cash from its investing activities. These investing activities included capital expenditure of INR 625.05 million, including fixed assets purchased and replaced in connection with the Company's operation centres in the UK, the US and India, net sale of money and debt market mutual funds amounting to INR 1,353.63 million. During the year, company generated INR 150 million from sale of certain domestic contracts and increased its investment in Nanobi Data and Analytics Pvt Ltd by INR 18 million.

In FY2017, the Company invested INR 2,314.86 million of cash into its investing activities. These investing activities included capital expenditure of INR 853.72 million, including fixed assets purchased and replaced in connection with the Company's operation centres in the UK, the US and India, and net purchase of money and debt market mutual funds amounting to INR 715.94 million, made strategic investment in Nanobi Data and Analytics Pvt. Ltd. of INR 25 million and paid INR 813.31 million as advance towards ISGN acquisition. During the year, the Company received interest amounting to INR 5.68 million and sold few fixed assets for INR 87.43 million.

Financing Activities

In FY2018, net cash used in financing activities amounted to INR 3,267.77 million. This comprised of repayment of long term borrowings of INR 4,000.43 million, proceeds from short term borrowings of INR 1,054.28 million and proceeds from issuance of equity shares of INR 101.42 million. The company repaid interest of INR 423.04 million.

In FY2017, net cash generated from financing activities amounted to INR 35.07 million. This comprised of repayment of long term borrowings of INR 3,136.25 million, proceeds from short term borrowings of INR 3,464.04 million and proceeds from issuance of equity shares of INR 157.77 million. The company paid interest of INR 451.39 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 other commercial financial institutions. As of March 31, 2018, the Company had cash and bank balances of INR 1,230.00 million as compared to INR 387.31 million as of March 31, 2017.

RISKS & CONCERNS, RISK MITIGATION

Risk Management report describes Enterprise wide risk management philosophy, structure and practices in the Company. Readers are cautioned that risk related information outlined here is for information purposes only.

This report contains forward-looking statements, about risks and uncertainties affecting our business objectives. Our business model is subject to the uncertainties that could cause results to differ materially from those reflected in the forward-looking statements. Readers are requested to exercise their own judgment in assessing the risks associated with the Company and review all the factors discussed elsewhere in this annual report.

In Today's dynamic business environment, Organisations are faced with multiple risks and thus creating and sustaining the value for our stakeholders requires robust governance and a strong risk management function.

Enterprise Risk Management Strategic Intent

Create and protect value for all stakeholders

OBJECTIVES

- Protect Firstsource and client interests
- Provide assurance to the clients on the safeguards that the Company has implemented to protect confidentiality of its data
- Provide assurance to the Board of Directors on risk controls
- Evangelize a compliance mind set
- Be an advisor to the stakeholders for risk management

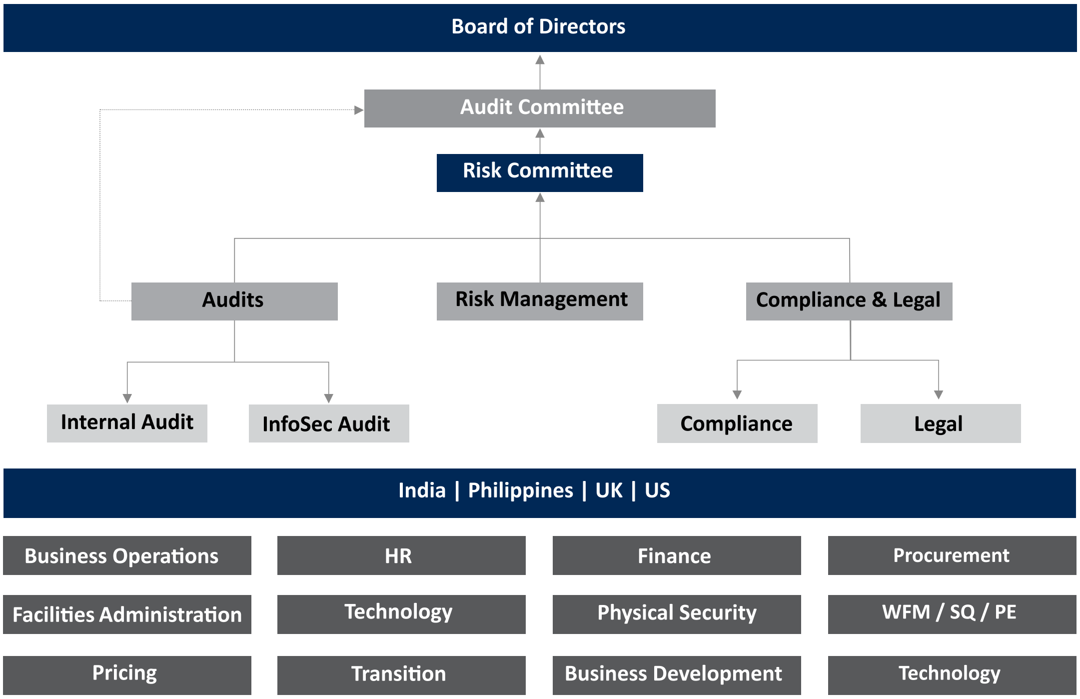
STRATEGY

- Robust governance structure, Best in class policies, Highest level of Ethics and Code of conduct
- Risk framework, anticipating high risk and Impact events
- Internal audit function with methodology benchmarked with industry best practices
- Strong compliance framework to ensure compliance with Laws and regulations, client contracts and internal policies and processes

The Company strives to dynamically update the risk framework as per the changing business needs and objectives as well as external environment.

Governance Structure

Firstsource has dedicated governance teams engaged in Risk Management, Compliance, Legal, Internal Audit and Information Security Audits who work closely with the business operations and support functional teams. Their mandate is to identify, assess, remediate and monitor the risks as per the pre-defined policies and procedures.



Roles & Responsibilities

The Company has defined its roles and responsibilities across the organisation and stakeholders to ensure accountability, expectation setting and clear reporting lines.

Level	Roles and Responsibilities
Board of Directors	Approve key business objectives and create a mechanism to ensure that the executive management effectively manages risks impacting the business.
Audit Committee	Provides oversight on the internal control environment and review of the independent assurance activities performed by the internal auditors. Reviews proper resourcing of the internal Audit team
Risk Committee	The committee assists the Board in fulfilling its corporate governance oversight responsibilities, monitors and reviews the risk management practices.
Business Heads/ Function Heads	Own and manage risks at business unit level- that may arise from time to time- in consultation with the Risk Committee and abide by the Company's risk policies.
Risk Management Team	Identifies, assesses, mitigates and monitors risks through risk registers, risk model mapping, continuous engagement with business heads developing mitigation strategies and publishing risk dashboards.
Compliance	Drives comprehensive regulatory and contractual compliance management processes, reports exceptions and creates awareness about such obligations. Additionally, compliance drives standards of corporate governance through global ethics, anti-fraud, anti-money laundering and anti-bribery frameworks.
Legal	Safeguards organisational interests covering contract documentation, litigation management and advisory.
Internal Audit	Provides independent and objective assurance on the controls to the Board and Audit Committee and enables sharing of best practices across geographies, businesses and functions.

Our Risk Management Framework:

Firstsource's Risk Management framework is designed and implemented on the basis of COSO Framework (Committee of Sponsoring Organizations) which is globally accepted and recognised framework that provides guidance and thought leadership on enterprise risk management and internal controls. Enterprise Risk Management at Firstsource seeks to minimise adverse impact of risks on key business objectives and enables the Company to leverage market opportunities effectively. These risks are continuously tracked with the help of Key Risk Indicators (KRI's) defined by the risk management team and risk owners.

Risk Management Process:

Your Company has defined a robust risk management process encompassing:

I. Risk identification;

II. Risk assessment;

III. Risk response;

IV. Monitoring and reporting.

The risks are identified across the defined risk categories and monitoring levels, taking into consideration the business objectives. The stakeholders with clearly defined roles and responsibilities at various levels take up the response, remediation, monitoring, tracking, reporting and review at defined periodicities.

Information Risk Management:

The risk landscape in the current business environment is changing dynamically with Cyber Security, Fraud Detection and Prevention, Information Security, Data Privacy and Business Continuity featuring prominently. To effectively mitigate these emerging risks; a focused strategy is prepared around Information Risk Management.

Key Business Risks & Mitigation:

The Company's key business risks and their mitigation measures include:

Risks	Risk Description
A. Strategic Risks	
Growth risk	The Company has revenue concentration on few big clients, with primary business in the US and the UK geography. Hence, any sort of economic slowdown/downturn in these economies and industries may affect the Company's business. The increasing technology intervention has made it imperative to adapt to newer digital interaction modes with consumers. These developments could impact the Company's ability to grow in the Customer Management space. The services provided by the Company in healthcare industry are very less prone to any economic or recessionary cycles, but client consolidation do pose a risk to continuity. The Company's increased focus in creating the Business Transformation Office (BTO) has enabled it to offer differentiated productised services across industry segments. These niche services based on Digitization, Robotics, Data Analytics enables the Company to retain and grow its wallet share with its clients and also win new logos. Recently the Company has won a new client in Utility sector which will further diversify the revenue and industry concentration.
Country risk	The Company has a global footprint with operations in multiple geographies with intermediate or operating subsidiaries and branches, incorporated in India, the US, the UK and the Philippines. Consequently, the Company is exposed to various geo political and regulatory risks which are beyond the Company's control. The Company has local management teams in all its operating countries and they understand the country specific operating nuances. The Company has also invested significantly in creating a management structure in these geographies and has a well-diversified geographic spread to mitigate these risks.
B. Industry and Macro Economic Risks	
Slowdown in global economic recovery	The global economic conditions have continued to be challenging with the recovery is witnessing slowdown which impacts clients' businesses and markets that they serve. Therefore, the Company's business could be adversely affected by its clients' financial condition and levels of business activity. The Company believes that it has well diversified business model across industries, geographies, clients and is also present in relatively stable industries like healthcare. The Company also continues to focus on rigorous cost control and productivity improvement initiatives to protect operating margins during challenging times.
Protectionist sentiments in developed countries	There seems to be a trend of "Protectionism" being followed by most matured economies. The response to this rising protectionism has been the increase in legislation aimed at protecting domestic industries and jobs. The issue of companies offshoring services to organisations operating in other countries, such as India, has increasingly become a sensitive topic of intense political discussion in these countries. In the US, there has been anti-offshoring legislations aimed at making offshore outsourcing prohibitive or less attractive. The UK has also witnessed increased resistance from labour unions against the use of foreign labour. Also, the trade war conflicts emerging between major economy like the US and China is likely to impact global business sentiments adversely. Since beginning, the Company has recognised this and developed operational capabilities across the globe. In the process, the Company has successfully transformed itself from an offshore BPM Player to a right/shore BPM player, with significant local operational presence in the US and the UK, which has helped in winning more business in those geographies. The Company derives majority of its revenues from onshore services and its dependence on offshore revenues hasremained stable during the period.

Revenue Share %	**FY 15**	**FY 16**	**FY 17**	**FY 18**	**Trend**
Offshore	25.0 %	21.1 %	21.3 %	21.2 %	↓
Onshore (includes India domestic business)	75.0 %	78.9 %	78.7 %	78.8 %	↑

	Today, the Company has 18 operation centres with 3,722 employees in the US and 7 operation centre with 5,298 employees in the UK. The Company is one of the largest employers in the UK BPM sector.
Long selling cycle	The Company has a long selling cycle that ranges from months to multiple years for its BPM services and requires significant investment of capital, resources and time by both clients and the Company. This leads to the risk of delays due to slower pace of decision or approval processes, over which the Company has little or no control. The Company has robust marketing and sales teams across geographies with an aggressive transition methodology that helps transition new wins fairly quickly into service delivery mode. Most of the contracts with existing clients are on long-term-basis, which ensures sustainable and scalable business from such clients.

Highly competitive environment	The market for BPM services has become highly competitive over the years. These competitors include third party 'pure-play' BPM providers based largely in India and the Philippines, local/onshore BPM providers in the US and Europe, BPM divisions of global IT companies and in-house captives of potential clients. The Company understands that it needs to retain and grow its leadership position in the industry. To maintain this competitive edge, the Company makes significant investments in strengthening domain capabilities, process excellence, operations, innovation and a robust transformation framework. The Company has taken various initiatives to further strengthen the capabilities in areas of Analytics, Automation, Digital strategies and Revenue Cycle Management services. These will help to create strong differentiators for the Company vis-à-vis competition, aiding non-linear growth in revenues and margins.
British Exit (BREXIT) from the European Union	Post the "Brexit" referendum, The UK government initiated the official EU withdrawal process for eventual complete withdrawal by March 30, 2019. Many businesses continue to share concerns about the risks of future economic uncertainty and turmoil in the UK and EU at large. Post the initial de-valuation in the value of Pound and rise of inflationary pressures and interest rates in the UK, these factors are stabilizing for now. The continuing uncertainties are likely to have impact particularly on financial institutions as they will need to look for alternate locations in the Eurozone to conduct business in the EU. These could lead to delays/postponements in decision making by clients on outsourcing work to service providers.
Unpredictable political and economic events	India has witnessed major economic events like Demonetisation and Implementation of GST, which resulted in temporary economic slowdown. Further, general Elections for the Central Government scheduled in mid-2019, is adding to the uncertainty regarding political environment and policy directives.
Volatility in the US Interest Rates and Tax rate reduction	The interest rate cycle in the US is indicating a rising trend and is expected to continue further for some time. This will translate into increase in US bond yields. Further, tax cuts announced this year by the Trump Government may lead to high inflation which in turn can further increase interest rates and create cost pressures. These changes will have the potential to impact the Mortgage business unit and Collections business unit volumes and such impact is likely to have an adverse effect on the Company's revenues.
C. Financial Risks	
Currency volatility	The volatility in the exchange rate between INR and GBP; INR and USD has continued in recent years, and these currencies may continue to fluctuate significantly in the future as well. The Company's operating results will continue to be impacted by fluctuations in these exchange rates. The Company has a dedicated treasury function and an internal risk management policy of proactively hedging exposures. As per the internal guidelines, the Company has been judiciously hedging its net exposures on a regular basis through forward cover contracts.
Revenue concentration risk	The Company relies on a small number of clients for a large proportion of its income, and loss/discontinuance of any of these clients could adversely affect its revenue and profitability. The Company's top client accounted for 28.3% of its income from services and top five clients accounted for 46.3% of its income from services in FY2017-18. Furthermore, major events affecting the Company's clients, such as bankruptcy, change of management, mergers and acquisitions, change in their business model or regulatory factors could adversely impact its business. Moreover, the Company's revenue is highly dependent on clients concentrated in a few industries, as well as clients located primarily in the North America and Europe. Economic slowdown or factors that affect these industries or the macro-economic environment in these countries could adversely impact the Company's business. The Company constantly strives to mitigate the risk of client concentration through very long term contracts with key clients in order to provide stability to its revenues. During FY2017-18, as income from services, the Company derived 33.9% from Telecom and Media vertical, 36.8% from Healthcare vertical and 29.2% income from the BFSI vertical. Geography wise, North America contributed 53.6% of income from services, followed by 43.6% from the UK, 2.7% from India while Rest of the World contributed 0.1%. The management believes that it has a well balanced mix of clients and industries, and going forward, shall continue to assess, evaluate and address the risk of any over dependency.
Pricing risk	Many of the Company's contracts are long-term in nature and consequently, the pricing is negotiated, based on prevailing conditions at the time the contract was agreed upon. With the rising trend of salaries, the Company may find it difficult to serve the client at the negotiated price in the future. Increase in employee costs, without corresponding increases in pricing or productivity related improvements would adversely affect the profitability. Alternatively, if the Company is unable to price its contracts as competitively as possible, it may lose business opportunities which shall result in lower revenue growth. The Company addresses this risk through various methods including managing the employee pyramid through voluntary and involuntary attritions, automating many processes and leveraging technology. Keeping abreast of market conditions to study the impact on client businesses and analysis of technology advancements that impact consumer behavior are some of the measures that help to improve and favorably position the services provided by the Company to mitigate pricing risks to an extent.

Customer credit risk	This risk is the possible inability to collect from clients or delays in collection of the Company's dues. This could occur due to various reasons, including adverse economic conditions and, clients' business undergoing challenges, among others. This could have an impact on the Company's cash receivables and the Company may be required to enhance its short-term line of credit temporarily, to continue its operations. The Company addresses this risk through a well-defined governance mechanism to ensure adequate liquidity and solvency.
Expiry of certain tax benefits available in India	The Special Economic Zones Act, 2005, or the SEZ legislation, has introduced an Income Tax holiday scheme for operations established in designated 'special economic zones' or SEZs. The tax exemption for SEZ units is 100% of export profits for first five years, 50% of export profits for the next five years and 50% exempt subject to fulfilling other conditions. These tax benefits are available only for the specified period of time and post their expiry, there may be an impact on the tax incidence for the Company. The Company has one operation center in SEZ in Bangalore and Chennai, and is in the process of identifying additional qualifying locations in India that will be eligible for the SEZ benefits, going forward.
Financial reporting and management	The Company operates through legal entities in multiple countries and is subject to various standards and principles for accounting and reporting. Any material change in the standards will impact the Company's financial performance. Further, the Company uses financial leverage to ensure optimum solvency. Timely borrowing, repayment and raising funds at right cost are important aspects of financial management, which would otherwise lead to adverse impact on profitability and solvency. The Company has implemented a robust Internal Financial Controls framework that helps in mitigating these risks.
D. Operations Risks	
Non-renewal of client contracts	The Company continues to maintain existing accounts and acquire new clients. It is the Company's constant endeavor to try to grow existing client businesses, as well as add new clients to its portfolio. The contracts with clients are of varying duration, and between one upto ten years. Once the term expires, contracts are tendered through a procurement process. Non-renewal may significantly affect the Company's revenues. The Company recognises that providing excellent services and constant value addition are critical to ensuring a high chance of contractual renewal at the expiry of the term. The Company's sales and account management teams constantly strive to enhance their relationships with the key stakeholders to favorably position the Company's services.
Data privacy risk / New GDPR regulations	As part of the services offered to its clients, the Company handles confidential data and proprietary information. Any leakage of this information has an adverse impact on the Company's reputation. In addition, new regulation – GDPR (Global Data Protection Regulation) was introduced in the last FY governing the possession, processing, movement and storage of data/information of EU citizens. It is still evolving and may require heightened governance around the same. The Company addresses this risk through a very strong and robust Information and Data Security process that is applicable to all its offices and employees. Various operation centers are ISO 27001 certified, which is an international standard for Information Security Management System (ISMS). Audits are conducted on a periodic basis and any non-conformance observed is fixed immediately. The Company adopts a zero tolerance policy towards non-compliance of this framework.
Risks due to natural or man-made disasters	As the industry is highly people centric, any delay in providing agreed operational services due to natural or man-made disasters like earthquake, floods, tsunami, fire, bomb blasts and terrorist attacks, among others, may affect the Company's operations. As such disasters are uncontrollable beyond an extent. The Company implements robust disaster and business continuity strategies during such unforeseen events. Such strategies can help to bring down the effect of these events to some extent on the Company's operations.
Risks to operational errors, frauds and internal non-compliances of policies and procedures	The Company has internal policies, procedures and norms for operational activities, process compliance and controls. These norms are specified in order to achieve various control objectives and to prevent frauds and errors. Non-adherence to such internal policies, procedures and norms can therefore lead to operational errors, frauds and internal non-compliance. The Company has strong internal controls in order to check compliances to policies and procedures which are operated by various levels of management. Further, these controls are also subject to risk-based internal audits by an independent internal audit team, which helps in timely identification and remediation of gaps.
Reputational risks	The Company's business is exposed to media scrutiny from time to time. The clients of the Company are big and reputed corporates. The Company's loss of reputation can adversely affect its operations and contractibility. The Company has a process in place to prevent and manage incidents such as data leakages, cyber-attack on confidential data, employee and compliance related matters. Further, the Company has a defined Media and Social Media policy.
Legal risks	The Company has long term contracts with its customers and services under these contracts are delivered from several offices across the US, the UK, India and the Philippines geographies. In addition, to deliver on the various service level commitments, the Company also needs to ensure compliance with applicable laws and regulations in those geographies, including but not limited to employment, tax and environmental laws. Additionally, the Company needs to safeguard its own Intellectual Properties against infringement and ensure compliance with third party licenses which are used in its day-to-day business. The Company has a legal team in place which apart from advising and ensuring documentary safeguards, closely works with business and support functions to enable compliance with contractual and/or regulatory requirements.

E. Human Resources Risks	
Risk related to attrition and inability to retain key talent	The BPM industry relies heavily on knowledge management and skilled talent supply. The number of opportunities available in the market, changing needs of a multi-generational workforce and limited supply of employable talent pose a great challenge to retain talented workforce and maintain consistency in performance. The Company strives to continuously strengthen its internal processes to retain critical people and create a war-chest of talent. The Company has put in place following measures to mitigate the risks around attrition and attrition costs: • Enhancing and developing skills of the middle management; • Focusing on capability building by providing and developing effective training academies and supporting employee development programs; • Carving structured and strong career paths and providing opportunities for growth by way of job enlargements, enrichment of responsibilities and internal job movements; • Effective Reward & Recognition programmes that celebrate successes and efforts.
Risk related to ability to recruit employees and wage costs	The success of a BPM organisation depends on its ability to attract and retain employees with right skill sets and experience to meet the organisational goals. With talent shortages and intense competition for skilled individuals, the demand for qualified employees will continue to increase and is expected to remain high. Wage inflation and replacement costs not only bear a potential risk but also result in higher personnel expenses and training costs. The Company has developed innovative recruitment channels and practices to mitigate these risks, which include: • Strong employee referral programs, which contribute to more than one third of the overall hiring requirements; • Establishing Firstsource as an employer of choice and participating in several career events in order to strengthen the Firstsource brand and getting access to talent; • Affiliations with colleges at Graduate and Undergraduate level to be the preferred employer in tier 2 and 3 cities.
Risk related to leadership team	The leadership team drives the Company's vision, mission and inculcates values within the Company to meet its goals. The Company's business continuity, client relations, employee engagement gets affected, in case there is a change in the leadership or if a key resource leaves. Our integrated approach to Talent Management ensures that the Company has the desired leadership and management capability to meet the demands of the business. The integrated approach comprises of the following: • Bi-annual comprehensive talent reviews to analyse demand supply gap for talent and develop strategies to attract, develop and retain the right talent; • Succession planning for business critical roles and people growth opportunities in line with their career aspirations; • A curriculum focused on critical skills like operations excellence, design thinking for Innovation, performance coaching, first time manager development, coaching and mentoring programs for middle management among others; • A total rewards philosophy, which ensures that the compensation is in-line with the market standards and it attracts and retains right talent and rewards high performance.
F. Compliance	
Compliance & regulatory risks in various geographies	As the Company has grown in size, geographic presence and customer base, exposure to various regulatory and compliance risks has also increased. The Company's operations and clients are spread across multiple geographies and are governed by various regulations and government guidelines. Breach of any of these regulatory provisions can attract regulatory inspection, notices, penalty, and revocation of permits or licenses, among others. The Company has implemented a robust Regulatory & Contractual Compliance framework to identify, assess, monitor, control, and report compliance status with respect to laws and regulations specific to the country, it operates in, and the client specific work in a consistent manner, for its businesses across the globe. The framework ensures that compliance ownerships are aligned, responsible personnel are aware, compliance status is reported and necessary actions are taken to comply. All laws and regulations are verified for applicability, detailed at the provision level and tracked for compliance at the function and location level.
G. Technology	
Advent of disruptive technologies	The overall business environment continues to witness emerging disruptive technologies. However, clients are seeking to cut additional back-office costs due to continued budget pressures, while suppliers are trying to create additional services and the associated revenues. Technologies such as Cloud Computing, Robotics, Artificial Intelligence, Data Analytics software, Social Media platforms and Process Automation software are being used in the BPM industry to enable businesses to lower costs and be more effective. BPM companies are moving fast to offer additional value-add services through technology enablement, partnerships and alliances. The Company has developed a wide suite of Business Transformation offerings across areas of Robotics Process Automation, Digital and Analytics as part of its Productisation initiatives. A combination of domain and process expertise with best-in-breed technology is helping the Company in pursuing significant opportunities.

Report on Corporate Governance

Corporate Governance is not merely the compliance of a set of regulatory laws and regulations but is a set of good and transparent practices that enable an organisation to perform efficiently and ethically to generate long term wealth and create value for all its stakeholders. It goes beyond building and strengthening the trust and integrity of the Company by ensuring conformity with the globally accepted best governance practices. The Securities and Exchange Board of India (SEBI) observes keen vigilance over governance and fulfillment of these regulations in letter and spirit, which entails surety towards sustainable development of the Company, enhancing Stakeholders' value eventually.

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

At Firstsource Solutions Limited, ('the Company'), the adherence to corporate governance practices not only justify the legal obedience of the laws but dwells deeper conforming to the ethical leadership and stability. It is the sense of good governance that our leaders portray, which trickles down to the wider management and is further maintained across the entire functioning of the Company. Your Company envisages the importance of building trust and integrity through transparent and accountable communication with the internal and external stakeholders as well as the customers of the Company. This involves keeping the stakeholders of the Company updated on a timely basis about the development, the plans and the performance of the Company with a view to establish the long term affiliations. The Company keeps itself abreast with the best governance practices on the global front and at the same time conforming to the recent amendments.

The Board of Directors fully support and endorse the Corporate Governance practices in accordance with the provisions of Chapter IV & Part C of the Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 ('Listing Regulations') with the Stock Exchanges to ensure good Corporate Governance practices across the Company in letter and in spirit. The Company has complied with all the mandatory requirements of the Listing Regulations and listed below is the status with regard to the same.

BOARD OF DIRECTORS:

The Board of Directors ("the Board") of your Company provides leadership and guidance to the Company's management and directs, supervises and controls the performance of the Company. The Board plays a crucial role of piloting the Company towards enhancement of the short and long term value interests of the stakeholders. The Board comprises of the members distinguished in various fields such as management, finance, law, marketing, technology and strategic planning. This provides reliability to the Company's functioning and the Board ensures a critical examination of the strategies and operational planning mechanisms adopted by the management across the globe.

The Company has an optimum combination of directors on the Board and is in conformity with Regulation 17 of the Listing Regulations. As on March 31, 2018, the Board comprised of eleven (11) experts drawn from diverse fields/ professions of which ten (10) are Non-Executive Directors and one (1) is Executive Director. Six (6) out of eleven (11) Directors are Independent Directors.

Agenda papers of the Board and its Committee meetings are circulated to the Directors/ Members at least seven (7) days before the meetings, supported with significant information including that as enumerated in Part A of Schedule II of the Listing Regulations for an effective and well-informed decision making during the meetings.

The Board meets at regular intervals to discuss and decide on Company's business policy and strategy apart from other normal business, the maximum interval between any two meetings did not exceed one hundred twenty (120) days. The Company adheres to the Secretarial Standards on the Board and Committee Meetings as prescribed by the Institute of Company Secretaries of India. The Board has complete access to any information within the Company. Agenda papers containing all necessary information/ documents are made available to the Board/ Committee Members in advance to enable them to discharge their responsibilities effectively and take informed decisions. The information as specified in the Listing Regulations is regularly made available to the Board, whenever applicable, for discussion and consideration. During the year ended March 31, 2018 the Company had four (4) Board Meetings. These were held on:

1. May 5, 2017;
2. August 8, 2017;
3. November 1, 2017; and
4. February 7, 2018

Time gap between any two meetings was not more than one hundred twenty (120) days.

Details of the Composition, Status and Attendance at the Board Meetings and last Annual General Meeting, Number of other Directorships and other Committee Memberships held are as under:

Name of the Director	Position/ Status	No. of Board Meetings Attended	No. of Equity Shares held as on March 31, 2018	Attendance at previous AGM Held On August 8, 2017 (Y-Yes, N-No)	Directorships in other Public Companies as on March 31, 2018*	Committee Chairmanships/ Memberships/ in other Public Companies as on March 31, 2018**	
						Chairmanships	Memberships
Sanjiv Goenka, Chairman +	NI- NED	4	-	Y	6	2	3
Rajesh Subramaniam Managing Director & CEO	ED	4	2,752,784	Y	1	0	0
Charles Miller Smith	I-NED	3	60,000	N	0	0	0
Donald W. Layden Jr.	I-NED	4	-	Y	0	0	0
Ms. Grace Koshie	I-NED	4	-	Y	1	1	1
Pradip Roy	I-NED	4	-	Y	8	1	8
V. K. Sharma	I-NED	4	-	Y	3	1	2
Y. H. Malegam	I-NED	4	262,500	Y	3	2	3
Pradip Kumar Khaitan	NI-NED	3	-	N	9	2	5
Shashwat Goenka +	NI-NED	4	-	Y	4	0	0
Subrata Talukdar	NI-NED	4	-	Y	7	2	3

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

* The Directorships of other Indian Public Limited Companies only have been considered. Directorships of Foreign Companies, Section 8 Companies and Private Limited Companies have not been considered.

**Memberships/ Chairmanships in Audit Committee and Stakeholders Relationship Committee only of other Indian Public Limited Companies have been considered.

+ Shashwat Goenka is son of Sanjiv Goenka, Chairman. No other Director is related to any other Director of the Company.

The Board periodically reviews the compliance report of all laws applicable to the Company. All the Directors have made necessary disclosures about the directorships and committee positions they occupy in other companies.

None of the Directors on the Board is a Member of more than ten (10) Committees and Chairman of more than five (5) Committees across all Companies in which they are Directors.

The particulars of Directors, who are proposed to be re-appointed at the ensuing Annual General Meeting ("AGM"), are given in the notice convening the AGM.

COMMITTEES OF BOARD OF DIRECTORS:

AUDIT COMMITTEE:

The Board has constituted a well-qualified Audit Committee. All the members of the Committee are Non-Executive Directors with majority of them are Independent Directors including Chairman. They possess sound knowledge on accounts, audit, finance, taxation, internal controls etc.

Ms. Pooja Nambiar, the Company Secretary acts as the Secretary to the Committee.

During the FY2017-18, following four (4) meetings of the Audit Committee were held on:

1. May 5, 2017;
2. August 8, 2017;
3. November 1, 2017; and
4. February 7, 2018

The time gap between any two meetings was not more than one hundred twenty (120) days and the Company has complied with all the requirements as mentioned under the Listing Regulations and the Companies Act, 2013 ("the Act").

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

Name of the Director/ Member	Category	No. of Meetings Attended
Y. H. Malegam, Chairman	I-NED	4
Charles Miller Smith	I-NED	3
Ms. Grace Koshie	I-NED	4
Subrata Talukdar	NI-NED	4

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

The terms of reference of the Audit Committee covers the matters specified under Regulation 18 read with Part C of Schedule II of the Listing Regulations and Section 177 of the Act. This Committee has the following powers, roles and terms of reference:

1. To provide oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
2. To recommend to the Board, the appointment, reappointment, terms of appointment and, if required, the replacement or removal of the statutory auditors and the fixation of audit fees;
3. To approve payment to statutory auditors for any other non-audit services rendered by them;
4. To review with the management, the quarterly/ annual standalone and consolidated financial statements and auditors' report thereon, before submission to the Board for approval, with particular reference to:
    a. Matters to be specified in the Director's Responsibility Statement to be included in the Board's Report;
    b. Changes, if any, in accounting policies and practices and reasons for the same;
    c. Major accounting entries involving estimates based on the exercise of judgment by management;
    d. Significant adjustments made in the financial statements arising out of audit findings;
    e. Compliance with listing and other legal requirements relating to financial statements;
    f. Disclosure of any related party transactions; and
    g. Qualifications in the draft audit report.
5. To review with the management, the statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/ prospectus/ notice and the report submitted by the agency monitoring the utilisation of proceeds of a public or rights issue and making appropriate recommendations to the Board to take up steps in this matter;
6. To mandatorily review the following information:
    a. Management discussion and analysis of financial condition and results of operations;
    b. Statement of significant related party transactions (as defined by the Audit Committee) submitted by management;
    c. Management letters/letters of internal control weaknesses issued by the statutory auditors; and
    d. Internal audit reports relating to internal control weaknesses.
7. Invite such of the executives, as it considers appropriate (and particularly the CFO) to be present at the meetings of the Committee, but on occasions it may also meet without the presence of any executives of the Company. The Managing Director & CEO, CFO, head of internal audit and a representative of the statutory auditor may be present as invitees for the meetings of the Audit Committee;
8. To secure attendance of outsiders with relevant expertise at the meetings of Audit Committee, if it considers necessary;
9. To review with the Management, performance of statutory and internal auditors and adequacy of the internal control systems;
10. To evaluate of internal financial controls and risk management systems;
11. To review and monitor the Auditor's independence and performance & effectiveness of audit processes;
12. To review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit and reviewing appointment, removal and terms of remuneration of the Chief Internal Auditor;
13. To discuss with internal auditors any significant findings and follow up thereon;
14. To review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
15. To discuss with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
16. To look into the reasons for substantial defaults in the payments, if any, to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors;
17. To direct the Company to establish a vigil mechanism for directors and employees to report genuine concerns to the Audit Committee and to ensure that the vigil mechanism provides adequate safeguards against victimization of persons who use such mechanism and make provision for direct access to the Chairman of the Audit Committee in appropriate or exceptional case;
18. To ensure that the details of establishment of vigil mechanism is disclosed by the Company on its website and in Board's report;
19. To review the functioning of the Whistle Blower/ Vigil mechanism;
20. To approve appointment of CFO after assessing the qualifications, experience & background, etc. of the candidate;
21. To scrutinize inter-corporate loans and investments;
22. To approve any subsequent modification of transactions of the Company with related parties;
23. To review valuation of undertakings or assets of the Company, wherever it is necessary;
24. To investigate into any matter or activity within its terms of reference or referred to it by the Board and for this purpose shall have power to obtain legal or other professional advice from external sources and have full access to information contained in the records of the Company;
25. To seek information from any officer or employee of the Company;
26. To call for the comments of the Auditors about internal control systems, the scope of audit, including the observations of the Auditors and also discuss any related issues with the Internal and Statutory Auditors and the Management of the Company;
27. To carry out any other function as is mentioned in the terms of reference of the Audit Committee or as enumerated in Section 177 of the Act or Regulation 18 of the Listing Regulations with

Stock Exchanges or in any subsequent amendment thereto;

28. To exercise any other power or perform any other function as enumerated in the Act or the Listing Regulations with the Stock Exchanges or in any subsequent amendment thereto.

The Managing Director & CEO, the CFO, the Statutory Auditors and all the Directors of the Company are invited to the meetings of the Audit Committee.

NOMINATION AND REMUNERATION COMMITTEE:

The Nomination and Remuneration Committee's constitution ("N&R Committee"), its role and terms of reference are in compliance with provisions of Section 178 of the Act, Regulation 19 of the Listing Regulations and the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations 2014, as amended from time to time.

During the FY2017-18, following four (4) meetings of the Committee were held on:

1. May 5, 2017;
2. August 8, 2017;
3. November 1, 2017; and
4. February 7, 2018

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

Name of the Director/ Member	Category	No. of Meetings Attended
Y. H. Malegam, Chairman	I-NED	4
Charles Miller Smith	I-NED	3
Pradip Roy	I-NED	4
Subrata Talukdar	NI-NED	4

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

This Committee is entrusted with the following powers:

1. To identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board for their appointment and removal;
2. To formulate the criteria for evaluation of Independent Directors and the Board and to carry out the evaluation of every Director's performance;
3. To formulate the criteria for determining qualification, positive attributes and independence of Directors;
4. To recommend/ approve remuneration of the Executive Directors and any increase therein from time to time, within the limit approved by the members of the Company;
5. To recommend/ approve remuneration of Non-Executive Directors in the form of sitting fees for attending meetings of Board and its Committees, remuneration for other services, commission on profits, grant of stock options or payment of any other amount;
6. To decide the overall compensation structure/ policy for the Employees, Senior Management and the Directors of the Company including ratio of fixed and performance pay, performance parameters etc.;
7. To approve rating of Company's performance for the purpose of payment of annual bonus/ performance incentive to Employees and Executive Director(s) of the Company;
8. To approve Management Incentive Plan or any other Incentive Plan for the purpose of payment of performance Incentive to the Employees and Executive Director(s) of the Company;
9. To engage the services of any consulting/ professional or other agency at the cost of the Company for the purpose of recommending to the Committee on compensation structure/ policy including Stock Option Scheme;
10. To recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other Employees;
11. To recommend amendment to Employees Stock Option Scheme of the Company or to recommend any such new Scheme for approval of members of the Company;
12. To exercise all the powers as mentioned in the Employees Stock Option Scheme of the Company to be exercised by the Compensation Committee of the Company;
13. To approve grant of stock options to Directors and Employees of the Company;
14. To invite any executive or outsider, at its discretion at the meetings of the Committee;
15. To devise a policy on Board diversity; and
16. To exercise such other powers as may be delegated to it by the Board from time to time.

Policy for Selection and Appointment of Non-Executive Directors:

The N&R Committee has framed a policy relating to appointment of the Directors (Executive/ Non-Executive) on the Board and the Managing Director & CEO and their remuneration. The details of the said Policy are given hereunder:

a) The Non-Executive Directors shall be of high integrity with relevant expertise and experience so as to have a diverse Board with Directors having expertise in various fields namely marketing, finance, taxation, law, governance and general management;

b) In case of appointment of Independent Directors, the N&R Committee shall satisfy itself with regard to the experience, expertise and independent nature of the Directors vis-à-vis the Company so as to enable the Board to discharge its functions and duties effectively;

c) The N&R Committee shall ensure that the candidate identified for appointment as a Director is not disqualified for appointment under Section 164 of the Act;

d) The N&R Committee shall consider the qualification, expertise and experience of the Directors in their respective fields whilst recommending to the Board the candidature for appointment as a Director;

e) In case of re-appointment of Non-Executive Directors, the Board shall take into consideration the performance evaluation of the Director and his/ her engagement level.

Remuneration Policy for Non-Executive Directors:
The Non-Executive Directors shall be entitled to receive remuneration by way of sitting fees and reimbursement of expenses for participation in the Board/ Committee meetings. The details of Remuneration Policy for Non-Executive Directors and Independent Directors are given in Annexure IIIA to the Directors' Report forming part of this Annual Report.

Details of sitting fees paid to Non-Executive Directors during the FY2017-18:
All the Non-Executive Directors are paid sitting fees of INR 100,000 for attending each meeting of the Board of Directors and INR 50,000 for attending each meeting of any Committee of the Board.

The details of sitting fees paid during the FY2017-18 are as under:

(Amount in ₹)

Name of the Director	Sitting Fees		
	Board Meetings	Committee Meetings#	Total
Sanjiv Goenka, Chairman	400,000	-	400,000
Charles Miller Smith	300,000	350,000	650,000
Donald W. Layden Jr.	400,000	100,000	500,000
Ms. Grace Koshie	400,000	250,000	650,000
Pradip Kumar Khaitan	300,000	-	300,000
Pradip Roy	400,000	300,000	700,000
Shashwat Goenka	400,000	100,000	500,000
Subrata Talukdar	400,000	550,000	950,000
V. K. Sharma	400,000	50,000	450,000
Y. H. Malegam	400,000	500,000	900,000
TOTAL	**3,800,000**	**2,200,000**	**6,000,000**

including sitting fees for attending meetings of all the committees including meeting of Independent Directors.

Remuneration Policy for Key Managerial Personnel and other Employees of the Company:
The Company's Remuneration Policy for Key Managerial Personnel and other employees is driven by the success and the performance of the Company and the individual & industry benchmarks and is decided by the N&R Committee. Through its compensation programme, the Company endeavors to attract, retain, develop and motivate a high performance workforce. The Company follows a mix of fixed/ variable pay, benefits and performance related pay. The Company also grants stock options to senior management and deserving employees of the Company. The details of Remuneration Policy for Key Managerial Personnel and other Employees of the Company are given in Annexure III-B to the Directors' Report forming part of this Annual Report.

Remuneration of the Managing Director & CEO:
The N&R Committee of the Board is authorised to decide the remuneration of the Managing Director & CEO, subject to the approval of the members and the Central Government, if required.

The details of remuneration of the Managing Director & CEO for the year ended March 31, 2018 are as under:

(Amount in ₹)

Salary & Allowances	Performance Bonus	Retirals @	Perquisites#	Total
39,467,974	32,400,000	1,188,000	386,959	73,442,933

@ Retirals include contribution to Provident Fund but does not include provision for gratuity.

Besides the perquisite as mentioned above, taxable value of perquisite on stock options exercised by the Managing Director & CEO during the year was INR 64,800,000.

The amount of performance bonus as stated in the table above represents the variable component of the remuneration availed by the Managing Director & CEO and was decided by the N&R Committee based on the performance of the Company and the individual performance of the Managing Director & CEO during the previous financial year. This was in line with the Remuneration Policy as approved by the Board. During the FY2017-18, the Managing Director & CEO was granted 450,000 Stock Options under the Company's Employees Stock Option Scheme. The said Stock Options were granted at the 'market price' as defined under the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999. Further, the Stock Options granted to him shall vest over a period of four (4) years, with 25% of Options granted vesting at the end of twelve (12) months from the date of grant and thereafter, 12.5% each of Options granted shall vest at the end of every six (6) months. Exercise Period is ten (10) years from the date of grant of Options.

The notice period of termination either by the Company or by the Managing Director & CEO is 3 months or salary in lieu thereof. Upon termination of employment without notice by the Company, Managing Director & CEO is eligible to receive six month's salary.

STAKEHOLDERS RELATIONSHIP COMMITTEE:

One meeting of the Committee was held during the FY2017-18 on August 8, 2017. The details of composition of the Committee and attendance during the year are as under:

Name of the Director/ Member	Category	No. of Meetings Attended
Subrata Talukdar, Chairman	NI-NED	1
Rajesh Subramaniam	NI-ED	1

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

The Stakeholders Relationship Committee and its terms of reference are in line with Section 178 of the Act and Regulation 20 of the Listing Regulations. The Committee reviews Shareholders'/ Investors' complaints like non-allotment of shares under IPO, non-receipt/ short receipt of IPO refund, non-receipt of Annual Report, physical transfer/ transmission/ transposition, split/ consolidation of share certificates, issue of duplicate share certificates, etc. This Committee is also empowered to consider and resolve the grievance of other stakeholders of the Company including debenture-holders, deposit-holders and other security holders, if any.

Ms. Pooja Nambiar, Company Secretary is the Compliance Officer of the Company.

The total numbers of complaints received during the year were fifteen (15) all of which were resolved and there was no pending complaint as on March 31, 2018. The Company did not receive any transfer requests and hence no request was pending for approval as on March 31, 2018.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE:

The Board had constituted Corporate Social Responsibility Committee in terms of Section 135 of the Act. The Committee is entrusted with the following powers:

a) To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Act;

b) To recommend the amount of expenditure to be incurred on the activities referred in clause (a) above; and

c) To monitor the Corporate Social Responsibility Policy of the Company from time to time.

One (1) meeting of the Committee was held during the year on March 20, 2018.

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

Name of the Director/ Member	Category	No. of Meetings Attended
Shashwat Goenka, Chairman	NI-NED	1
Rajesh Subramaniam*	NI-ED	1
Pradip Roy *	I-NED	1
Subrata Talukdar	NI-NED	0

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

* Attended the meeting held on March 20, 2018 through video conference.

OTHER COMMITTEES OF THE BOARD:

Investment Committee:

The Committee reviews the investment decisions made by the Management, ensures adherence to the 'Investment Policy' of the Company and approves modifications to the Investment Policy as may be required from time to time. One (1) meeting of the Committee was held during the year on May 5, 2017.

Name of the Director/ Member	Category	No. of Meetings Attended
Y. H. Malegam, Chairman	I-NED	1
Rajesh Subramaniam	NI-ED	1
Subrata Talukdar	NI-NED	1

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

Strategy Committee:

The Committee deliberates on various strategic initiatives from time to time. One (1) meeting of the Committee was held during the year on February 7, 2018.

Name of the Director/ Member	Category	No. of Meetings Attended
Shashwat Goenka, Chairman	NI-NED	1
Rajesh Subramaniam	NI-ED	1
Donald W. Layden Jr.	I-NED	1
Subrata Talukdar	NI-NED	1

GENERAL BODY MEETINGS:

Venue, day, date and time of last three (3) Annual General Meetings (AGM) and one (1) Extra-Ordinary General Meeting (EGM), if any:

Meeting and Venue	Day & Date and Time
16th Annual General Meeting Manik Sabhagriha, 'Vishwakarma' M. D. Lotlikar Vidya Sankul, Opp. Lilavati Hospital, Bandra Reclamation, Mumbai 400 050	Tuesday, August 8, 2017 3.30 p.m.
15th Annual General Meeting Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai- 400 025	Tuesday, July 26, 2016 3.30 p.m.
14th Annual General Meeting Manik Sabhagriha, 'Vishwakarma' M. D. Lotlikar Vidya Sankul, Opp. Lilavati Hospital, Bandra Reclamation, Mumbai 400 050	Monday, August 3, 2015 3.30 p.m.

Details of Special Resolutions passed:

a) 16th AGM held on August 8, 2017

No special resolution was passed

b) 15th AGM held on July 26, 2016

No special resolution was passed

c) 14th AGM held on August 3, 2015

No special resolution was passed

During the said period no EGM was held.

POSTAL BALLOT:

During last financial year ended March 31, 2018, no resolution under Section 110 of the Companies Act 2013 was passed through Postal Ballot.

No special resolution is proposed to be conducted through Postal Ballot.

TRAINING FOR BOARD MEMBERS:

Pursuant to Regulation 25 of the Listing Regulations, the Company has put in place a system to familiarize its Independent Directors with the Company, their roles, rights & responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, etc. Presentation has been made for the newly appointed Independent Directors to make them aware of their roles & duties and Code for Independent Directors, Code of Conduct for Non-Executive Directors and Code of Conduct for Prevention of Insider Trading as issued by the Company are also shared with them at the time of their appointment/ re-appointment. Further, presentations are also made from time to time at the Board and its Committee meetings, on quarterly basis, covering the business & financial performance of the Company & its subsidiaries, quarterly/ annual financial results, revenue and capital budget, review of Internal Audit findings, etc.

The details of such familiarisation programmes are disclosed on the Company's website at http://firstsource.com/blog/wp-content/uploads/2016/06/policy-on-familiarisation-of-independent-directors.pdf.

PERFORMANCE EVALUATION:

Pursuant to the provisions of the Act and the Listing Regulations, the Board carries out the annual performance evaluation of its own performance, the Directors individually (including the Chairman) as well as the evaluation of the working of its Audit Committee, N&R Committee, Stakeholders Relationship Committee and Corporate Social Responsibility Committee. The details of the performance evaluation process are given in the Directors' Report under the heading "Board Evaluation" which forms part of the Annual Report.

DISCLOSURES:

i. Related Party Transactions:

The transactions with related parties as per Accounting Standard AS-18 are set out in Notes to Accounts under Note no. 24 forming part of financial statements.

All transactions entered into with Related Parties as defined under the Act and Regulation 23 of the Listing Regulations during the financial year were in the ordinary course of business and on an arms length basis. There were no materially significant transactions with related parties during the financial year which were in conflict with the interest of the Company. Suitable disclosures as required under Ind-AS have been made in the Notes to the Financial Statements.

The Board has approved a policy for related party transactions which has been uploaded on the Company's website at the link http://firstsource.com/blog/wp-content/uploads/2016/06/Related-Party-Transaction-Policy.pdf

ii. Disclosures from Senior Management:

In Compliance with Regulation 26(5) of the Listing Regulations, disclosures from Senior Management are obtained on quarterly basis to the effect that they have not entered into any material, financial and commercial transactions, where they have personal interest that may have potential conflict with the interest of the Company at large.

iii. Compliances by the Company:

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

iv. Whistle Blower Policy/ Vigil Mechanism:

The Company has adopted a Whistle Blower Policy to provide a vigil mechanism to Directors, Employees, Agents, Consultants, Vendors and Business Partners to disclose instances of wrongdoing in the workplace. The object of this Whistle Blower Policy is to encourage individuals to disclose instances of any irregularity, unethical practice and/ or misconduct and protect such individuals in the event of a disclosure. The Company is keen on demonstrating the right values and ethical, moral and legal business practices in every field of activity within the scope of its work. Policy provides for a vigil mechanism and framework to promote responsible whistle blowing and ensure effective remedial action and also protect the interest of the whistle blower as guided by legal principles. This policy is intended to:

a) Encourage and enable Directors, Employees, Agents, Consultants, Vendors and Business Partners to raise issues or concerns, which are either unacceptable or patently against the stated objectives, law or ethics, within the Company;
b) Ensure that Directors, Employees, Agents, Consultants, Vendors and Business Partners can raise issues or concerns without fear of victimization, subsequent discrimination or disadvantage thereof;
c) Reassure the whistle blower/(s) that they will be protected from possible reprisals or victimization, if they have made disclosures in good faith;
d) Ensure that where any wrong doing by the Company or any of its Directors, Employees, Agents, Consultants, Vendors and Business Partners, is identified and reported to the Company under this policy, it will be dealt with expeditiously, thoroughly investigated and remedied. The Company will further examine the means of ensuring how such wrong doing can be prevented in future and will take corrective action accordingly.

The policy also provides adequate safeguards against victimization of persons who use such mechanism and makes provision for direct access to the Chairman of the Audit Committee in appropriate or exceptional cases. All complaints received under the said policy are reviewed by the Audit Committee at its meeting held every quarter.

In staying true to our values of Strength, Performance and Passion and in line with Company's vision of being one of the most respected companies in India, the Company is committed to the high standards of Corporate Governance and Stakeholder Responsibility.

v. Corporate Social Responsibility Activities:

In compliance with Section 135 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules 2014, the Company has established Corporate Social Responsibility (CSR) Committee, details of which are given earlier in this Report. An Annual Report on CSR Activities forms part of Directors' Report. The Company has also formulated Corporate Social Responsibility Policy and same is available at the website of the Company viz. http://firstsource.com/blog/wp-content/uploads/2016/06/fsl-corporate-social-responsibility-policy.pdf.

vi. Global Ethics Compliance, Gift & Entertainment Policy and Anti Bribery Policy:

The Company has implemented Global Ethics Policy, Gift & Entertainment Policy and Anti Bribery Policy after keeping in mind the regulatory requirements of UK Bribery Act 2010 ("UKBA") and US Foreign and Corrupt Practices Act 1977 ("FCPA"). A system of ongoing training, monitoring and review of bribery and corruption issues has been implemented. The Company observes 'zero tolerance' policy towards unethical behavior and bribery.

vii. CEO/CFO Certification:

Certification on financial statements pursuant to Regulation 17(8) of the Listing Regulations has been obtained from the Managing Director & CEO and the CFO of the Company. Extract of the same is given at the end of this Report.

viii. Code of Conduct for Directors and Senior Management:

The Board has laid down Code of Conduct for Executive Directors & Senior Management and for Non-Executive/ Independent Directors of the Company. The Codes of Conduct have been circulated to the Board and Senior Management and the compliance of the same has been affirmed by them. A declaration signed by the Managing Director & CEO in this regard is given at the end of this Report. The Code of Conduct is available at the website of the Company viz. http://www.firstsource.com/investors/.

ix. Code of Conduct for Prohibition of Insider Trading:

The Company has framed 'Firstsource Solutions Code of Practices & Procedures for Fair Disclosure of Unpublished Price Sensitive Information' pursuant to the SEBI (Prohibition of Insider Trading) Regulations 2015 ("the Code"), as amended from time to time which is applicable to its Directors, Officers, and Designated Employees. The Code includes provisions relating to disclosures, opening and closure of Trading Window and Pre-Clearance of trades procedure. In compliance with SEBI Regulations, the Company sends intimations to Stock Exchanges from time to time.

x. Compliance Reports:

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

xi. Subsidiary Companies:

As on March 31, 2018, the Company had one (1) domestic subsidiary and fourteen (14) foreign subsidiaries. One (1) domestic subsidiary and thirteen (13) out of fourteen (14) foreign subsidiaries are wholly owned by the Company or its subsidiary companies. The Company has no material non-listed Indian Subsidiary Company as defined in Regulation 16 of the Listing Regulations. The same is available on website of the Company viz. http://firstsource.com/blog/wp-content/uploads/2016/06/Material-Subsidiary-Policy.pdf.-

Nanobi Data and Analytics Private Limited is an associate company.

The minutes of the meetings of the subsidiary companies are placed at the Board Meetings of the Company. The consolidated financial statements of the Company and its subsidiaries are reviewed by the Audit Committee.

xii. Policies as Per SEBI (Listing Obligations and Disclosure Requirements) Regulation 2015 ("Listing Regulations"):

The Company has framed Policy for Preservation of Documents, Policy for Determination of Materiality of Events/ Information and Archival Policy as per requirement of Listing Regulations. The same are available on the website of the Company viz. http://www.firstsource.com/investors/.

xiii. Risk Management & Internal Control:

The Company 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, details of which are given in the Risk Management section under 'Management Discussion and Analysis Report' which forms part of this Annual Report.

The Company has a competent in-house Internal Audit team which prepares and executes a vigorous Audit Plan covering various functions such as operations, finance, human resources, administration, legal and business development etc. across different geographies. The team presents their key audit findings of every quarter to the Audit Committee and the Management updates the members about the remedial actions taken or proposed for the same. The suggestions and comments from the Committee members are vigilantly incorporated and executed by the Company.

xiv. Prevention of Sexual Harassment Policy:

The Company has Prevention of Sexual Harassment policy to promote a protective and healthy work environment. The complaints received by the Sexual Harassment Committee with details of action taken thereon are reviewed by the Audit Committee at its meeting held every quarter. The Company has a zero-tolerance policy towards such complaints and the same is conveyed to the employees at the time of induction.

xv. Secretarial Standards Issued by the Ministry of Corporate Affairs:

The Company follows Secretarial Standard-1 (SS-1) on "Meetings of the Board of Directors" and Secretarial Standard-2 (SS-2) on "General Meetings" which were issued and amended from time to time by the Ministry of Corporate Affairs based on the recommendation of the Institute of Company Secretaries of India.

xvi. Management Discussion and Analysis Report:

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

xvii. Independent Directors:

The Independent Directors of the Company have the option and freedom to meet and interact with the Company's Management as and when they deem it necessary. They are provided with necessary resources and support to enable them to analyse the information/data provided by the Management and help them to perform their role effectively.

xviii. Share Reconciliation Audit:

As stipulated by SEBI, a qualified Practising Company Secretary carries out reconciliation of Share Capital Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. This audit is carried out every quarter and the report thereon is submitted to the Stock Exchanges. The Audit confirms that the total Listed and Paid-up capital is in agreement with the aggregate of the total number of shares in dematerialized form and in physical form.

xix. Requirements of Chapter IV of Listing Regulations:

The Company has complied with all applicable requirements of Chapter IV of the Listing Regulation.

xx. Discretionary Requirements under Regulation 27:

The Company has adopted the following Discretionary requirements as prescribed in Part E to Schedule II under Regulation 27 of the Listing Regulations:

a) Shareholders' Rights:

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

b) Unqualified Audit Report:

The Company adopts best practices to move towards a regime of financial statements with unmodified audit opinion. There are no audit qualifications in the Company's financial statements for the year ended March 31, 2018.

c) Separate posts of Chairman and CEO:

There are separate posts of the Chairman and the Managing Director & CEO and there is a clear demarcation of the roles and responsibilities of the Chairman and the Managing Director & CEO of the Company.

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 Financial Express (English) and Loksatta/ Navshakti (Marathi) newspapers.

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

- Standalone and Consolidated financial results, investors' presentations, press release, fact sheet and transcript of earnings conference calls;
- Shareholding pattern (Regulation 31(1) of Listing Regulations) filed with Stock Exchanges on a quarterly basis; and
- Presentations made to institutional investors or the analysts.

GENERAL SHAREHOLDER INFORMATION:

I. Annual General Meeting:

Day, Date & Time	Monday, August 6, 2018 at 3:30 p.m.
Venue	Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai 400 025

II. Financial Year:

April 1, 2017 to March 31, 2018

Financial Calendar (Tentative): FY2018-19

Q1 ending June 30, 2018	Last week of July 2018 or First/ Second week of August 2018
Q2 ending September 30, 2018	Last week of October 2018 or First/ Second week of November 2018
Q3 ending December 31, 2018	Last week of January 2019 or First/ Second week of February 2019
Q4 and financial year ending March 31, 2019	First/ Second week of May 2019
Annual General Meeting (Financial Year 2018-19)	Last week of July 2019 or First/ Second week of August 2019

III. Dates of Book Closure for Annual General Meeting and Dividend (both days inclusive):

Monday, July 30, 2018 to Monday, August 6, 2018 (both days inclusive). Record date/ Cut-off date is Monday, July 30, 2018.

IV. Dividend:

Your Company takes immense pleasure to inform that the Board of Directors at its meeting held on May 7, 2018 recommended final maiden dividend at the rate of INR 1.50 per share i.e. 15% of INR 10/- each fully paid up equity shares of the Company for the FY2017-18.

V. Listing on Stock Exchanges and Payment of Listing Fees:

The equity shares of the Company are listed on the National Stock Exchange of India Ltd. (NSE) and the BSE Limited (BSE). Annual Listing fees for the FY2017-18 were paid by the Company to NSE and BSE on time.

VI. Custodian Fees to Depositories:

The Company has paid fees for FY2017-18 to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) on time.

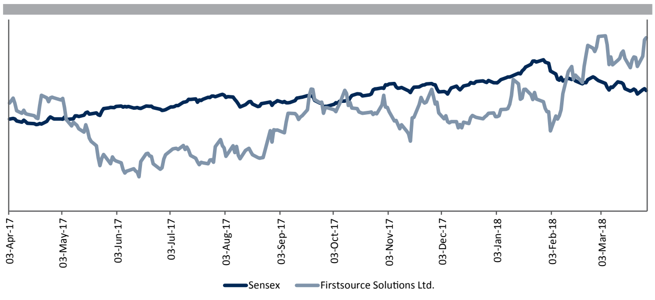
VII. Stock Code / Symbol:

NSE	FSL
BSE	532809
ISIN in (NSDL and CDSL)	INE684F01012
Corporate Identity Number (CIN)	L64202MH2001PLC134147

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

Month	NSE			BSE		
	Share Price (₹)		No. of shares traded	Share Price (₹)		No. of shares traded
	High	Low		High	Low	
Apr – 2017	45.50	39.80	11,788,353	45.45	39.75	51,026,197
May – 2017	44.00	32.00	13,280,183	44.00	32.00	65,019,777
Jun – 2017	34.75	30.40	10,778,627	34.75	30.35	47,625,309
Jul – 2017	37.15	32.25	14,940,187	38.00	32.25	55,399,439
Aug – 2017	39.35	32.60	14,154,869	39.40	32.60	58,410,049
Sep – 2017	45.75	37.40	26,854,772	45.75	37.25	111,268,257
Oct – 2017	45.30	40.30	10,804,114	45.35	40.30	47,960,289
Nov – 2017	45.60	36.10	20,338,311	45.70	36.00	96,222,397
Dec – 2017	43.20	37.45	14,998,428	43.15	37.35	65,306,816
Jan – 2018	48.10	39.90	35,364,788	48.25	39.90	172,057,734
Feb – 2018	52.85	36.00	34,232,493	52.85	36.75	183,450,865
Mar – 2018	55.25	46.80	28,003,492	55.30	46.75	137,010,850

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



X. Registrar & Transfer Agent:

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

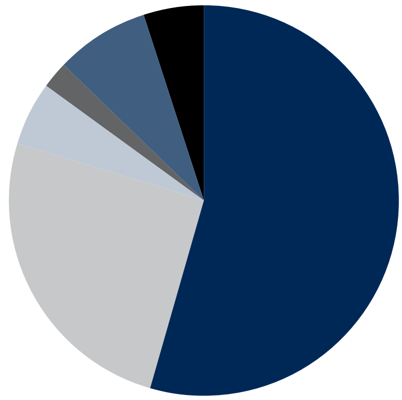
XI. Share Transfer System:

The transfer of shares in physical form is generally processed by Registrar & Transfer Agent within a period of seven (7) days from the date of receipt thereof, provided all the documents are in order. In case of shares in electronic form, the transfers are done by Depositories viz. NSDL and CDSL. In compliance with Regulation 40(9) of the Listing Regulations, the Company obtains a certificate from a Practicing Company Secretary on a half-yearly basis confirming that all certificates have been issued within one (1) month from the date of lodgement for transfer, sub-division, consolidation, etc.

XII. Distribution of shareholding as on March 31, 2018:

Share Holding (Nominal Value)	Shareholders		Nominal Capital	
₹	No.	%	₹	%
Upto 5,000	121,729	78.63	196,614,110	2.86
5,001-10,000	15,352	9.92	132,256,460	1.93
10,001-20,000	7,631	4.93	121,834,280	1.78
20,001-30,000	2,931	1.89	77,018,500	1.12
30,001-40,000	1,329	0.86	48,923,030	0.71
40,001-50,000	1,525	0.99	73,699,850	1.07
50,001-1,00,000	2,173	1.40	167,469,750	2.44
100,001 and above	2,140	1.38	6,047,412,210	88.09
Total	**154,810**	**100.00**	**6,865,228,190**	**100.00**

The Shareholding pattern as on March 31, 2018 is given as under:



Promoters 373,976,673 Shares	(54.47%)
Individuals 173,650,150 Shares	(25.28%)
Bodies Corporate 37,427,770 Shares	(5.46%)
Mutual Funds 15,103,000 Shares	(2.20%)
Foreign Institutional Investors(FIIs) 53,235,172 Shares	(7.76%)
Banks 33,130,054 Shares	(4.83%)

Top 10 Shareholders as on March 31, 2018:

Sr. No.	Name of the Shareholders	Category of Shareholder	No. of Shares	%
1	Spen Liq Private Limited	Promoters	373,976,673	54.47
2	ICICI Bank Ltd	Bank	32,815,558	4.78
3	Jhunjhunwala Rakesh Radheshyam	Resident Indian	22,000,000	3.21
4	Steinberg India Emerging Opportunities Fund Limited	Foreign Institutional Investor	17,714,176	2.58
5	HDFC Small Cap Fund	Mutual Funds	7,094,000	1.03
6	Aditya Birla Sun Life Trustee Private Limited A/C Aditya Birla Sun Life Small and Midcap Fund	Mutual Funds	6,599,000	0.96
7	Virginia Tech Foundation,INC. Steinberg India Asset Management, Ltd.	Foreign Institutional Investor	3,453,591	0.50
8	Emerging Markets Core Equity Portfolio (the Portfolio) of DFA Investment Dimensions Group INC (DFAIDG)	Foreign Institutional Investor	3,087,534	0.45
9	Dimensional Emerging Markets Value Fund	Foreign Institutional Investor	2,945,911	0.43
10	Rajesh Subramaniam	Resident Indian	2,752,784	0.40
	Total		**472,439,227**	**68.81**

XIII. Dematerialisation of Shares and Liquidity:

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

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

Shares held in dematerialised and physical form as on March 31, 2018:

	Shareholders		Share Capital	
	No. of Shareholders	% to Total Shareholders	No. of Shares	% to Total share Capital
Dematerialised Form				
NSDL	94,196	60.85	615,142,326	89.60
CDSL	60,602	39.15	71,374,009	10.40
Total in dematerialised from	**154,798**	**99.99**	**686,516,335**	**100.00**
Physical Form	**12**	**0.01**	**61,484**	**Negligible**
Total	**154,810**	**100.00**	**686,522,819**	**100.00**

As on March 31, 2018, almost 100% of the paid up share capital constituting 99.99% of the number of shareholders, is in dematerialised form.

Details of Unclaimed Shares:

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

Pursuant to Schedule V of the Listing Regulations, the details of unclaimed shares as on March 31, 2018 are as under:

Particulars	No. of shareholders	No. of shares
Outstanding shares in the Escrow Account with ICICI Bank Ltd. as on April 1, 2017	49	5,521
Investors who have approached the Company for transfer of shares from Escrow Account during the FY 2017-18	0	0
Investors to whom shares were transferred from Escrow Account during the FY 2017-2018	0	0
Outstanding shares in the Escrow Account as on March 31, 2018	49	5,521

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

The Company had fully discharged its obligation towards the Bondholders in December 2012. The Company did not have any other outstanding convertible instruments/ADRs/GDRs/Warrants as on March 31, 2018.

XV. Delivery Centers:

The Company along with its 15 subsidiaries has 37 global delivery centers of which 10 are located in India, 18 in USA, 7 in UK and 2 in Philippines as per the details given below:

India (10): Chennai (2), Mumbai (2), Bangalore (2), and 1 each in Pondicherry, Vijayawada, Indore, and Trichy.

USA (18): Louisville (2) in Kentucky, Kingston & Amherst in New York, Rockford and Belleville in Illinois, Salt Lake City in Utah, Colorado Springs, Eugene in Oregon, Palm Bay in Florida, Rocky Hill in Connecticut and 7 operational hubs of MedAssist.

United Kingdom (7): Belfast (2), Cardiff, Londonderry, Middlesbrough, Warrington and Derby.

Philippines (2): Manila, Cebu

XVI. Address for Correspondence:

Ms. Pooja Nambiar
Company Secretary & Compliance Officer
Firstsource Solutions Ltd.
5th Floor, Paradigm 'B' wing, Mindspace, Link Road,
Malad (W), Mumbai 400 064, India
Tel. No.: 91 (22) 6666 0888
Fax: 91 (22) 6666 0887
Dedicated e-mail Id for redressal of Investors grievances:
complianceofficer@firstsource.com

Kolkata
May 7, 2018

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 having its Registered Office at 5th Floor, Paradigm 'B' Wing, Mindspace, Link Road, Malad (West), Mumbai 400 064, for the year ended March 31, 2018, as stipulated in Chapter IV of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 ("Listing Regulations").

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examinations have been 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 and the representations as made by the Directors and the Management of the Company, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Chapter IV of the Listing Regulations.

We further 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 Rathi and Associates
(Company Secretaries)

Himanshu S Kamdar
Partner
FCS 5171
C.P. No. 3030

Mumbai
May 7, 2018

CERTIFICATION FROM THE MANAGING DIRECTOR & CEO AND THE CFO:

In terms of Regulation 17(8) read with Part B of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulation 2015 ("Listing Regulations"), we hereby certify as under:

A. We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:
   (1) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
   (2) these statements together present a true and fair view of the listed entity'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 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 and 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. The Company have indicated to the Auditors and the Audit Committee:
   (1) significant changes in internal control over financial reporting during the year;
   (2) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and;
   (3) instances of significant fraud of which the Company have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For Firstsource Solutions Limited

Rajesh Subramaniam
Managing Director & CEO

Dinesh Jain
President & CFO

Kolkata
May 7, 2018

DECLARATION BY THE 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.

Rajesh Subramaniam
Managing Director & CEO

Kolkata
May 7, 2018

Independent Auditors' Report

To The Members of
Firstsource Solutions Limited

Report on the Consolidated Ind AS Financial Statements

We have audited the accompanying consolidated Ind AS financial statements of **Firstsource Solutions Limited** (the 'Company') and its subsidiary companies (together referred to as the 'Group'), which includes Group's share of loss in its associate which comprise the Consolidated Balance Sheet as at March 31, 2018,and the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as the 'consolidated Ind AS financial statements').

Management's Responsibility for the Consolidated Ind AS Financial Statements

The Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 (the 'Act') that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated changes in equity and consolidated cash flows of the Group including its associate in accordance with the Indian Accounting Standards ('Ind AS') prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India. The respective Board of Directors of the companies included in the Group and of its associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its associate and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Board of Directors of the Company, as aforesaid.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the consolidated Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the consolidated Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditor in terms of their report on the separate financial statements of the associate referred to in paragraph (1) of 'Other Matters' below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on the report of the other auditor on the separate financial statements of the associate referred to in paragraph (1) of 'Other Matters' below, the aforesaid consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the Ind AS and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2018, and their consolidated profit, consolidated total comprehensive income, consolidated changes in equity and consolidated cash flows for the year ended on that date.

Other Matters

1. The consolidated Ind AS financial statements include the Group's share of net loss after tax of INR 0.01 million for the year ended March 31, 2018, as considered in the consolidated Ind AS financial statements, in respect of an associate, whose financial statements have not been audited by us. These financial statements have been audited by other auditor whose report has been furnished to us by the Management and our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of this associate, and our report in terms of Section 143(3) of the Act, in so far as it relates to the aforesaid associate, is based solely on the report of the other auditor.

2. The comparative financial information of the Company for the year ended March 31, 2017 prepared in accordance with Ind AS included in these consolidated Ind AS financial statements have been audited by the predecessor auditor. The report of the predecessor auditor on these comparative financial information dated May 5, 2017 expressed an unmodified opinion.

   Our report on the consolidated Ind AS financial statements above and our report on Other Legal and Regulatory Requirements below is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit and report of other auditor on separate financial statements of the associate referred to paragraph (1) of Other Matters above, we report, to the extent applicable, that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements.

b) In our opinion, proper books of account as required by law to the preparation of the aforesaid consolidated Ind AS financial statements have been kept by the Company so far as it appears from our examination of those books and the reports of other auditor.

c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including Other Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements.

d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act.

e) On the basis of the written representations received from the Directors of the Company as on March 31, 2018 taken on record by the Board of Directors of the Company and the reports of the statutory auditors of the subsidiary company and associate company incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164(2) of the Act.

f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in 'Annexure A', which is based on the report of the statutory auditors of the subsidiary company and associate company incorporated in India. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting of the Company and its subsidiary company and associate company incorporated in India.

g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

i. The Group has disclosed the impact of pending litigations on the Group's consolidated financial position in their consolidated Ind AS financial statements;

ii. The Group has made provision in the consolidated Ind AS financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts;

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company and its subsidiary company and associate company incorporated in India.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W / W-100018)

SANJIV V. PILGAONKAR
Partner
(Membership No. 39826)

Kolkata
May 7, 2018

Annexure 'A' to the Independent Auditors' Report

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (the 'Act') of Firstsource Solutions Limited

We have audited the internal financial controls over financial reporting of **Firstsource Solutions Limited** (the 'Company') and its subsidiary company and associate company incorporated in India as of March 31, 2018 in conjunction with our audit of the consolidated Ind AS financial statements of the Group for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Company, its subsidiary company and associate company incorporated in India are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the 'Guidance Note'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to respective Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Company and its subsidiary company and associate company incorporated in India based on our audit.

We conducted our audit in accordance with the Guidance Note and the Standards on Auditing prescribed under Section 143(10) of the Act to the extent applicable to an audit of internal financial controls. The Guidance Note and those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the statutory auditors of the subsidiary company and associate company incorporated in India in terms of their report referred to in Other Matters below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Company and its subsidiary company and associate company incorporated in India.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company and based on the consideration of the reports of statutory auditors referred to in Other Matters below, the Company and its subsidiary company and associate company incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the criteria for internal financial control over financial reporting established by the Company considering the essential components of internal control stated in the Guidance Note.

Other Matters

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to a subsidiary company and an associate company incorporated in India, is based solely on the corresponding reports of the statutory auditors of such companies incorporated in India.

Our opinion is not modified in respect of the above matters.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W / W-100018)

SANJIV V. PILGAONKAR
Partner
(Membership No. 39826)

Kolkata
May 7, 2018

Consolidated Balance Sheet
as at 31 March 2018

(Currency: In INR millions)

	Note	31 March 2018	31 March 2017
ASSETS			
Non-current assets			
Property, plant and equipment	3	**881.83**	878.05
Capital work-in-progress		**4.20**	42.85
Goodwill on consolidation	4(i)	**19,308.07**	19,223.62
Other intangible assets	4(ii)	**624.32**	576.48
Financial assets			
Investments	5(i)	**122.62**	105.84
Other financial assets	6(i)	**332.33**	741.73
Deferred tax assets	15	**2,175.49**	1,608.95
Income tax assets	15	**679.24**	752.70
Others non-current assets	7(i)	**1,956.68**	1,732.81
Total non-current assets		**26,084.78**	25,663.03
Current assets			
Financial assets			
Investments	5(ii)	**220.00**	1,522.67
Trade receivables	8	**3,784.79**	3,065.44
Cash and cash equivalents	9	**1,230.00**	387.31
Other financial assets	6(ii)	**1,911.36**	2,354.65
Other current assets	7(ii)	**744.77**	513.08
Total current assets		**7,890.92**	7,843.15
Total assets		**33,975.70**	33,506.18
EQUITY AND LIABILITIES			
EQUITY			
Equity share capital	10	**6,865.23**	6,813.08
Other equity		**16,652.37**	13,466.95
Total equity attributable to equity holders of the Company		**23,517.60**	20,280.03
Non- controlling interest		**12.53**	11.75
Total equity		**23,530.13**	20,291.78
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Long-term borrowings	11(i)	**142.20**	3,579.94
Other financial liabilities	12(i)	**161.46**	-
Provisions for employee benefits	13(i)	**51.73**	95.22
Deferred tax liabilites	15	**264.29**	418.37
Total non-current liabilities		**619.68**	4,093.53
Current liabilities			
Financial liabilities			
Short-term and other borrowings	11(ii)	**6,580.95**	6,066.84
Trade payables		**915.69**	993.77
Other financial liabilities	12(ii)	**1,468.73**	982.90
Other current liabilities	14	**415.83**	502.51
Provisions for employee benefits	13(ii)	**294.71**	275.12
Provision for tax	15	**149.98**	299.73
Total current liabilities		**9,825.89**	9,120.87
Total equity and liabilities		**33,975.70**	33,506.18
Significant accounting policies			

The accompanying notes from 1 to 32 are an integral part of these Consolidated financial statements.

As per our report of even date attached.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
Firm's Registration No. 117366W/W-100018

Sanjiv V. Pilgaonkar
Partner
Membership No: 39826

Kolkata
7 May 2018

For and on behalf of the Board of Directors of Firstsource Solutions Limited

Sanjiv Goenka
Chairman

Rajesh Subramaniam
Managing Director & CEO

Shashwat Goenka
Director

Y. H. Malegam
Director

Charles Miller Smith
Director

V.K. Sharma
Director

Donald W. Layden Jr.
Director

Subrata Talukdar
Director

Pradip Kumar Khaitan
Director

Pradip Roy
Director

Grace Koshie
Director

Kolkata
7 May 2018

Pooja Nambiar
Company Secretary

Dinesh Jain
President & CFO

Consolidated Statement of Profit and Loss

for the year ended 31 March 2018

(Currency: In INR millions)

	Note	31 March 2018	31 March 2017
INCOME			
Revenue from operations	16	**35,352.47**	35,556.10
Other income, net	17	**54.31**	32.05
Total income		**35,406.78**	35,588.15
EXPENSES			
Employee benefits expenses	18	**23,954.75**	23,834.37
Finance costs	19	**404.03**	453.16
Depreciation and amortization expense	3&4(ii)	**659.24**	589.61
Other expenses	20	**6,808.66**	7,341.83
Total expenses		**31,826.68**	32,218.97
Profit before tax and share in net loss of associate		**3,580.10**	3,369.18
Share in net loss of associate		**(0.01)**	(0.01)
Profit before tax		**3,580.09**	3,369.17
Tax expenses			
Current tax	15	**456.79**	454.36
Deferred tax	15	**(142.48)**	122.43
Profit for the year		**3,265.78**	2,792.38
Other comprehensive income			
Items that will not be reclassified subsequently to the statement of profit and loss			
Remeasurement of the net defined benefit liability/asset		**19.63**	(0.52)
Items that will be reclassified subsequently to the statement of profit and loss			
Net changes in fair value on derivatives designated as cash flow hedges		**(1,065.06)**	552.35
Exchange difference on translation of foreign operations		**515.61**	(685.70)
Deferred tax on items that will be reclassified to statement of profit and loss		**354.34**	(346.20)
Total other comprehensive income, net of taxes		**(175.48)**	(480.07)
Total comprehensive income for the year		**3,090.30**	2,312.31
Profit attributable to:			
Owners of the Company		**3,265.19**	2,799.96
Non- controlling interest		**0.59**	(7.58)
		3,265.78	2,792.38
Total comprehensive income attributable to:			
Owners of the Company		**3,089.52**	2,312.69
Non- controlling interest		**0.78**	(0.38)
		3,090.30	2,312.31
Earning per equity share			
Weighted average number of equity shares outstanding during the year			
Basic		**683,343,271**	676,262,213
Diluted		**689,614,976**	685,662,251
Earnings per equity share			
Basic		**4.78**	4.14
Diluted		**4.73**	4.08
Significant accounting policies			

The accompanying notes from 1 to 32 are an integral part of these Consolidated financial statements.

As per our report of even date attached.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
Firm's Registration No. 117366W/W-100018

Sanjiv V. Pilgaonkar
Partner
Membership No: 39826

Kolkata
7 May 2018

For and on behalf of the Board of Directors of Firstsource Solutions Limited

Sanjiv Goenka
Chairman

Rajesh Subramaniam
Managing Director & CEO

Shashwat Goenka
Director

Y. H. Malegam
Director

Charles Miller Smith
Director

V.K. Sharma
Director

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Subrata Talukdar
Director

Pradip Kumar Khaitan
Director

Pradip Roy
Director

Grace Koshie
Director

Kolkata
7 May 2018

Pooja Nambiar
Company Secretary

Dinesh Jain
President & CFO

Consolidated Statement of Changes in Equity

for the year ended 31 March 2018

(Currency: In INR millions)

	Equity share capital	Attributable to owners of the Company						Total	Attributable to Non-controlling interest	Total equity
		Reserves and Surplus				Items of other comprehensive income				
		Securities premium	Other reserve	Retained earnings	Employee stock option reserve	Effective portion of cash flow hedges	Exchange differences on translating the financial statements of a foreign operation/ subsidiaries			
Balance as at 1 April 2017	6,813.08	1,802.87	30.41	7,199.79	122.87	649.94	3,661.07	20,280.03	11.75	20,291.78
Other comprehensive income for the year	-	-	-	19.63	-	(1,065.06)	515.42	(530.01)	0.19	(529.82)
Profit for the year	-	-	-	3,265.19	-	-	-	3,265.19	0.59	3,265.78
Share based payment	-	-	-	-	46.63	-	-	46.63	-	46.63
Issue of equity shares on exercise of option	52.15	89.26	-		(39.99)	-	-	101.42	-	101.42
Transfer to retained earning for options forfeited	-	-	-	9.11	(9.11)	-	-	-	-	-
Tax effect on changes in fair value on derivatives designated as cash flow hedges	-	-	-	-	-	354.34	-	354.34	-	354.34
Balance at the end of 31 March 2018	**6,865.23**	**1,892.13**	**30.41**	**10,493.72**	**120.40**	**(60.78)**	**4,176.49**	**23,517.60**	**12.53**	**23,530.13**

Consolidated Statement of Changes in Equity

for the year ended 31 March 2018

(Currency: In INR millions)

	Equity share capital	Attributable to owners of the Company						Total	Attributable to Non-controlling interest	Total equity
		Reserves and Surplus				Items of other comprehensive income				
		Securities premium	Other reserve	Retained earnings	Employee stock option reserve	Effective portion of cash flow hedges	Exchange differences on translating the financial statements of a foreign operation/ subsidiaries			
Balance as at 1 April 2016	6,733.15	1,724.53	30.41	4,407.93	83.96	443.79	4,346.39	17,770.16	19.71	17,789.87
Other comprehensive income for the year	-	-	-	(0.52)	-	552.35	(685.32)	(133.49)	(0.38)	(133.87)
Profit for the year	-	-	-	2,792.38	-	-	-	2,792.38	(7.58)	2,784.80
Share based payment	-	-	-	-	39.41	-	-	39.41	-	39.41
Issue of equity shares on exercise of option	79.93	78.34	-		(0.50)	-	-	157.77	-	157.77
Tax effect on changes in fair value on derivatives designated as cash flow hedges	-	-	-	-	-	(346.20)	-	(346.20)	-	(346.20)
Balance at the end of 31 March 2017	**6,813.08**	**1,802.87**	**30.41**	**7,199.79**	**122.87**	**649.94**	**3,661.07**	**20,280.03**	**11.75**	**20,291.78**

As per our report of even date attached.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
Firm's Registration No. 117366W/W-100018

Sanjiv V. Pilgaonkar
Partner
Membership No: 39826

Kolkata
7 May 2018

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Kolkata
7 May 2018

Pooja Nambiar
Company Secretary

Dinesh Jain
President & CFO

Consolidated Statement of Cash Flows

for the year ended 31 March 2018

(Currency: In INR millions)

	31 March 2018	31 March 2017
Net profit before taxation and minority interest	**3,580.09**	3,369.17
Adjustments for		
Depreciation and amortization	**659.24**	589.61
Provision for doubtful debts/ (written back), net	**64.15**	4.58
Gain on sale of property, plant and equipment, net	**(3.40)**	(10.44)
Foreign exchange (gain)/ loss, net unrealized	**(36.90)**	(234.76)
Finance costs	**404.03**	453.16
Interest income	**(14.64)**	(16.24)
Profit on sale/ redemption of investments	**(50.96)**	(38.98)
(Gain)/ loss on sale of domestic contracts	**(7.67)**	-
Employee stock compensation expense	**46.63**	39.41
Operating cash flow before changes in working capital	**4,640.57**	4,155.51
Changes in working capital		
(Increase)/ decrease in trade receivables	**(504.03)**	(83.01)
(Increase)/ decrease in loans and advances and other assets	**(744.41)**	(1,226.78)
Increase/ (decrease) in current liabilities and provisions	**504.58**	(280.76)
Net changes in working capital	**(743.86)**	(1,590.55)
Income taxes paid	**(745.77)**	(566.92)
Net cash generated from/ (used in) operating activities (A)	**3,150.94**	1,998.04
Cash flow from investing activities		
Purchase of current investments	**(12,842.50)**	(14,330.30)
Proceeds from sale of current investments	**14,196.13**	13,614.36
Interest income received	**3.47**	5.68
Purchase of property, plant and equipment	**(625.05)**	(853.72)
Proceeds from sale of property, plant and equipment	**52.27**	87.43
Amount paid towards acquisition of ISGN	**-**	(813.31)
Investment in Nanobi Data and Analytics Private Limited	**(18.00)**	(25.00)
Proceeds from sale of domestic business	**150.00**	-
Net cash generated from/ (used in) investing activities (B)	**916.32**	(2,314.86)
Cash flow from financing activities		
Proceeds from short term borrowings*	**1,054.28**	3,464.94
Repayment of long term borrowings*	**(4,000.43)**	(3,136.25)
Proceeds from issuance of equity shares and share application money	**101.42**	157.77
Interest paid	**(423.04)**	(451.39)
Net cash (used in)/ generated from financing activities (C)	**(3,267.77)**	35.07
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	**799.49**	(281.75)
Cash and cash equivalents at the beginning of the year	**387.31**	685.76
Foreign exchange (gain)/ loss on translating Cash and cash equivalents	**43.20**	(16.70)
Cash and cash equivalents at the end of the year	**1,230.00**	387.31

* refer footnotes to note 11 Borrowings

Consolidated Statement of Cash Flows

for the year ended 31 March 2018

(Currency: In INR millions)

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:

	31 March 2018	31 March 2017
Cash on hand	**0.04**	0.04
Balances with banks		
- in current accounts	**1,309.37**	449.36
	1,309.41	449.40
Less: Current account balances held in trust for customers	**79.41**	62.09
Cash and cash equivalents	**1,230.00**	387.31

As per our report of even date attached.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
Firm's Registration No. 117366W/W-100018

Sanjiv V. Pilgaonkar
Partner
Membership No: 39826

Kolkata
7 May 2018

For and on behalf of the Board of Directors of Firstsource Solutions Limited

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Kolkata
7 May 2018

Pooja Nambiar
Company Secretary

Dinesh Jain
President & CFO

Notes to the Consolidated Financial Statements

for the year ended 31 March 2018

(Currency: In INR millions)

1. Company overview

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

The Company is a public limited company incorporated and domiciled in India having registered office at Mumbai, Maharashtra, India. The Company is listed on the Bombay Stock Exchange and National Stock Exchange in India.

These consolidated financial statements are approved for issue by the Board of Directors on 7 May 2018.

Basis of preparation

These consolidated financial statements are prepared in accordance with Indian Accounting Standards ('Ind AS') under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values, the provisions of the Companies Act, 2013 ('the Act') (to the extent notified) and guidelines issued by the Securities and Exchange Board of India (SEBI). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

The list of entities with percentage holding is as below:

Entities	Country of incorporation and other particulars	Percentage of holding by voting rights	Year of consolidation
Firstsource Solutions UK Limited (FSL UK)	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of United Kingdom.	100%	2002-2003
Firstsource Solutions S.A. (FSL-Arg)	A subsidiary of Firstsource Solutions UK Limited, incorporated under the laws of Argentina.	99.98%	2006-2007
Firstsource BPO Ireland Limited (FSL Ireland)	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of Ireland.	100%	2011-2012
Firstsource Dialog Solutions (Private) Limited (FDS)	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of Sri Lanka.	74%	2011-2012
Firstsource Process Management Services Limited (FPMSL)	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of India.	100%	2010-2011
Firstsource Group USA, Inc. (FG US)	A subsidiary of Firstsource Solutions Limited, incorporated in the State of Delaware, USA.	100%	2009-2010
Firstsource Business Process Services, LLC (FBPS)	A subsidiary of FG US, incorporated in the State of Delaware, USA.	100%	2009-2010
Firstsource Advantage LLC (FAL)	A subsidiary of FBPS, incorporated under the laws of the State of New York, USA.	100%	2004-2005
One Advantage LLC (OAL)	A subsidiary of FBPS, incorporated in the state of Delaware, USA.	100%	2014-2015
Medassist Holding LLC (MedAssist)	A subsidiary of FG US, incorporated under the laws of the State of Delaware, USA.	100%	2014-2015
Firstsource Solutions USA LLC	A subsidiary of MedAssist Holding LLC., incorporated in the State of Delaware, USA.	100%	2009-2010
Firstsource Transaction Services LLC (FTS)	A subsidiary of Firstsource Solutions SA LLC , incorporated under the laws of the State of Delaware, USA.	100%	2011-2012
ISGN Solutions, Inc. (ISGN-SOL)	A subsidiary of FG US, incorporated in the State of Delaware, USA.	100%	2016-2017
ISGN Fulfillment Services, Inc. (ISGN-FFS)	A subsidiary of ISGN Solutions Inc.	100%	2016-2017
ISGN Fulfillment Agency, LLC (ISGN FA)	A subsidiary of ISGN Fulfillment Services, Inc.	100%	2016-2017
Nanobi Data and Analytics Private Limited (Nanobi)	Associate of the Company.	21.79%	2016-2017

Notes to the Consolidated Financial Statements
for the year ended 31 March 2018

(Currency: In INR millions)

2. Significant Accounting Policies

2.1 Statement of compliance

These consolidated financial statements (herein refered as 'consolidated financial statements') of Firstsource Solutions Limited and its subsidiaries (as listed in Note 1 above) (collectively 'the Group'), are prepared in accordance with Indian Accounting Standards (Ind AS) as per the provisions of the Companies Act, 2013 ('the Act') (to the extent notified) and the Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016 ('the Rules').

2.2 Functional currency and presentation currency

These consolidated financial statements are presented in Indian Rupees ('INR') which is also the functional currency of the Company and its Indian subsidiaries whereas the functional currency of foreign subsidiaries and branch is the currency of their country of domicile.

2.3 Basis of Measurement

These consolidated financial statements are prepared under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values.

2.4 Basis of consolidation

These Consolidated financial statements are prepared in accordance with the principles and procedures prescribed under Ind AS 110 –'consolidated Financial Statements' for the purpose of preparation and presentation of consolidated financial statements.

The financial statements of the 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 or transactions and resulting unrealised profits in full. Unrealised losses resulting from intra-group transactions have also been eliminated unless cost cannot be recovered. Non controlling interest represent part of net profit or loss and net assets of subsidiaries that are not directly or indirectly owned or controlled by the Group and is excluded. The consolidated financial statements are prepared using uniform accounting policies for transactions and other similar events in similar circumstances across the Group. Associates are entities over which the Group has significant influence but not control. Significant influence is the right to participate in the financial and operating key decisions of the investee, but is not control or joint control over those policies. Investments in associates are accounted for using the equity method of accounting. Under this method, the investment in associate is carried in the balance sheet at cost plus post acquistion charges in the Group's share of net assets of the associate, less any provisions for impairment. The consolidated statement of profit and loss reflects the Group's share of the results of operations after tax (net of dividend received) of the associate.

Non-controlling interests are measured at their proportionate share of the acquiree's net identifiable assets at the date of balance sheet.

Changes in the Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has ability to affect those returns through this power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

2.5 Use of estimates

The preparation of the consolidated financial statements in conformity with Ind AS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amount of income and expenses for the period. Management believes that the estimates made in the preparation of consolidated financial statements are prudent and reasonable. Actual results could differ from those estimates. Any revisions to accounting estimates are recognised prospectively in current and future periods. Application of accounting policies that require critical accounting estimates involving complex and subjective judgments and the use of assumptions in these financial statements have been disclosed in Note 2.5.1.

2.5.1 Critical accounting estimates

(a) Income taxes

The Group's three major tax jurisdictions are India, United Kingdom and the United States of America., though the Group also files tax returns in other overseas jurisdictions. Significant judgments are involved in determining the provision for income taxes, including amount expected to be paid/recovered for uncertain tax positions. Also refer to Note 2.13.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2018

(Currency: In INR millions)

(b) Business combinations and intangible assets

Business combinations are accounted for using Ind AS 103, Business Combinations. Ind AS 103 requires the identifiable intangible assets and contingent consideration to be fair valued at the date of aquisition in order to ascertain the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. Significant estimates are required to be made in determining the value of contingent consideration and intangible assets. These valuations are conducted by independent valuation experts.

(c) Property, plant and equipment

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Group's assets are determined by management at the time the asset is acquired, and are reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

(d) Impairment of goodwill

Goodwill is tested for impairment at each reporting period and whenever there is an indication that the recoverable amount of a cash generating unit is less than its carrying amount based on a number of factors including operating results, business plans, future cash flows and economic conditions. The recoverable amount of cash generating units is determined based on higher of value-in-use and fair value less cost to sell. The goodwill impairment test is performed at the level of the cash-generating unit or groups of cash generating units which are benefitting from the synergies of the acquisition and which represents the lowest level at which goodwill is monitored for internal management purposes.

Key assumptions on which management has based its determination of recoverable amount include estimated long term growth rates, weighted average cost of capital and estimated operating margins. Cash flow projections take into account past experience.

2.6 Revenue recognition

Revenue from contact center and transaction processing services comprises from both time / unit price and fixed fee based service contracts. Revenue from time / unit price based contracts is recognised as services are rendered and is billed in accordance with the contractual terms specified in the customer contracts. Revenue from fixed fee based service contracts is recognised on achievement of performance milestones specified in the customer contracts. Revenues from contracts containing milestones are recognised only when the services for a given milestone are provided and accepted by the customer and the billable amount are no longer contingent upon any further service. Unbilled receivables represent costs incurred and revenues recognised on contracts to be billed in subsequent periods as per the terms of the contract.

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

For all instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses.

2.7 Government grants

Revenue grants are recognised when reasonable certainty exists that the conditions precedent will be / are met and the grants will be recognised, on a systematic basis over the period necessary to match them with the related costs which they are intended to compensate.

2.8 Goodwill

Goodwill represents the cost of business acquisition in excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the Company. When the net fair value of the identifiable assets, liabilities and contingent liabilities acquired exceeds the cost of business acquisition, a gain is recognised immediately in Other Comprehensive Income. Goodwill is measured at cost less accumulated impairment losses.

2.9 Property, plant and equipment

Property, plant and equipment 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 property plant and equipment. 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 as summarized below:

Notes to the Consolidated Financial Statements
for the year ended 31 March 2018

(Currency: In INR millions)

Asset category	Useful life (in years)
Tangible assets	
Leasehold improvements	Lease term or 5 years, whichever is shorter
Computers*	2 – 4
Service equipment*	2 – 5
Furniture and fixtures*	2 – 5
Office equipment*	2 – 5
Vehicles	2 – 5

*For these class of assets, based on internal assessment and independent technical evaluation carried out by external valuers, the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II to the Companies Act, 2013.

Depreciation methods, useful lives and residual values are reviewed periodically at the end of each financial year.

Borrowing costs are interest and other costs (including exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred by the Group in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of those property, plant and equipment which necessarily take a substantial period of time to get ready for their intended use are recognised as a part of the cost of such asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

2.10 Other intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, from the date that they are available for use. The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, demand, competition and other economic factors (such as the stability of the industry and known technological advances) and the level of maintenance expenditures required to obtain the expected future cash flows from the asset. Amortization methods and useful lives are reviewed periodically including at each financial year end.

Asset category	Useful life (in years)
Intangible assets	
Goodwill on acquired assets	5 years or estimated useful life, whichever is shorter
Process know-how	4
Domain name	3
Software*	2 – 4
Customer contracts	3

*For these class of assets, based on internal assessment and independent technical evaluation carried out by external valuers, the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II to the Companies Act, 2013.

Process know-how relates to process design and is amortized on a straight line basis over a period of four years. 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.

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

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

2.11 Impairment

a) Financial assets

The Group recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit and loss. Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since intial recognition.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2018

(Currency: In INR millions)

b) Non-financial assets

(i) Goodwill

Goodwill is tested for impairment at each reporting period and whenever there is an indication that goodwill may be impaired, relying on a number of factors including operating results, business plans and future cash flows. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the Group's cash generating units (CGU) or groups of CGU's expected to benefit from the synergies arising from the business combination. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment occurs when the carrying amount of a CGU including the goodwill, exceeds the estimated recoverable amount of the CGU. The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value-in-use. Value-in use is the present value of future cash flows expected to be derived from the CGU.

Total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss on goodwill is recognised in net profit in the consolidated statement of profit and loss and is not reversed in the subsequent period.

(ii) Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognised in the statement of profit and loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognised for the asset in prior years.

2.12 Employee benefits

a) Post employment benefits

Gratuity

The Gratuity scheme is a defined benefit plan for India Entity only. The company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The present value of the obligation under such defined benefit plan is determined based on actuarial valuation by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan are based on the market yields on Government securities as at the balance sheet date. The Group recognises the net obligation of a defined benefit plan in its balance sheet as an asset or liability. Gains or losses through re-measurement of the net defined benefit liability/ (asset) are recognised in other comprehensive income and other components are recognised in the consolidated statement of profit and loss. The actual return of portfolio of plan assets in excess of yields computed by applying the discount rate used to measure the defined benefit obligation are recognised in Other comprehensive income. The effect of any plan amendments are recognised in consolidated statement of profit and loss.

Defined contribution plans

In accordance with Indian regulations, all employees of the Indian entities receive benefits from a Government administered provident fund scheme. This is a defined contribution retirement plan in which both, the company and the employee contribute at a determined rate. Monthly contributions payable to the provident fund are charged to the consolidated statement of profit and loss as incurred.

The subsidiaries in the United States of America have a savings and investment plan under Section 401 (k) of the Internal Revenue Code of the United States of America. This is a defined contribution plan. Contributions made under the plan are charged to the statement of profit and loss in the period

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in which they accrue.The Group has no further obligation to the plan beyond its monthly contribution. Other retirement benefits are accrued based on the amounts payable as per local regulations.

b) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g., under short-term cash bonus, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the amount of obligation can be estimated reliably.

c) Other long-term employee benefits

Compensated absences

Provision for compensated absences cost is made based on actuarial valuation by an independent actuary.

Where employees of the Group are entitled to compensated absences, 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 Group records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement.

The Group measures the expected cost of compensated absences as the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

d) Share-based compensation

The Group operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the granting of the options and the discount on the shares granted are recognised as an expense, together with a corresponding increase in equity, over the period in which the performance and / or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (i.e. the vesting date). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. On each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. The impact of the revision of original estimates, if any, is recognised immediately in the Statement of Profit and Loss, with a corresponding adjustment to equity.

2.13 Income taxes

Income tax expense comprises current tax expense and the net change in the deferred tax asset or liability during the period. Current tax and deferred tax are recognised in the consolidated statement of profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Current income taxes

The current tax payable by the Company and its subsidiaries in India is income tax payable after taking credit for tax relief available for export operations in Special Economic Zones (SEZs).

The current income tax expense for overseas subsidiaries has been computed based on the tax laws applicable to each subsidiary in the respective jurisdiction in which it operates.

Advance taxes and provisions for current income taxes are presented in the consolidated balance sheet after off-setting advance tax paid and income tax provision arising in the same tax jurisdiction and where the relevant tax paying units intend to settle the asset and liability on a net basis.

Deferred income taxes

Deferred income tax is recognised using the balance sheet approach. Deferred income tax assets and liabilities are recognised for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount, except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be recognised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be recognised. Deferred income tax liabilities are recognised for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the

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temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be settled.

For operations carried out in SEZs, deferred tax assets or liabilities, if any, have been established for the tax consequences of those temporary differences between the carrying values of assets and liabilities and their respective tax bases that reverse after the tax holiday ends.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the relevant entity intends to settle its current tax assets and liabilities on a net basis.

Deferred tax assets include Minimum Alternative Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set-off against future income tax liability. Accordingly, MAT is recognised as deferred tax asset in the balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be recognised.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. Acquired deferred tax benefits recognised within the measurement period reduce goodwill related to that acquisition if they result from new information obtained about facts and circumstances existing at the acquisition date. All other acquired tax benefits realised are recognised in profit or loss.

2.14 Leases

Finance lease

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

The finance charge / (income) is recognised in consolidated statement of profit and loss, 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 arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as operating lease. Operating lease payments are recognised on a straight line basis over the lease term, unless the increase is on account of / attributable to inflation, in the consolidated statement of profit and loss.

2.15 Foreign currency

Transactions and translations

Foreign currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the balance sheet date. The gains or losses resulting from such translations are included in net profit in the consolidated statement of profit and loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled. Revenue, expense and cash flow items denominated in foreign currencies are translated into the relevant functional currencies using the exchange rate in effect on the date of the transaction.

The translation of financial statements of the foreign subsidiaries to the presentation currency is performed for assets and liabilities using the exchange rate in effect at the balance sheet date and for revenue, expense and cash flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under other components of equity.

When a subsidiary is disposed off in full, the relevant amount of Foreign currecy translation reserves is transferred to the

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statement of profit and loss. However, when a change in the parent's ownership does not result in loss of control of a subsidiary, such changes are recorded through equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate in effect at the balance sheet date.

2.16 Earnings per equity 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.

2.17 Provisions and contingencies

The Group 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and risk specific to the liability.

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

2.18 Financial instruments

2.18.1Initial recognition

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability.

2.18.2Classification and subsequent measurement

a) Non-derivative financial instruments

i) Cash and cash equivalents

The Group considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

ii) Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

iii) Financial assets at fair value through other comprehensive income (FVOCI)

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of equity investments not held for trading.

iv) Financial assets at fair value through profit and loss (FVTPL)

Financial assets are measured at fair value through profit and loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit and loss are immediately recognised in consolidated statement of profit and loss.

v) Financial liabilities

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Financial liabilities are measured at amortised cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amount approximates fair value to short-term maturity of these instruments.

vi) Equity instruments

An equity instrument is a contract that evidences residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments are recognised by the Group at the proceeds received net of direct issue cost.

b) Derivative financial instruments

Cash flow hedge

The Group designates certain foreign exchange forwards as hedge instruments in respect of foreign exchange risks. These hedges are accounted for as cash flow hedges.

The Group uses hedging instruments that are governed by the policies, which are approved by the Board of Directors, which provide written principles on the use of such financial derivatives consistent with the risk management strategy of the Group. The hedge instruments are designated and documented as hedges at the inception of the contract. The effectiveness of hedge instruments to reduce the risk associated with the exposure being hedged is assessed and measured at inception and on an ongoing basis. The ineffective portion of designated hedges is recognised immediately in the consolidated statement of profit and loss.

The effective portion of change in the fair value of the designated hedging instrument is recognized in Other comprehensive income and accumulated under Cash flow hedge reserve.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or no longer qualifies for hedge accounting. Any gain or loss recognised in Other comprehensive income and accumulated in equity till that time remains and is recognised in statement of profit and loss when the forecasted transaction is no longer expected to occur; the cumulative gain or loss accumulated in statement of changes in equity is transferred to the consolidated statement of profit and loss.

c) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

2.18.3De-recognition of financial instrument

The Group de-recognises a financial asset when the contractual rights to the cash flows from the financial assets expire or it transfers the financial assets and such transfer qualifies for de-recognition under Ind AS 109. A financial liability (or a part of financial liability) is de-recognised from Group's balance sheet when obligation specified in the contract is discharged or cancelled or expired.

2.18.4Fair value of financial instrument

In determining the fair value of its financial instrument, the Group uses the methods and assumptions based on market conditions and risk existing at each reporting date. Methods of assessing fair value result in general approximation of value, and such value may never actually be realized. For all other financial instruments, the carrying amounts approximate the fair value due to short maturity of those instruments.

2.19 Business combinations

Business combinations have been accounted for using the acquisition method under the provisions of Ind AS 103, Business Combinations.

The cost of an acquisition is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of acquisition, which is the date on which control is transferred to the Group. The cost of acquisition also includes the fair value of any contingent consideration. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition

Business combinations between entities under common control is accounted for at carrying value.

Transaction costs that the Company incurs in connection with a business combination such as legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

Business Combinations on or after 1 April 2002

As part of its transition to Ind AS, the Company has elected to apply the relevant Ind AS, viz. Ind As 103, Business Combinations, to only those business combinations that occurred on or after 1 April 2002 In accordance with Ind AS 103, the Company accounts for these business combinations using the acquisation method when control is transfered.

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Business Combinations prior to 1 April 2002

In respect of such business combinations, goodwill represents the amounts recognised under the Company's previous accounting framework under Indian GAAP.

2.20 Cash flow statement

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Group are segregated.

2.21 Onerous contracts

Provisions for onerous contracts are recognised when the expected benefits to be derived 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.

2.22 Recent accounting pronouncements

Ind AS 21 Foreign currency transactions and advance consideration:

On 28 March 2018, MCA has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. This amendment will come into force from 1 April 2018. The Group has evaluated the effect of this on the consolidated financial statements and the impact is not material.

Ind AS 115 Revenue from Contract with Customers:

On 28 March 2018, Ministry of Corporate Affairs has notified the Ind AS 115, Revenue from Contract with Customers. The core principle of the new standard is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The effective date for adoption of Ind AS 115 is financial periods beginning on or after 1 April 2018. The effect on adoption of Ind AS 115 on the consolidated financial statements is expected to be insignificant.

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3. Property, plant and equipment

	Tangible assets						
	Leasehold improvements	Computers	Service equipment	Office equipment	Furniture and fixture	Vehicles	Total
Gross block							
As at 1 April 2017	1,819.34	2,278.57	1,379.33	1,449.62	790.20	15.73	7,732.79
Additions / adjustments during the year	147.27	102.64	63.30	134.66	13.03	10.79	471.69
Deletions during the year	(454.89)	(581.02)	(140.30)	(501.59)	(131.69)	(22.30)	(1,831.79)
Foreign exchange on translation	78.23	29.86	26.75	40.30	13.84	(0.77)	188.21
As at 31 March 2018	**1,589.95**	**1,830.05**	**1,329.08**	**1,122.99**	**685.38**	**3.45**	**6,560.90**
Accumulated depreciation / amortization							
As at 1 April 2017	1,538.96	2,110.46	1,214.27	1,290.28	688.92	11.85	6,854.74
Charge for the year	102.95	85.70	48.46	68.04	35.83	0.68	341.66
On deletions / adjustments during the year	(368.86)	(565.91)	(166.85)	(422.99)	(120.75)	(10.02)	(1,655.38)
Foreign exchange on translation	51.53	23.39	28.14	24.33	10.24	0.42	138.05
As at 31 March 2018	**1,324.58**	**1,653.64**	**1,124.02**	**959.66**	**614.24**	**2.93**	**5,679.07**
Net block							
As at 31 March 2018	**265.37**	**176.41**	**205.06**	**163.33**	**71.14**	**0.52**	**881.83**
As at 31 March 2017	280.38	168.11	165.06	159.34	101.28	3.88	878.05

	Tangible assets						
	Leasehold improvements	Computers	Service equipment	Office equipment	Furniture and fixture	Vehicles	Total
Gross block							
As at 1 April 2016	1,803.44	1,530.66	1,365.82	1,353.01	766.17	16.06	6,835.16
Additions / adjustments during the year	207.37	153.65	101.42	52.08	58.07	0.04	572.63
Acquisitions through business combination	-	720.17	-	144.04	-	-	864.21
Deletions during the year	(69.65)	(55.40)	(25.49)	(62.11)	-	-	(212.65)
Foreign exchange on translation	(121.82)	(70.51)	(62.42)	(37.40)	(34.04)	(0.37)	(326.56)
As at 31 March 2017	**1,819.34**	**2,278.57**	**1,379.33**	**1,449.62**	**790.20**	**15.73**	**7,732.79**
Accumulated depreciation / amortization							
As at 1 April 2016	1,571.02	1,400.08	1,204.75	1,212.63	652.55	9.44	6,050.47
Charge for the year	98.46	81.78	60.45	72.76	30.24	2.67	346.36
Acquisitions through business combination	-	715.85	-	142.93	-	-	858.78
On deletions / adjustments during the year	(40.70)	(27.87)	7.42	(109.25)	33.02	(0.04)	(137.42)
Foreign exchange on translation	(89.82)	(59.38)	(58.35)	(28.79)	(26.89)	(0.22)	(263.45)
As at 31 March 2017	**1,538.96**	**2,110.46**	**1,214.27**	**1,290.28**	**688.92**	**11.85**	**6,854.74**
Net block							
As at 31 March 2017	**280.38**	**168.11**	**165.06**	**159.34**	**101.28**	**3.88**	**878.05**
As at 31 March 2016	232.42	130.58	161.07	140.38	113.62	6.62	784.69

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4. (i) Goodwill on consolidation

Particulars	Healthcare	Collection	Customer management	Mortgage	Total
	MedAssist Group	FAL and OAL	FSL UK	ISGN Group	
Gross carrying value as on 1 April 2016	15,666.99	1,910.03	1,417.96	-	18,994.98
Addition during the year	-	-	-	612.35	612.35
Effect of translation adjustment	(375.80)	33.40	(29.16)	(12.15)	(383.71)
Gross carrying value as on 31 March 2017	15,291.19	1,943.43	1,388.80	600.20	19,223.62
Addition during the year	-	-	-	-	-
Effect of translation adjustment	44.23	9.74	27.68	2.80	84.45
Gross carrying value as on 31 March 2018	**15,335.42**	**1,953.17**	**1,416.48**	**603.00**	**19,308.07**

The chief operating decision maker reviews the goodwill for any impairment at the operating segment level on annual basis.

(ii) Other intangible assets

	Domain name	Software	Process know-how	Customer contracts	Total
Gross block					
As at 1 April 2017	6.72	2,196.47	51.62	108.07	2,362.88
Additions / adjustments during the year	-	334.05	-	-	334.05
Deletions during the year	-	(252.17)	-	-	(252.17)
Foreign exchange on translation	-	56.30	(1.73)	0.54	55.11
As at 31 March 2018	**6.72**	**2,334.65**	**49.89**	**108.61**	**2,499.87**
Accumulated depreciation / amortization					
As at 1 April 2017	6.72	1,721.03	21.40	37.25	1,786.40
Charge for the year	-	266.36	15.41	35.81	317.58
On deletions / adjustments during the year	-	(243.40)	-	-	(243.40)
Foreign exchange on translation	-	28.19	3.40	0.65	32.24
As at 31 March 2018	**6.72**	**1,772.18**	**40.21**	**73.71**	**1,892.82**
Intangible under development					17.27
Net block					
As at 31 March 2018	**-**	**562.47**	**9.68**	**34.90**	**624.32**
As at 31 March 2017	-	475.44	30.22	70.82	576.48

	Domain name	Software	Process know-how	Customer contracts	Total
Gross block					
As at 1 April 2016	6.72	1,828.96	51.62	-	1,887.30
Additions / adjustments during the year	-	334.13	-	-	334.13
Acquisitions through business combination		146.77	-	111.01	257.78
Deletions during the year	-	(45.62)	-	-	(45.62)
Foreign exchange on translation	-	(67.77)	-	(2.94)	(70.71)
As at 31 March 2017	**6.72**	**2,196.47**	**51.62**	**108.07**	**2,362.88**
Accumulated depreciation / amortization					
As at 1 April 2016	6.72	1,437.32	7.29	-	1,451.33
Charge for the year	-	191.65	14.35	37.25	243.25
Acquisitions through business combination	-	146.20	-	-	146.20
On deletions / adjustments during the year	-	(12.09)	(0.24)	-	(12.33)
Foreign exchange on translation	-	(42.05)	-	-	(42.05)
As at 31 March 2017	**6.72**	**1,721.03**	**21.40**	**37.25**	**1,786.40**
Net block					
As at 31 March 2017	**-**	**475.44**	**30.22**	**70.82**	**576.48**
As at 31 March 2016	-	391.64	44.33	-	435.97

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5. Investments

		31 March 2018	31 March 2017
(i)	**Non-current**		
	Unquoted		
	Investment in associate		
	-Equity accounting		
	1,000 (31 March 2017 : 1,000) fully paid equity shares of INR 10 each of Nanobi Data and Analytics Private Limited	**0.07**	0.08
	-At cost		
	739,506 (31 March 2017 : 638,044) fully paid compulsorily convertible cumulative preference shares of INR 10 each of Nanobi Data and Analytics Private Limited	**87.92**	79.92
	-At amortised cost		
	100,000 (31 March 2017 : Nil) fully paid Optionally Convertible Debentures of INR 100 each of Nanobi Data and Analytics Private Limited	**10.00**	-
	-At amortised cost		
	Philippines treasury bills*	**24.63**	25.84
		122.62	105.84
	* These securities have been earmarked in favor of SEC, Philippines in compliance with Corporation Code of Philippines.		
(ii)	**Investments - Current**		
	Investments carried at fair value through statement of profit and loss		
	Mutual and other funds (unquoted)	**220.00**	1,522.67
		220.00	1,522.67

6. Other financial assets

		31 March 2018	31 March 2017
	(Unsecured, considered good)		
(i)	**Other non-current financial assets**		
	Deposits	**305.13**	420.59
	Foreign currency forward contracts	**-**	305.89
	Lease rentals receivable	**27.20**	15.25
		332.33	741.73
(ii)	**Other current financial assets**		
	Unbilled receivables	**1,521.95**	1,520.70
	Bank Deposits	**0.70**	0.65
	Foreign currency forward contracts	**317.22**	762.86
	Loans and advances to employees	**7.47**	9.91
	Recoverable on sale of subsidiary	**49.05**	48.73
	Lease rentals receivable	**14.97**	11.80
		1,911.36	2,354.65
	Total other financial assets	**2,243.69**	3,096.38

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7. Other assets

	31 March 2018	31 March 2017
(Unsecured, considered good)		
(i) Other non-current assets		
Capital advances	-	0.44
Deferred contract cost	**1,295.13**	995.75
Unexpired rebate from customer	**632.95**	620.25
Prepaid expenses	**28.60**	116.37
	1,956.68	1,732.81
(ii) Other current assets		
Prepaid expenses	**392.23**	305.42
Deferred contract cost	**174.44**	121.09
Indirect tax recoverable	**151.52**	78.14
Other advances	**26.58**	8.43
	744.77	513.08

8. Trade receivables

	31 March 2018	31 March 2017
(Unsecured)		
Considered doubtful*	**163.54**	243.23
Less: Impairment allowances*	**163.54**	243.23
	-	-
Considered good	**3,784.79**	3,065.44
	3,784.79	3,065.44
	3,784.79	3,065.44

*

a) Trade receivables are non-interest bearing.

b) No trade or other receivables are due from directors or other officers of the Group either severally or jointly.

c) During the year ended 31 March 2018, trade receivables considered doubtful amounting to INR 143.84 Mn have been wriiten off, for which an impairment allowance was created in the prior years.

d) For receivable from related party receivables, refer note 23.

9. Cash and cash equivalents

	31 March 2018	31 March 2017
Cash on hand	**0.04**	0.04
Balances with banks		
-in current accounts	**1,309.37**	449.36
	1,309.41	449.40
Less: Current account balance held in trust for customers	**79.41**	62.09
	1,230.00	387.31

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10. Share capital

	31 March 2018	31 March 2017
Authorised		
872,000,000 (31 March 2017: 872,000,000) equity shares of INR 10 each	**8,720.00**	8,720.00
	8,720.00	8,720.00
Issued, subscribed and paid-up		
686,522,819 (31 March 2017: 681,308,337) equity shares of INR 10 each, fully paid-up	**6,865.23**	6,813.08
	6,865.23	6,813.08

a) Reconciliation of shares outstanding at the beginning and at the end of the reporting year

	31 March 2018		31 March 2017	
	Number of shares	Amount	Number of shares	Amount
At the commencement of the year	**681,308,337**	**6,813.08**	673,314,912	6,733.15
Shares allotted during the year - employee stock option scheme	**5,214,482**	**52.15**	7,993,425	79.93
At the end of the year	**686,522,819**	**6,865.23**	681,308,337	6,813.08

b) Particulars of shareholders holding more than 5% equity shares

	31 March 2018		31 March 2017	
	Number of shares	% of total shares	Number of shares	% of total shares
Spen Liq Private Limited	**373,976,673**	**54.47%**	373,976,673	54.89%

c) Shares held by holding company

	31 March 2018		31 March 2017	
	Number of shares	Amount	Number of shares	Amount
Spen Liq Private Limited	**373,976,673**	**3,739.77**	373,976,673	3,739.77

d) Employee stock options
During the year ended 31 March 2018, the Company granted 3,400,000 (31 March 2017: 3,550,000) options at an exercise price of INR 41.12 (31 March 2017: INR 40.85).

e) Shares reserved for issue under options
15,524,812 (31 March 2017: 19,270,187) number of shares are reserved for employees for issue under the employee stock options plan (ESOP) amounting to INR 155.25 (31 March 2017: INR 192.70).

f) Rights, preferences and restrictions attached to equity shares
The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shareholders are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder are in proportion to its share of the paid-up equity capital of the Company.

On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

g) Share application money received under ESOP scheme
The Company received INR 101.42 (31 March 2017: INR 157.78) as share application money under ESOP scheme during the year ended 31 March 2018 in respect of which 5,214,482 (31 March 2017: 7,993,425) shares were allotted during the year.

Notes to the Consolidated Financial Statements
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(Currency: In INR millions)

11. Borrowings

		31 March 2018	31 March 2017
(i)	**Non-current borrowings**		
	Secured		
	Term loan - from banks		
	External commercial borrowings (ECB) (refer note 'a')	-	588.08
	Term loan- (refer note 'b')	-	2,853.39
	Long term maturities of finance lease obligations	28.84	42.70
	(refer note 'c')		
	Unsecured		
	Loan from non-banking financing companies- (refer note 'd')	113.36	95.77
		142.20	3,579.94
(ii)	**Short-term and other borrowings**		
	Unsecured		
	Export finance from banks- (refer note 'e')	-	619.25
	Line of credit form banks- (refer note 'f')	3,490.19	1,902.46
		3,490.19	2,521.71
	Current maturities of long-term borrowings		
	Secured		
	Finance lease obligation- (refer note 'c')	52.36	50.40
	External commercial borrowing (ECB) (refer note 'a')	-	491.21
	Term loan- (refer note 'b')	2,926.88	2,920.58
	Unsecured		
	Loan from non-banking financing companies (refer note 'd')	111.52	82.94
		3,090.76	3,545.13
		6,580.95	6,066.84

a. External commercial borrowing is a dollar denominated borrowing carrying floating interest rate in the range of 3.20% to 3.75%. The loan was secured against pari passu charge on all current assets, non-current assets and fixed assets of Firstsource Solutions Limited. The loan has been repaid in full during the year.

b. The term loans are dollar denominated borrowing availed by Firstsource Group USA, Inc. ("FG US") a 100% subsidiary of the Company carrying floating interest rate in the range of 3.20%- 3.75%. The loans are repayable by March 2019 in quarterly installments. The loans are secured against pari passu charge on all current assets, non-current assets and fixed assets of all US subsidiaries (excluding ISGN-SOL and ISGN-FFS) and Firstsource Solutions UK Limited and guarantee given by Firstsource Solutions Limited.

c. Finance lease obligation carries interest in the range of 4%- 12.5% for the period of 3- 5 years from April 2013 to October 2019, repayable in quarterly installments. This is secured by way of hypothecation of underlying fixed assets taken on lease.

d. Loan from non-banking financing companies carries interest in the range of 6.62%- 12.26% for the period of 3- 4 years from April 2014 to October 2020, repayable in quarterly installments from the date of its origination.

e. Export finance from banks including post-shipment and pre-shipment, carries interest in the range of 1.30% to 2.50%. Same is repaid during the year.

f. Line of credit from bank carries floating interest rate in the range of 2.50% to 4.00%.

g. The Group has accounted INR 74.05 as effect of changes in foreign exchange rate on ECB and Term Loan.

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12. Other financial liabilities

	31 March 2018	31 March 2017
(i) Other non current financial liabilities		
Foreign currency forward contracts	**161.46**	-
	161.46	-
(ii) Other current financial liabilities		
Book credit in bank account	**194.31**	211.57
Interest accrued but not due on borrowings	**3.82**	22.83
Employee benefits payable	**1,256.94**	714.78
Creditors for capital goods	**4.27**	33.72
Other Liabilities	**9.39**	-
	1,468.73	982.90

13. Provisions for employee benefits

	31 March 2018	31 March 2017
(i) Non-current		
Gratuity	**51.73**	95.22
	51.73	95.22
(ii) Current		
Compensated absences	**294.71**	275.12
	294.71	275.12

14. Other liabilities

	31 March 2018	31 March 2017
Other current liabilities		
Value added tax	**360.64**	347.18
Tax deducted at source	**33.00**	34.46
Income received in advance	**-**	20.44
Advance from customer	**22.19**	100.43
	415.83	502.51

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(Currency: In INR millions)

15. Taxation

As at 31 March 2018

Taxation	Opening Balance	Recognised in Profit and loss	Recognised in Other Comprehensive Income	Exchange	Closing Balance
Deferred tax asset on account of:					
Depreciation and amortisation	**333.49**	**(2.15)**	**-**	**1.32**	**332.66**
Gratuity and compensated absences	**55.97**	**(25.82)**	**-**	**-**	**30.15**
Minimum alternate tax credit carried forward	**1,565.69**	**212.69**	**-**	**-**	**1,778.38**
Employee share based payment	**-**	**26.16**	**-**	**-**	**26.16**
Cash flow hedges	**(346.20)**	**-**	**354.34**	**-**	**8.14**
	1,608.95	**210.88**	**354.34**	**1.32**	**2,175.49**
Deferred tax liability on account of:					
Amortisation of goodwill	**2,860.02**	**(974.94)**	**-**	**3.63**	**1,888.71**
- Deferred tax assets					
Business losses carried forward	**(2,313.72)**	**812.93**	**-**	**(12.99)**	**(1,513.78)**
Depreciation and amortisation	**(27.46)**	**2.22**	**-**	**(0.11)**	**(25.35)**
Compensated absences	**(45.81)**	**3.35**	**-**	**(0.19)**	**(42.65)**
Accrued expenses / allowance for doubtful debts	**(54.66)**	**12.15**	**-**	**(0.13)**	**(42.64)**
	418.37	**(144.29)**	**-**	**(9.79)**	**264.29**

As at 31 March 2017

Taxation	Opening Balance	Recognised in Profit and loss	Recognised in Other Comprehensive Income	Exchange	Closing Balance
Deferred tax asset on account of:					
Depreciation and amortisation	395.08	(58.61)	-	(2.98)	333.49
Gratuity and compensated absences	50.24	5.73	-	-	55.97
Minimum alternate tax credit carried forward	1,361.30	204.39	-	-	1,565.69
Cash flow hedges	-	-	(346.20)	-	(346.20)
	1,806.62	151.51	(346.20)	(2.98)	1,608.95
Deferred tax liability on account of:					
Amortisation of goodwill	2,689.94	233.96	-	(63.88)	2,860.02
Business losses carried forward	(2,167.73)	(186.78)	-	40.79	(2,313.72)
Depreciation and amortisation	(29.94)	1.90	-	0.58	(27.46)
Compensated absences	(69.44)	22.92	-	0.71	(45.81)
Accrued expenses / allowance for doubtful debts	(53.42)	(2.45)	-	1.21	(54.66)
	369.41	69.55		(20.59)	**418.37**

	Year ended	
	31 March 2018	31 March 2017
Advance tax and tax deducted at source (net)	**679.24**	752.70
Provision for tax (net)	**(149.98)**	(299.73)
Income tax assets	**529.26**	452.97

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(Currency: In INR millions)

Income tax expense

Income tax expense in the Consolidated statement of profit and loss comprises:

	Year ended	
	31 March 2018	31 March 2017
Current taxes	456.79	454.36
Deferred taxes	(142.48)	122.43
Income tax expense	314.31	576.79

A reconciliation of the income tax provision to the amount computed by applying the statutory income tax rate to the income before income taxes is summarized below:

	Year ended	
	31 March 2018	31 March 2017
Profit before income taxes	3,580.09	3,369.17
Enacted tax rates in India	34.61%	34.61%
Computed expected tax expense	1,239.00	1,166.00
Tax effect due to non-taxable income for Indian tax purposes	(386.53)	(382.73)
Expenses not deductible for tax purposes	20.75	19.49
Effect of change in tax rates	(240.77)	-
Effect of differential overseas tax rate	(181.56)	(126.44)
ESOP cost allowed for tax purpose	(33.41)	(55.40)
Previous years tax adjustments	(85.32)	(9.28)
Others	(17.85)	(34.85)
Income tax expense	314.31	576.79

16. Revenue from operations

	Year ended	
	31 March 2018	31 March 2017
Sale of services	34,314.97	34,569.11
Other operating income	1,037.50	986.99
	35,352.47	35,556.10

17. Other income

	Year ended	
	31 March 2018	31 March 2017
Profit on sale / redemption of current investments, net	50.96	38.98
Foreign exchange gain/(loss), net	(22.72)	(42.49)
Interest income	14.64	16.24
Gain on sale of fixed assets, net	3.40	10.44
Gain on sale of domestic contracts*	7.67	-
Miscellaneous income	0.36	8.88
	54.31	32.05

*During the year ended 31 March 2018, the Company sold certain India domestic contracts as per the definitive agreement signed dated 7 July 2017 for a consideration of INR 150 million.

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18. Employee benefits expense

	Year ended	
	31 March 2018	31 March 2017
Salaries and wages	**21,969.76**	21,864.72
Contribution to provident and other funds	**990.61**	903.26
Staff welfare expenses	**947.75**	1,026.98
Employee stock compensation expense	**46.63**	39.41
	23,954.75	23,834.37

19. Finance costs

	Year ended	
	31 March 2018	31 March 2017
Interest expense		
- on external commercial borrowings and term loan	**271.99**	392.46
- on working capital demand loan and others	**131.48**	59.07
Finance charges on leased assets	**0.56**	1.63
	404.03	453.16

20. Other expenses

	Year ended	
	31 March 2018	31 March 2017
Rent, net	**1,308.55**	1,431.63
Information and communication expenses	**939.78**	898.85
Repairs, maintenance and upkeep	**660.74**	706.15
Legal and professional fees	**659.23**	669.64
Car and other hire charges	**569.85**	699.40
Travel and conveyance	**428.05**	462.99
Computer expenses	**359.11**	371.94
Electricity, water and power consumption	**317.15**	361.98
Connectivity charges	**289.49**	311.23
Recruitment and training expenses	**221.86**	298.79
Title and valuation expenses for the mortgage business	**187.58**	220.70
Insurance	**174.65**	205.91
Rates and taxes	**160.16**	148.16
Marketing and support fees	**142.03**	128.05
Bank administration charges	**97.27**	85.18
Miscellaneous expenses	**77.91**	86.19
Printing and stationery	**70.50**	89.52
Provision for doubtful debts/ bad debts (written-back) / written-off, net	**64.15**	4.46
Contribution to CSR	**34.52**	30.03
Services rendered by business associates and others	**18.17**	97.70
Auditors remuneration and expenses		
-as audit fees	**14.50**	18.00
-as reimbursement of expenses	**0.71**	1.37
Membership fees and registration fees	**6.95**	8.36
Directors' sitting fees	**5.75**	5.60
	6,808.66	7,341.83

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21. Financial instruments

I. Financial instruments by category:

The carrying value and fair value of financial instruments by categories as of 31 March 2018 were as follows:

	Amortized cost	FVTPL	FVOCI	Total carrying amount	Total fair value
Financial assets					
Investments	**34.63**	**220.00**	**-**	**254.63**	**254.63**
Trade receivables	**3,784.79**	**-**	**-**	**3,784.79**	**3,784.79**
Cash and cash equivalents	**1,230.00**	**-**	**-**	**1,230.00**	**1,230.00**
Other financial assets	**1,926.47**	**-**	**317.22**	**2,243.69**	**2,243.69**
Total	**6,975.89**	**220.00**	**317.22**	**7,513.11**	**7,513.11**
Financial liabilities					
Borrowings	**6,723.15**	**-**	**-**	**6,723.15**	**6,723.15**
Other financial liability	**1,468.73**	**-**	**161.46**	**1,630.19**	**1,630.19**
Trade and other payables	**915.69**	**-**	**-**	**915.69**	**915.69**
Total	**9,107.57**	**-**	**161.46**	**9,269.03**	**9,269.03**

The carrying value and fair value of financial instruments by categories as of 31 March 2017 were as follows:

	Amortized cost	FVTPL	FVOCI	Total carrying amount	Total fair value
Financial assets					
Investments	25.84	1,522.67	-	1,548.51	1,548.51
Trade receivables	3,065.44	-	-	3,065.44	3,065.44
Cash and cash equivalents	387.31	-	-	387.31	387.31
Other financial assets	2,027.63	-	1,068.75	3,096.38	3,096.38
Total	5,506.22	1,522.67	1,068.75	8,097.64	8,097.64
Financial liabilities					
Borrowings	9,646.78	-	-	9,646.78	9,646.78
Other financial liability	982.90	-	-	982.90	982.90
Trade and other payables	993.77	-	-	993.77	993.77
Total	11,623.45	-	-	11,623.45	11,623.45

II. Fair value hierarchy:

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as 31 March 2018:

	31 March 2018	Fair value measurement at end of the reporting period using		
		Level 1	Level 2	Level 2
Investments				
Investment in liquid mutual fund units	**220.00**	**220.00**	**-**	**-**
Total	**220.00**	**220.00**		
Derivative financial instruments- foreign currency forward contract	**155.76**	**-**	**155.76**	**-**

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as 31 March 2017:

	31 March 2017	Fair value measurement at end of the reporting year using		
		Level 1	Level 2	Level 2
Investments				
Investment in liquid mutual fund units	1,522.67	1,522.67	-	-
Total	1,522.67	1,522.67		
Derivative financial instruments- foreign currency forward contract	1,068.75	-	1,068.75	-

The fair value of other financial assest and liabilties approximate the carrying value.

The fair value of Mutual and other funds is based on quoted price. Derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in the marketplace. The fair value of equity instruments and preference instruments is based on inputs that are not based on observable market data.

III. Financial risk management:

Financial risk factors:

The Group's activities are exposed to a variety of financial risks: market risk, credit risk, and liquidity risk. The Group's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The primary market risk to the Group is foreign exchange risk. The Group uses derivative financial instruments to mitigate foreign exchange related risk exposures. The Group's exposure to credit risk is influenced mainly by the individual characteristic of each customer and the concentration of risk from the top few customers.

a) Market risk

The Group operates internationally and a major portion of the business is transacted in several currencies and consequently the Group is exposed to foreign exchange risk through its services from India for contracts in the overseas geographies, primarily in the United States of America and United Kingdom, and purchases from overseas suppliers in foreign currencies. The Group holds derivative financial instruments such as foreign exchange forward and option contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The exchange rate between the Indian rupee and foreign currencies has changed substantially in recent years and may fluctuate substantially in the future. Consequently, the results of operations may be affected as the Rupee fluctuates against these currencies.

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The following table analyzes foreign currency risk as of 31 March 2018:

	USD	GBP	PHP	Others*	Total
Total financial assets	**54.71**	**181.96**	**57.45**	**0.31**	**294.43**
Total financial liabilities	**-**	**-**	**30.11**	**-**	**30.11**
* Others includes LKR, Euro, etc.					

The following table analyzes foreign currency risk as of 31 March 2017:

	USD	GBP	PHP	Others*	Total
Total financial assets	1,705.12	150.32	4.15	5.20	1,864.79
Total financial liabilities	48.73	-	29.21	-	77.94
* Others includes LKR, Euro etc.					

5% appreciation/ depreciation of the respective foreign currencies with respect to functional currency Firstsource Solutions Limited and its subsidiaries would result in increase/decrease in the Group's profit before tax approximately INR 90.01 for the year ended 31 March 2018 (31 March 2017: INR 247.45).

Derivative financial instruments

The group holds derivative financial instruments such as foreign currency forward contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counter party for these contracts is generally a bank. These derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in the marketplace.

The following table gives details in respect of outstanding foreign currency forward contracts:

	31 March 2018		31 March 2017	
	In millions	**In INR millions**	In millions	In INR millions
Forward contracts				
in USD	**111.22**	**7,211.19**	65.42	4,355.84
in GBP	**108.12**	**10,993.13**	53.90	4,594.10
in EURO	**3.71**	**299.73**		
Total		**18,504.05**		8,949.94

The foreign exchange forward contracts mature within sixty months.

The table below analyzes the derivative financial instruments into relevant maturity grouping based on the remaining period as of the balance sheet date:

	31 March 2018	31 March 2017
Forward contracts in USD		
Not later than one month	**1,674.81**	1,686.39
Later than one month and not later than three months	**265.37**	379.85
Later than three months	**5,271.01**	2,289.60
Total	**7,211.19**	4,355.84

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	31 March 2018	31 March 2017
Forward contracts in GBP		
Not later than one month	**765.97**	901.44
Later than one month and not later than three months	**685.49**	393.25
Later than three months	**9,541.67**	3,299.41
Total	**10,993.13**	4,594.10
Forward contracts in EURO		
Not later than one month	**-**	-
Later than one month and not later than three months	**145.13**	-
Later than three months	**154.60**	-
	299.73	-

The movement in Hedging Reserve, for derivatives designated as cash flow hedges is as follows:

	31 March 2018	31 March 2017
Balance at the beginning of the year	**649.94**	443.79
Changes in the fair value of effective portion of cash flow hedges	**(982.67)**	343.76
Deferred tax movement	**354.34**	(346.20)
(Gains)/Losses transferred to statement of profit and loss on occurrence of forecasted hedge transaction	**(82.39)**	208.59
Balance at the end of the year	**(60.78)**	649.94

The following table summarises approximate gains/(loss) on the Company's other comprehensive income on account of appreciation/ depreciation of underlying foreign currencies:

	31 March 2018	31 March 2017
5% appreciation of the underlying foreign currencies	**(627.44)**	(482.09)
5% Depreciation of the underlying foreign currencies	**691.79**	379.07

b) Credit risk

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to INR 3,784.79 and INR 3,065.44 as of 31 March 2018 and 31 March 2017 respectively and unbilled revenue amounting to INR 1,521.95 and INR 1,520.70 as of 31 March 2018 and 31 March 2017 respectively. Trade receivables and unbilled revenue are typically unsecured and are derived from revenue earned from customers primarily located in the United States, United Kingdom, Philippines and other locations. Credit risk has always been managed by the Group by continuously monitoring the credit worthiness of customers to which the Group grants credit terms in the normal course of business.

The following table gives details in respect of percentage of revenues generated from top five customers:

	Year ended	
	31 March 2018	31 March 2017
Revenue from top five customers	46.30%	43.01%

c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to manage liquidity is to ensure, as far as possible, that

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it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Group's reputation.

The table below provides details regarding the contractual maturities of significant financial liabilities as of 31 March 2018, 31 March 2017:

	31 March 2018		31 March 2017	
	Less than 1 Year	More than 1 year	Less than 1 Year	More than 1 year
Trade payables	915.69	-	993.77	-
Export finance, Line of credit, and working capital demand loan	3,490.19	-	2,521.71	-
Other borrowings	3,090.76	142.20	3,545.13	3,579.94
Other financial liabilities	1,468.73	161.46	982.90	-

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22. Leases

Operating lease

The Group 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 lessor and lessee. Expenses under non-cancellable operating leases for the year ended 31 March 2018 aggregated to INR 529.67 (31 March 2017: INR 549.40).

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

	As at 31 March 2018	As at 31 March 2017
Not later than one year	**574.75**	671.31
Later than one year and not later than five years	**825.82**	1,105.56
Later than five years	**19.63**	76.08
	1,420.20	1,852.95

The Group 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. Expenses under cancellable operating leases for the year ended 31 March 2018 is INR 366.90 (31 March 2017: INR 576.62).

Finance lease

The Group has acquired certain capital assets under finance lease. Future minimum lease payments under finance lease as at 31 March 2018 are as follows:

	Minimum lease payments	Finance charges	Present value of minimum payments
As at 31 March 2018			
Amount payable within one year from the balance sheet date	**55.14**	**2.78**	**52.36**
Amount payable in the period between one year and five years	**30.48**	**1.64**	**28.84**
	85.62	**4.42**	**81.20**
As at 31 March 2017			
Amount payable within one year from the balance sheet date	54.81	4.41	50.40
Amount payable in the period between one year and five years	45.28	2.58	42.70
	100.09	6.99	93.10

The Company has given vehicles on finance lease to its employees as per policy. As at 31 March 2018, the future minimum lease rentals receivable are as follows:

	Minimum lease payments	Finance charges	Present value of minimum lease payments
As at 31 March 2018			
Amount receivable within one year from the balance sheet date	**18.05**	**3.08**	**14.97**
Amount receivable in the period between one year and five years	**29.76**	**2.56**	**27.20**
	47.81	**5.64**	**42.17**
As at 31 March 2017			
Amount receivable within one year from the balance sheet date	14.23	2.43	11.80
Amount receivable in the period between one year and five years	17.17	1.92	15.25
	31.40	4.35	27.05

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(Currency: In INR millions)

23. Related party transactions

Details of related parties including summary of transactions entered into during the year ended 31 March 2018 are summarized below:

Ultimate Holding Company	CESC Limited
Holding Company	Spen Liq Private Limited (Spen Liq)
Fellow Subsidiary Companies	Spencer Retail Limited (Spencer)
	Omnipresent Retail India Private Limited (Omnipresent)
	New Rising Promoters Private Limited
Subsidiaries wherein control exists	The related parties where control exists are subsidiaries as referred to in Note 1 to the consolidated financial statements.
Associate	Nanobi Data and Analytics Private Limited (Nanobi)
Key Managerial Personnel	Rajesh Subramaniam
	Dinesh Jain
Non- executive Directors	Sanjiv Goenka
	Charles Miller Smith
	Y.H. Malegam
	Pradip Roy
	Subrata Talukdar
	Shashwat Goenka
	Donald W. Layden, Jr.
	V. K. Sharma
	Pradip Kumar Khaitan
	Grace Koshie

Particulars of related party transactions:

Name of the related party	Description	Transaction value during the year ended		Receivable / (Payable) as at	
		31 March 2018	31 March 2017	**31 March 2018**	31 March 2017
Nanobi	Investments	**18.00**	25.00	**-**	-
Nanobi	Receipt of services	**0.19**	5.83	**-**	-
CESC Limited	Income from Services	**12.59**	21.00	**-**	1.60
Spencer	Income from services	**2.62**	7.73	**-**	2.02
	Receipt of services	**-**	1.91	**-**	(0.50)
New Rising Promoters Private Limited	Recovery of expenses	**1.56**	1.05	**-**	-
Non executive directors	Sitting fees	**5.75**	5.60	**-**	-
Key Management Personnel and relatives	Remuneration*	**92.02**	62.38	**-**	-

*Excludes ESOP, gratuity and compensated absences.

Description	Year ended	
	31 March 2018	31 March 2017
Rajesh Subramaniam	**71.29**	45.99
Dinesh Jain	**20.73**	16.39

Notes to the Consolidated Financial Statements

for the year ended 31 March 2018

(Currency: In INR millions)

24. Segment reporting

Operating segments are defined as components of an enterprise for which discrete financial information is available that is evaluated regularly by the chief operating decision maker, in deciding how to allocate resources and in assessing performance. The Group's chief operating decision maker is the Managing Director and Chief Executive Officer.

The Group has identified business segments as reportable segments. The business segments comprise: 1) Customer management, 2) Healthcare and 3) Collections. Revenue and expenses directly attributable to segments are reported under each reportable segment. Expenses which are not directly identifiable to each reporting segment have been allocated on the basis of associated revenue of the segment and manpower efforts. All other expenses which are not attributable or allocable to segments have been disclosed as unallocable expenses. The Group has reclassified reportable segment 'Domestic business in India' to 'Customer Management' during the year ended 31 March 2018.

Assets and liabilities that are directly attributable or allocable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed as unallocable. Property, plant and equipment that are used interchangeably among segments are not allocated to reportable segments.

	Year ended	
	31 March 2018	31 March 2017
Business segment		
Segment revenue		
Customer management	**18,868.24**	19,286.23
Healthcare	**11,853.21**	11,425.12
Collections	**3,593.52**	3,857.76
Less: Inter Segment Revenue	**-**	-
Net segment revenue	**34,314.97**	34,569.11
Segment results before tax and finance costs		
Customer management	**2,840.82**	3,321.89
Healthcare	**1,988.95**	1,676.45
Collections	**378.55**	495.69
Total	**5,208.32**	5,494.03
Finance costs	**(404.03)**	(453.16)
Other un-allocable expenditure, net of un-allocable income	**(1,224.19)**	(1,671.69)
Share in net loss of associate	**(0.01)**	(0.01)
Profit before taxation, minority interest and other comprehensive income	**3,580.09**	3,369.17
Taxation	**314.31**	576.79
Minority interest	**0.59**	(7.58)
Profit attributable to owners of the Company	**3,265.19**	2,799.96

Notes to the Consolidated Financial Statements
for the year ended 31 March 2018

(Currency: In INR millions)

	As at	
	31 March 2018	31 March 2017
Segment assets		
Customer management	**8,291.18**	5,371.90
Healthcare	**17,908.40**	17,253.82
Collections	**3,095.54**	3,850.46
Unallocated	**4,680.58**	7,029.99
	33,975.70	33,506.18
Segment liabilities		
Customer management	**5,606.61**	3,361.26
Healthcare	**3,682.80**	6,380.68
Collections	**263.63**	217.33
Unallocated	**892.53**	3,255.13
	10,445.57	13,214.40

Goodwill acquired in a business combination is allocated to the respective business segments. The chief operating decision maker reviews the goodwill for any impairment at the operating segment level, which is represented through business segments.

Entity wide disclosure

Geographical information: Revenues based on domicile of the customer are as follows:

	Year ended	
	31 March 2018	31 March 2017
Segment revenue		
UK	**14,969.47**	12,843.18
US	**18,420.31**	19,417.97
Asia	**925.19**	2,019.54
Others	**-**	288.41
Less: Inter Segment Revenue	**-**	-
	34,314.97	34,569.11

Geographical information: Other non-current assets

	As at	
	31 March 2018	31 March 2017
Other non-current assets		
UK	**1,840.41**	1,599.95
US	**12.57**	19.81
Asia	**103.70**	113.05
	1,956.68	1,732.81

Notes to the Consolidated Financial Statements

for the year ended 31 March 2018

(Currency: In INR millions)

25. Employee stock option plan

Employee stock option scheme 2003 ('Scheme 2003')

The Employee Stock Option Scheme 2003 ('the Scheme') approved by the Board of Directors and the members of the Company and administered by the Nomination and Remuneration Committee ('the Committee') is effective 11 October 2003. The key terms and conditions included in the scheme are in line with Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (as amended by SEBI (shared based employee benefits) Regulations, 2014).

As per the Scheme, the Committee issued stock options to the identified employees at an exercise price equal to the fair value on the date of grant and there stock options would vest in tranches over a period of four years as stated below and shall be exercised within a perion of ten years from the date of the grant of the options.

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

Employee stock option activity under Scheme 2003 is as follows:

		31 March 2018		31 March 2017	
Description	Exercise Range	Shares arising out of options	Weighted Average period in months	Shares arising out of options	Weighted Average period in months
Outstanding at the beginning of the year	00.00- 30.00	**10,652,500**	**66.81**	18,049,075	77.34
	30.01- 60.00	**7,977,687**	**69.71**	7,646,842	61.89
	60.01- 90.00	**640,000**	**5.43**	800,000	14.91
		19,270,187		26,495,917	
Granted during the year	00.00- 30.00	**-**		-	
	30.01- 60.00	**3,400,000**		3,550,000	
	60.01- 90.00	**-**		-	
		3,400,000		3,550,000	
Forfeited during the year	00.00- 30.00	**191,490**		795,510	
	30.01- 60.00	**729,403**		816,988	
	60.01- 90.00	**-**		60,000	
		920,893		1,672,498	
Exercised during the year*	00.00- 30.00	**4,687,375**		6,601,065	
	30.01- 60.00	**527,107**		1,392,360	
	60.01- 90.00	**-**		-	
		5,214,482		7,993,425	
Expired during the year	00.00- 30.00	**-**		-	
	30.01- 60.00	**370,000**		1,009,807	
	60.01- 90.00	**640,000**		100,000	
		1,010,000		1,109,807	
Outstanding at the end of the year	00.00- 30.00	**5,773,635**	**57.79**	10,652,500	66.81
	30.01- 60.00	**9,751,177**	**88.18**	7,977,687	69.71
	60.01- 90.00	**-**	**-**	640,000	5.43

Notes to the Consolidated Financial Statements

for the year ended 31 March 2018

(Currency: In INR millions)

		15,524,812		19,270,187	
Exercisable at the end of the year	00.00- 30.00	**5,422,385**	**56.73**	8,652,500	63.00
	30.01- 60.00	**3,594,591**	**60.23**	2,555,194	47.71
	60.01- 90.00	**-**	**-**	640,000	6.73
		9,016,976		11,847,694	

* The weighted average share price of these options was INR 19.45 and INR 19.74 for the year ended 31 March 2018 and 31 March 2017 respectively

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

	31 March 2018	31 March 2017
Dividend yield	**0%**	0%
Expected Life	**5.5-7 years**	5.5-7 years
Risk free interest rate	**6.50% to 9.06%**	6.50% to 9.06%
Volatility	**0% to 75%**	0% to 75%
Model Used	**Black & Scholes**	Black & Scholes

The expense arises from equity settled share based payment transaction amounting to INR 46.63 and INR 39.41 for the year ended 31 March 2018 and 31 March 2017 respectively.

26A. Employee benefits

The Group has a defined benefit gratuity plan in India (funded). The Group's defined benefit gratuity plan is a final salary plan for India employees, which requires contributions to be made to a separately administered fund.

The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the Act, Indian employee who has completed five years of service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and salary at retirement age. The fund has the form of a trust and it is governed by the Board of Trustees, which consists of an equal number of employer and employee representatives. The Board of Trustees is responsible for the administration of the plan assets and for the definition of the investment strategy.

Each year, the Board of Trustees reviews the level of funding in the India gratuity plan. Such a review includes the asset-liability matching strategy and investment risk management policy. This includes employing the use of annuities and longevity swaps to manage the risks. The Board of Trustees decides its contribution based on the results of this annual review. Generally, investments are in debt mutual funds. Annual contributions at a level such that no plan deficits (based on valuation performed) will arise.

Notes to the Consolidated Financial Statements
for the year ended 31 March 2018

(Currency: In INR millions)

Gratuity plan

The following table sets out the status of the gratuity plan:

Reconciliation of opening and closing balances of the present value of the defined benefit obligation and fair value of planned assets:

Particulars	31 March 2018	31 March 2017
Change in present value of obligations		
Obligations at beginning of the year	116.70	113.20
Service cost	22.63	20.56
Interest cost	6.85	6.94
Actuarial (gain)/loss	(20.05)	0.33
Benefits paid	(28.31)	(24.33)
Obligations at the end of the year	97.82	116.70
Change in plan assets		
Fair value of plan assets at beginning of the year	21.48	22.43
Adjustments to opening fair value of plan assets	(2.74)	0.44
Return on plan assets excluding interest income	(0.42)	(0.26)
Interest income	1.64	1.61
Contributions	54.43	21.60
Benefits paid	(28.30)	(24.34)
Fair value of plan assets at end of the year,	46.09	21.48
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	97.82	116.70
Fair value of plan assets at the end of year	(46.09)	(21.48)
Funded status being amount of liability recognised in the balance sheet	51.73	95.22
Gratuity cost for the year		
Service cost	22.63	20.56
Interest cost	5.21	5.32
Expected return on plan assets	-	0.26
Actuarial (gain)/loss	-	0.33
Net gratuity cost	27.84	26.47
Remeasurements of the net defined benefit liability/ (asset)		
Actuarial (gains) / losses	(20.05)	0.33
(Return)/loss on plan assets excluding amounts included in the net interest on the net defined benefit liability/ (asset)	0.42	0.26
Total actuarial (gain)/loss recognized in (OCI)	(19.63)	0.59
Category of Assets	Total Amount	Target Allocation %
Gartuity Fund (LIC of India, ICICI Prudential Insurance Company and Birla Sunlife Insurance Co. Ltd	31.67	100%
Total Itemized Assets	31.67	100%
Assumptions		
Mortality	IALM (2006-08) Ult.	IALM (2006-08) Ult.
Interest rate	7.60%	6.68%
Rate of growth in salary levels	5.00%	5.00%
Employee Attrition Rate	25% reducing to to 2% for over 20 years of service	25% reducing to to 2% for over 20 years of service

Notes to the Consolidated Financial Statements
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(Currency: In INR millions)

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. The Company continues to fund to the trust in next year by reimbursing the actual payouts. Gratuity cost, as disclosed above, is included under 'Employee benefit expense'.

a) Contribution to Provident fund

The provident fund charge during the year amounts to INR 138.99 (31 March 2017: INR 173.32).

b) Compensated absences

Actuarial assumptions	31 March 2018	31 March 2017
Interest rate	7.60%	6.68%
Rate of growth in salary levels	5.00%	5.00%

26B. Statement pursuant to requirement of Schedule III to the Companies Act, 2013 relating Company's interest in subsidiary companies

Sr no	Name of the entity	Net Assets, i.e., total assets minus total liabilities		Share in profit or loss		Share in other comprehensive income		Share in total comprehensive income	
		As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated profit or loss	Amount	As % of consolidated profit or loss	Amount
	Firstsource Solutions Limited	90.76%	21,345.51	58.78%	1,919.16	407.40%	(715.70)	38.95%	1,203.46
	Subsidiaries - Indian								
1	Fisrtsource Process Management Services Limited	0.13%	31.46	0.01%	0.44	0.00%	-	0.01%	0.44
	Subsidiaries - Foreign								
1	Firstsource Group USA, Inc.	50.07%	11,774.61	-8.16%	(266.31)	-32.52%	57.13	-6.77%	(209.18)
2	Firstsource Solutions UK Limited	16.84%	3,961.49	16.41%	535.84	-258.47%	454.05	32.04%	989.89
3	Firstsource Solutions S.A.	-	-	-	-	-	-	-	-
4	Firstsource Advantage LLC	4.98%	1,171.03	1.35%	43.97	-0.93%	1.63	1.48%	45.60
5	Firstsource Business Process Services, LLC	6.14%	1,444.65	0.01%	0.28	-4.10%	7.21	0.24%	7.49
7	MedAssist Holding LLC	84.38%	19,844.07	30.88%	1,008.26	17.65%	(31.01)	31.63%	977.25
8	Firstsource Solutions USA LLC	-	-	-	-	-	-	-	-
9	Firstsource Transaction Services LLC	7.17%	1,686.88	4.24%	138.44	-5.26%	9.24	4.78%	147.68
10	Firstsource Dialog Solutions (Private) Limited	0.20%	46.59	0.07%	2.27	0.49%	(0.85)	0.05%	1.42
11	Firstsource BPO Ireland Limited	1.29%	304.08	0.22%	7.26	-24.33%	42.74	1.62%	50.00
12	One Advantage LLC	1.94%	455.80	4.01%	131.07	-1.73%	3.04	4.34%	134.12
13	ISGN Fulfillment Services, Inc	-1.16%	(273.14)	-8.83%	(288.28)	1.75%	(3.08)	-9.43%	(291.36)
14	ISGN Solutions, Inc.	13.89%	3,267.27	1.20%	39.14	-0.06%	0.11	1.27%	39.25
15	ISGN Fulfillment Agency, LLC	-	-	-	-	-	-	-	-
	Minority Interests in all subsidiaries	-0.05%	(12.53)	-0.02%	(0.59)	0.11%	(0.19)	-0.03%	(0.78)
	Adjustments	-176.59%	-41,530.17	-0.18%	(5.77)	-	-	-0.19%	(5.77)
	Total	**100%**	**23,517.60**	**100%**	**3,265.19**	**100%**	**-175.67**	**100.00%**	**3,089.52**

Notes to the Consolidated Financial Statements

for the year ended 31 March 2018

(Currency: In INR millions)

27. Other operating income

Other operating income includes gain of INR 996.76 for the year ended 31 March 2018 (31 March 2017: INR 943.84) on restatement and settlement of debtor balances and related gain / loss on forward / option contracts as these transactions relate to the operations of the Company and income of INR 21.60 for the year ended 31 March 2018 (31 March 2017: INR 43.15) on account of grant income earned by FSL UK.

28. Computation for calculating diluted earning per share

	Year ended	
	31 March 2018	31 March 2017
Number of shares considered as basic weighted average shares outstanding	**683,343,271**	676,262,213
Add: Effect of potential issue of shares/ stock options *	**6,271,705**	9,400,038
Number of shares considered as weighted average shares and potential shares outstanding	**689,614,976**	685,662,251
Net profit after tax attributable to shareholders	**3,265.19**	2,799.96
Net profit after tax for diluted earnings per share	**3,265.19**	2,799.96
* not considered when anti-dilutive		

29. Capital and other commitments and contingent liabilities

	As at	
	31 March 2018	31 March 2017
a) The estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	**290.94**	264.13
b) Claims not acknowledged as debts	**1.35**	1.35
c) Guarantees given to the Government of India, Customs and Central excise department in relation to future duty obligation.	**12.75**	18.00
d) The Company has a purchase commitment towards Nanobi Data and Analytics Private Limited for the Optionally Convertible Debentures of INR 100 per unit of 120,000 units.	**12.00**	-

Direct tax matters

Income tax demands amounting to INR 920.66 (31 March 2017: INR 1,197.93) for the various assessment years are disputed in appeal by the Company in respect of which it has favorable decisions supporting its stand based on the past assessment or otherwise and hence, the provision for taxation is considered adequate. The Company has paid INR 10.38 (31 March 2017: INR 10.38) tax under protest against the demand raised for the assessment year 2004-05, INR 12.50 (31 March 2017: INR 12.50) tax under protest against the demand raised for the assessment year 2009-10, INR 80.00 (31 March 2017: INR 80.00) tax under protest against the demand raised for the assessment year 2011-12.

Indirect tax matters

Service tax demands amounting to INR 172.12 (31 March 2017: INR 172.11) in respect of service tax input credit and FCCB issue expenses is disputed in appeal by the Company. The Company expects favourable appellate decision in this regard.

The Company's pending litigations comprise of claims against the Company and pertaining to proceedings pending with Income tax and service tax. The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable, in the financial statements. The Company does not expect the outcome of these proceedings to have a materially adverse effect on its financial statements.

Guarantees given pertain to guarantees given to the Government of India, Customs and Central Excise department towards future duty obligations.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2018

(Currency: In INR millions)

30. Long-term contracts

The Group has a process whereby yearly all long-term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Group has reviewed and ensured that adequate provision as required under any law/ Accounting Standards for material foreseeable losses on such long term contracts (including derivative contracts) has been made in the books of account.

31. Corporate social responsibility (CSR)

As per Section 135 of the Companies Act, 2013, a CSR trust has been formed by CESC Limited, Ultimate Holding Company. The areas identified by the CSR trust includes activities for promoting healthcare, art/ culture, sports and education as the four priority areas to be pursued in phases and in a manner aligned with the CSR rules and regulations. Significant value of the funds have been contributed by the Company to the trust and are to be utilized on the activities which are specified in Schedule VII to the Act.

a) Gross amount required to be spent by the Company during the year is INR 34.52 (31 March 2017: INR 30.03)

b) Amount spent by Firstsource during the year on:

Particulars	Amount paid	Amount yet to be paid*	Total
Construction/ acquisition of any asset	-	-	-
On purposes other than (i) above	34.10	0.42	34.52

* INR 0.42 is paid on 4 May 2018

32. Subsequent events

Dividends

The Board of Directors at its meeting held on 7 May 2018 have recommended a maiden dividend of INR 1.50 per equity share for the Financial Year ended 31 March 2018, subject to approval of shareholders at the Annual General Meeting.

As per our report of even date attached.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
Firm's Registration No. 117366W/W-100018

Sanjiv V. Pilgaonkar
Partner
Membership No: 39826

Kolkata
7 May 2018

For and on behalf of the Board of Directors of Firstsource Solutions Limited

	Sanjiv Goenka Chairman	Rajesh Subramaniam Managing Director & CEO
Shashwat Goenka Director	Y. H. Malegam Director	Charles Miller Smith Director
V.K. Sharma Director	Donald W. Layden Jr. Director	Subrata Talukdar Director
Pradip Kumar Khaitan Director	Pradip Roy Director	Grace Koshie Director
Kolkata 7 May 2018	Pooja Nambiar Company Secretary	Dinesh Jain President & CFO

Form AOC-I

(Pursuant to first proviso to sub-section (3) of section 129 read with Rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statements of subsidiaries/ associate companies/ joint ventures

Part "A": Subsidiaries

(Currency: In INR millions)

Sr. No	Particulars	Firstsource Process Management Services Limited	Firstsource Group USA, Inc.	Firstsource Business Process Services, LLC	Firstsource Advantage LLC	One Advantage LLC	Firstsource Solutions UK Limited	MedAssist Holding, LLC.	Firstsource Solutions USA LLC	Firstsource Transaction Services, LLC	Firstsource BPO Ireland Ltd	Firstsource-Dialog Solutions (Private) Limited	Firstsource Solution S.A	ISGN Fulfillment Services, Inc	ISGN Solutions, Inc.
1	Reporting period for the subsidiary concerned, if different from the holding Company's reporting period	01-04-2017 to 31-03-2018	01-04-2017 to 31-03-2018	01-04-2017 to 31-03-2018	01-04-2017 to 31-03-2018	01-04-2017 to 31-03-2018	01-04-2017 to 31-03-2018	01-04-2017 to 31-03-2018	01-04-2017 to 31-03-2018	01-04-2017 to 31-03-2018	01-04-2017 to 31-03-2018	01-04-2017 to 31-03-2018	01-04-2017 to 31-03-2018	01-04-2017 to 31-03-2018	01-04-2017 to 31-03-2018
2	Reporting currency	INR	USD	USD	USD	USD	GBP	USD	USD	USD	EUR	LKR	-	USD	USD
3	Exchange rate	1	65.1750	65.1750	65.1750	65.1750	92.2775	65.1750	65.1750	65.1750	80.8075	0.4172	-	65.1750	65.1750
4	Paid-up Share Capital	10.50	14.24	-	0.65	-	261.58	-	-	-	-	44.52	-	26.12	4.77
5	Reserves & Surplus	20.96	11,759.60	1,444.65	1,170.43	455.80	3,709.27	19,844.07	-	1,686.95	304.08	2.07	-	(299.09)	3,227.60
6	Total Assets	32.58	25,944.05	2,592.55	1,544.17	504.19	8,424.36	21,030.78	-	1,994.95	307.58	46.79	-	364.32	3,288.40
7	Total Liabilities (excluding Capital and Reserves)	1.12	14,170.21	1,147.91	373.09	48.39	4,453.51	1,186.71	-	308.00	3.50	0.20	-	637.29	56.02
8	Investments (excluding Investments in Subsidiaries)	30.00	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Total Income	1.82	863.20	-	2,773.07	859.93	14,742.84	6,063.55	-	5,918.87	12.82	1.24	-	1,617.93	560.96
10	Profit / (Loss) Before Tax	0.99	(369.64)	0.29	46.47	132.51	732.46	1,028.14	-	141.08	10.73	2.26	-	(288.75)	75.77
11	Provision for Tax	0.54	(100.40)	-	-	-	147.55	-	-	-	2.95	-	-	-	-
12	Profit / (Loss) After Tax	0.44	(269.24)	0.29	46.47	132.51	584.91	1,028.14	-	141.08	7.78	2.26	-	(288.75)	75.77
13	Proposed Dividend (including Tax thereon)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	% of Shareholding	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	74%	99.98%	100%	100%

Note: Figures mentioned in MedAssist Holding, LLC are consolidated figures of MedAssist Holding, LLC and Firstsource Solutions USA LLC.

Form AOC-I

(Pursuant to first proviso to sub-section (3) of section 129 read with Rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statements of subsidiaries/ associate companies/ joint ventures

Part "B": Associates and Joint Ventures: Details of associates as below and the Company has no Joint Ventures

(Currency: In INR millions)

Sr. No.	Particulars	Nanobi Data and Analytics Private Limited
1	Reporting period for the subsidiary concerned, if different from the holding Company's reporting period	01-04-2017 to 31-03-2018
2	Reporting currency	INR
3	Exchange rate	1
4	Paid-up Share Capital	35.89
5	Reserves & Surplus	(32.81)
6	Total Assets	58.56
7	Total Liabilities (excluding Capital and Reserves)	55.48
8	Investments (excluding Investments in Subsidiaries)	-
9	Total Income	82.19
10	Profit / (Loss) Before Tax	(25.34)
11	Provision for Tax	(1.78)
12	Profit / (Loss) After Tax	(23.57)
13	Proposed Dividend (including Tax thereon)	-
14	% of Shareholding	21.79%

For and on behalf of the Board of Directors of Firstsource Solutions Limited

Sanjiv Goenka
Chairman

Rajesh Subramaniam
Managing Director & CEO

Shashwat Goenka
Director

Y. H. Malegam
Director

Charles Miller Smith
Director

V.K. Sharma
Director

Donald W. Layden Jr.
Director

Subrata Talukdar
Director

Pradip Kumar Khaitan
Director

Pradip Roy
Director

Grace Koshie
Director

Kolkata
7 May 2018

Pooja Nambiar
Company Secretary

Dinesh Jain
President & CFO

Independent Auditors' Report

To The Members of
Firstsource Solutions Limited

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of **Firstsource Solutions Limited** (the 'Company'), which comprise the Balance Sheet as at March 31, 2018,and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as the 'standalone Ind AS financial statements').

Management's Responsibility for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (the 'Act') with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the Indian Accounting Standards ('Ind AS') prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order issued under section 143(11) of the Act.

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the Ind AS and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, and its profit, total comprehensive income, changes in equity and cash flows for the year ended on that date.

Other Matters

The comparative financial information of the Company for the year ended March 31, 2017 prepared in accordance with Ind AS included in these standalone Ind AS financial statements have been audited by the predecessor auditor. The report of the predecessor auditor on these comparative financial information dated May 5, 2017 expressed an unmodified opinion. Our report on the standalone Ind AS financial statements above and our report on Other Legal and Regulatory Requirements below is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid standalone Ind AS financial statements.

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

c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows dealt with by this Report are in agreement with the relevant books of account.

d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act.

e) On the basis of the written representations received from the Directors of the Company as on March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164(2) of the Act.

f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in 'Annexure A'. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements;

ii. The Company has made provision in the standalone Ind AS financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts;

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

2. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the 'Annexure B' a statement on the matters specified in paragraphs 3 and 4 of the Order.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Firm's Registration No. 117366W / W-100018)

SANJIV V. PILGAONKAR
Partner
(Membership No. 39826)

Kolkata
May 7, 2018

Annexure 'A' to the Independent Auditors' Report

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act') of Firstsource Solutions Limited

We have audited the internal financial controls over financial reporting of **Firstsource Solutions Limited** (the 'Company') as of March 31, 2018 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ('the Guidance Note'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Company based on our audit.

We conducted our audit in accordance with the Guidance Note and the Standards on Auditing prescribed under Section 143(10) of the Act to the extent applicable to an audit of internal financial controls. The Guidance Note and those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the criteria for internal financial control over financial reporting established by the Company considering the essential components of internal control stated in the Guidance Note.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W / W-100018)

SANJIV V. PILGAONKAR
Partner
(Membership No. 39826)

Kolkata
May 7, 2018

Annexure 'B' to the Independent Auditors' Report

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government in terms of Section 143(11) of the Companies Act, 2013 ('the Act') of Firstsource Solutions Limited (the 'Company')

i. In respect of the Company's property, plant and equipment:

(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.

(b) The fixed assets (i.e. property, plant and equipment) were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

(c) According to the information and explanations given to us and the records of the Company examined by us, the Company does not hold any immovable properties and hence reporting under clause 3(i)(c) of the Order is not applicable.

ii. The Company is in the business of rendering services and consequently does not hold any physical inventories. Accordingly, the provision of the clause 3(ii) of the Order is not applicable.

iii. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act.

iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Act in respect of grant of loans, making investments and providing guarantees and securities, as applicable.

v. The Company has not accepted deposits during the year and does not have any unclaimed deposits as at March 31, 2018 and therefore, the provisions of the clause 3 (v) of the Order are not applicable to the Company.

vi. Reporting under clause 3(vi) of the Order is not applicable as the Company's business activities are not covered by the Companies (Cost Records and Audit) Rules, 2014.

vii. According to the information and explanations given to us, in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income Tax, Goods and Service Tax, Service Tax, Value Added Tax, and other material statutory dues applicable to it with the appropriate authorities. As explained to us, the Company did not have any dues on account of duty of customs and duty of excise.

(b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Goods and Service Tax, Service Tax, Value Added Tax, cess and other material statutory dues in arrears as at March 31, 2018 for a period of more than six months from the date they became payable.

(c) Details of dues of Income Tax and Service Tax which have not been deposited as at March 31, 2018 on account of dispute are given below:

Name of the statute	Forum Where the dispute is pending	Financial Years to which the amount relates	Amount (INR in million)
Income Tax	Commissioner of Income Tax (Appeals)	2005-06, 2008-09, 2012-13, 2013-14, 2014-15	287.78
	Income Tax Appellate Tribunal	2002-03, 2003-04, 2008-09, 2010-11, 2011-12, 2012-13	632.87
Service Tax	Demand Notices	2006 to 2015	172.12

There were no dues of Goods and Service Tax, duty of Customs, duty of Excise and Cess which have not been deposited as at March 31, 2018 on account of dispute.

viii. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to banks and financial institutions. The Company does not have any loans or borrowings from the government and has not issued any debentures.

ix. 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. The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments).

x. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.

xi. In our opinion and according to the information and explanations given to us, the Company has paid/ provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

xii. The Company is not a Nidhi Company and hence reporting under clause 3(xii) of the Order is not applicable.

xiii. In our opinion and according to the information and explanations given to us, the Company is in compliance with Section 177 and 188 of the Act, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the standalone Ind AS financial statements as required by the applicable accounting standards.

xiv. During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause 3(xiv) of the Order is not applicable to the Company.

xv. In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its Directors or persons connected to its Directors and hence provisions of section 192 of the Act are not applicable.

xvi. The Company is not required to be registered under section 45-I of the Reserve Bank of India Act, 1934.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W / W-100018)

SANJIV V. PILGAONKAR
Partner
(Membership No. 39826)

Kolkata
May 7, 2018

Balance Sheet

as at 31 March 2018

(Currency: In INR millions)

	Note	31 March 2018	31 March 2017
ASSETS			
Non-current assets			
Property, plant and equipment	3	**274.83**	292.87
Capital work-in-progress		**2.42**	16.18
Goodwill	4(i)	**40.14**	40.14
Other intangible assets	4(ii)	**244.21**	221.71
Financial assets			
Investments	5(i)	**11,995.11**	11,954.74
Other financial assets	6(i)	**267.72**	670.61
Other non-current assets	7(i)	**103.28**	113.05
Deferred tax assets (net)	10	**2,167.17**	1,596.55
Income tax assets (net)	10	**704.45**	604.78
Total non-current assets		**15,799.33**	15,510.63
Current assets			
Financial assets			
Investments	5(ii)	**190.00**	1,495.17
Trade receivables	8	**5,647.40**	3,719.34
Cash and cash equivalents	9	**143.62**	157.06
Other financial assets	6(ii)	**448.24**	1,586.65
Other current assets	7(ii)	**262.25**	211.87
Total current assets		**6,691.51**	7,170.09
Total assets		**22,490.84**	22,680.72
EQUITY AND LIABILITIES			
EQUITY			
Equity share capital	11	**6,865.23**	6,813.08
Other equity		**14,480.28**	13,180.92
Total equity		**21,345.51**	19,994.00
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Long-term borrowings	12(i)	**78.61**	676.60
Other financial liabilities	13(i)	**161.46**	-
Provisions for employee benefits	14(i)	**51.73**	95.22
Total non-current liabilities		**291.80**	771.82
Current liabilities			
Financial liabilities			
Short-term borrowings	12(ii)	**83.87**	1,181.18
Trade payables		**275.62**	338.53
Other financial liabilities	13(ii)	**423.78**	296.64
Provisions for employee benefits	14(ii)	**50.86**	64.09
Other current liabilities	15	**19.40**	34.46
Total current liabilities		**853.53**	1,914.90
Total equity and liabilities		**22,490.84**	22,680.72
Significant accounting policies			

The accompanying notes from 1 to 32 are an integral part of these financial statements.

As per our report of even date attached.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
Firm's Registration No. 117366W/W-100018

Sanjiv V. Pilgaonkar
Partner
Membership No: 39826

Kolkata
7 May 2018

For and on behalf of the Board of Directors of Firstsource Solutions Limited

Sanjiv Goenka
Chairman

Rajesh Subramaniam
Managing Director & CEO

Shashwat Goenka
Director

Y. H. Malegam
Director

Charles Miller Smith
Director

V.K. Sharma
Director

Donald W. Layden Jr.
Director

Subrata Talukdar
Director

Pradip Kumar Khaitan
Director

Pradip Roy
Director

Grace Koshie
Director

Kolkata
7 May 2018

Pooja Nambiar
Company Secretary

Dinesh Jain
President & CFO

Statement of Profit and Loss

for the year ended 31 March 2018

(Currency: In INR millions)

	Note	31 March 2018	31 March 2017
INCOME			
Revenue from operations	16	**8,612.66**	9,400.65
Other income, net	17	**127.13**	147.86
Total income		**8,739.79**	9,548.51
EXPENSES			
Employee benefits expense	18	**4,153.00**	4,579.96
Finance costs	19	**62.32**	67.75
Depreciation and amortization	3, 4(ii)	**215.30**	190.32
Other expenses	20	**2,116.61**	2,523.12
Total expenses		**6,547.23**	7,361.15
Profit before tax		**2,192.56**	2,187.36
Tax expense			
Current tax	10	**277.00**	258.36
Deferred tax	10	**(3.60)**	44.41
Profit for the year		**1,919.16**	1,884.59
Other comprehensive income			
Items that will not be reclassified subsequently to the statement of profit and loss			
Remeasurement of the net defined benefit liability/asset		**19.63**	(0.52)
Items that will be reclassified subsequently to the statement of profit and loss			
Net changes in fair value on derivatives designated as cash flow hedges		**(1,069.27)**	556.17
Exchange difference on translation of foreign operations		**(20.40)**	(28.97)
Deferred tax on items that will be reclassified to statement of profit and loss		**354.34**	(346.20)
Total other comprehensive income, net of taxes		**(715.70)**	180.48
Total comprehensive income for the year		**1,203.46**	2,065.07
Weighted average number of equity shares outstanding during the year			
Basic		**683,343,271**	676,262,213
Diluted		**689,614,976**	685,662,251
Earnings per equity share			
Basic		**2.81**	2.79
Diluted		**2.78**	2.75
Significant accounting policies			

The accompanying notes from 1 to 32 are an integral part of these financial statements.

As per our report of even date attached.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
Firm's Registration No. 117366W/W-100018

Sanjiv V. Pilgaonkar
Partner
Membership No: 39826

Kolkata
7 May 2018

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Grace Koshie
Director

Kolkata
7 May 2018

Pooja Nambiar
Company Secretary

Dinesh Jain
President & CFO

Statement of Changes in Equity
for the year ended 31 March 2018

(Currency: In INR millions)

	Equity share capital	Attributable to owners of the Company							Total
		Reserves and Surplus					Items of other comprehensive income		
		Amalgamation deficit reserve	Securities premium	Other reserve	Retained earnings	Employee stock option reserve	Effective portion of cash flow hedges	Exchange differences on translating the financial statements of a foreign operation	
Balance as at 1 April 2017	6,813.08	(1,136.72)	1,842.13	30.68	11,499.91	122.87	654.15	167.90	19,994.00
Other comprehensive income for the year	-	-	-	-	19.63	-	(1,069.27)	(20.40)	(1,070.04)
Profit for the year	-	-	-	-	1,919.16	-	-	-	1,919.16
Share based payments	-	-	-	-	-	46.63	-	-	46.63
Issue of equity shares on exercise of options	52.15	-	89.26	-	-	(39.99)	-	-	101.42
Transfer to retained earning for options forfeited	-	-	-	-	9.11	(9.11)	-	-	-
Tax effect on hedge reserve	-	-	-	-	-	-	354.34	-	354.34
Balance at the end of 31 March 2018	**6,865.23**	**(1,136.72)**	**1,931.39**	**30.68**	**13,447.81**	**120.40**	**(60.78)**	**147.50**	**21,345.51**

Statement of Changes in Equity
for the year ended 31 March 2018

Equity share capital and other equity (continued)

(Currency: In INR millions)

	Equity share capital	Attributable to owners of the Company							Total
		Reserves and Surplus					Items of other comprehensive income		
		Amalgamation deficit reserve	Securities premium	Other reserve	Retained earnings	Employee stock option reserve	Effective portion of cash flow hedges	Exchange differences on translating the financial statements of a foreign operation	
Balance as at 1 April 2016	6,733.15	(1,136.72)	1,763.79	30.68	9,615.32	83.96	444.18	196.86	17,731.22
Other comprehensive income for the year	-	-	-	-	(0.52)	-	556.17	(28.96)	526.69
Profit for the year	-	-	-	-	1,885.11	-	-	-	1,885.11
Share based payments	-	-	-	-	-	39.41	-	-	39.41
Issue of equity shares on exercise of options	79.93	-	78.34	-	-	(0.50)	-	-	157.77
Tax effect on hedge reserve	-	-	-	-	-	-	(346.20)	-	(346.20)
Balance at the end of 31 March 2017	**6,813.08**	**(1,136.72)**	**1,842.13**	**30.68**	**11,499.91**	**122.87**	**654.15**	**167.90**	**19,994.00**

As per our report of even date attached.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
Firm's Registration No. 117366W/W-100018

Sanjiv V. Pilgaonkar
Partner
Membership No: 39826

Kolkata
7 May 2018

For and on behalf of the Board of Directors of Firstsource Solutions Limited

Sanjiv Goenka
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Director

Pradip Roy
Director

Grace Koshie
Director

Kolkata
7 May 2018

Pooja Nambiar
Company Secretary

Dinesh Jain
President & CFO

Statement of Cash Flows
for the year ended 31 March 2018

(Currency: In INR millions)

	31 March 2018	31 March 2017
Cash flow from operating activities		
Profit before tax	**2,192.56**	2,187.36
Adjustments for		
Depreciation and amortisation	**215.30**	190.32
Provision for doubtful debts written off / (written back)	**-**	(0.75)
(Gain) / loss on sale of fixed assets, net	**(5.22)**	(3.80)
Foreign exchange (gain) / loss, net unrealised	**(302.80)**	(191.09)
Finance costs	**62.32**	67.75
Interest income	**(13.39)**	(15.45)
Profit on sale / redemption of investments	**(49.14)**	(37.01)
(Gain)/ loss on sale of domestic contracts	**(7.67)**	-
Employee stock compensation expense	**26.04**	22.71
Operating cash flow before changes in working capital	**2,118.00**	2,220.04
Changes in working capital		
Decrease / (increase) in trade receivables	**(1,648.58)**	(567.84)
Decrease in loans and advances and other assets	**366.85**	34.11
Increase/ (decrease) in liabilities and provisions	**163.82**	(537.85)
Net changes in working capital	**(1,117.91)**	(1,071.58)
Income taxes paid	**(589.36)**	(365.10)
Net cash generated from/ (used in) operating activities (A)	**410.73**	783.35
Cash flow from investing activities		
Purchase of current investments	**(12,506.22)**	(14,317.32)
Proceeds from sale of current investments	**13,809.19**	13,599.41
Interest income received	**2.22**	4.90
Purchase of property, plant and equipment and capital advances given	**(218.61)**	(313.09)
Proceeds from sale of property, plant and equipment	**20.70**	6.45
Investment in shares of Nanobi Data and Analytics Private Limited	**(18.00)**	(25.00)
Proceeds from sale of domestic business	**150.00**	-
Net cash generated from/ (used in) investing activities (B)	**1,239.28**	(1,044.65)
Cash flow from financing activities		
(Repayment)/ proceeds from short term borrowings*	**(619.25)**	124.61
(Repayment) of long term borrowings*	**(1,075.10)**	(155.97)
Proceeds from issuance of equity shares and share application money	**101.42**	157.78
Interest paid	**(66.28)**	(66.69)
Net cash (used in)/ generated from financing activities (C)	**(1,659.21)**	59.73
Net Increase/ (decrease) in cash and cash equivalents at the end of the year (A+B+C)	**(9.20)**	(201.57)
Cash and cash equivalents at the beginning of the year	**157.06**	362.99
Foreign exchange (gain)/ loss on translating Cash and cash equivalents	**(4.24)**	(4.36)
Cash and cash equivalents at the end of the year	**143.62**	157.06

* refer footnotes to note 12 Borrowings

Statement of Cash Flows

for the year ended 31 March 2018

(Currency: In INR millions)

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:

	31 March 2018	31 March 2017
Cash on hand	**0.04**	0.04
Balances with banks		
- in current accounts	**143.58**	157.02
Cash and cash equivalents	**143.62**	157.06

As per our report of even date attached.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
Firm's Registration No. 117366W/W-100018

Sanjiv V. Pilgaonkar
Partner
Membership No: 39826

Kolkata
7 May 2018

For and on behalf of the Board of Directors of Firstsource Solutions Limited

Sanjiv Goenka
Chairman

Rajesh Subramaniam
Managing Director & CEO

Shashwat Goenka
Director

Y. H. Malegam
Director

Charles Miller Smith
Director

V.K. Sharma
Director

Donald W. Layden Jr.
Director

Subrata Talukdar
Director

Pradip Kumar Khaitan
Director

Pradip Roy
Director

Grace Koshie
Director

Kolkata
7 May 2018

Pooja Nambiar
Company Secretary

Dinesh Jain
President & CFO

Notes to the Financial Statements

for the year ended 31 March 2018

(Currency: In INR millions)

1. Company overview

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

The Company is a public limited company incorporated and domiciled in India having registered office at Mumbai, Maharashtra, India.

The Company is listed on the Bombay Stock Exchange and National Stock Exchange in India.

The Company's financial statements are approved for issue by the Board of Directors on 7 May 2018.

Basis of preparation

These financial statements are prepared in accordance with Indian Accounting Standards (Ind AS), 'Financial Reporting', under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values, the provisions of the Companies Act, 2013 ('the Act') (to the extent notified) and guidelines issued by the Securities and Exchange Board of India (SEBI). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

The list of entities with percentage holding is as below:

Subsidiaries / Entities	Country of incorporation and other particulars	Percentage of holding by voting rights	Year of consolidation
Firstsource Solutions UK Limited (FSL UK)	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of United Kingdom.	100%	2002-2003
Firstsource Solutions S.A. (FSL-Arg)	A subsidiary of Firstsource Solutions UK Limited, incorporated under the laws of Argentina.	99.98%	2006-2007
Firstsource BPO Ireland Limited (FSL Ireland)	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of Ireland.	100%	2011-2012
Firstsource Dialog Solutions (Private) Limited (FDS)	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of Sri Lanka.	74%	2011-2012
Firstsource Process Management Services Limited (FPMSL)	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of India.	100%	2010-2011
Firstsource Group USA, Inc. (FG US)	A subsidiary of Firstsource Solutions Limited, incorporated in the State of Delaware, USA.	100%	2009-2010
Firstsource Business Process Services, LLC (FBPS)	A subsidiary of FG US, incorporated in the State of Delaware, USA.	100%	2009-2010
Firstsource Advantage LLC (FAL)	A subsidiary of FBPS, incorporated under the laws of the State of New York, USA.	100%	2004-2005
One Advantage LLC (OAL)	A subsidiary of FBPS, incorporated in the state of Delaware, USA.	100%	2011-2012
Medassist Holding LLC (Medassist)	A subsidiary of FG US, incorporated under the laws of the State of Delaware, USA.	100%	2014-2015
Firstsource Solutions USA LLC	A subsidiary of MedAssist Holding, LLC., incorporated in the State of Delaware, USA.	100%	2009-2010
Firstsource Transaction Services LLC (FTS)	A subsidiary of Firstsource Solutions USA LLC, incorporated under the laws of the State of Delaware, USA.	100%	2011-2012
ISGN Solutions, Inc. (ISGN-SOL)	A subsidiary of FG US, incorporated in the State of Delaware, USA.	100%	2016-2017
ISGN Fulfillment Services, Inc. (ISGN-FFS)	A subsidiary of ISGN Solutions, Inc.	100%	2016-2017
ISGN Fulfillment Agency, LLC (ISGN FA)	A subsidiary of ISGN Fulfillment Services, Inc.	100%	2016-2017
Nanobi Data and Analytics Private Limited (Nanobi)	Associate of the Company.	21.79%	2016-2017

Notes to the Financial Statements

for the year ended 31 March, 2018

(Currency: In INR millions)

2. Significant Accounting Policies

2.1 Statement of compliance

The financial statements (herein referred as 'financial statements') of Firstsource Solutions Limited ('the Company') are prepared in accordance with Indian Accounting Standards (Ind AS) under the historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values, the provisions of the Companies Act, 2013 ('the Act') (to the extent notified). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016 ('the Rules').

2.2 Use of estimates

The preparation of the financial statements in conformity with Ind AS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amount of income and expenses for the period. Management believes that the estimates made in the preparation of financial statements are prudent and reasonable. Actual results could differ from those estimates. Any revisions to accounting estimates are recognised prospectively in current and future periods. Application of accounting policies that require critical accounting estimates involving complex and subjective judgments and the use of assumptions in these financial statements have been disclosed in Note 2.2.1.

2.2.1 Critical accounting estimates

(a) Income taxes

The Company's major tax jurisdiction is India. Significant judgments are involved in determining the provision for income taxes, including amount expected to be paid / recovered for uncertain tax positions. Also refer to Note 2.9.

(b) Business combinations and intangible assets

Business combinations are accounted for using Ind AS 103, Business Combinations. Ind AS 103 requires the identifiable intangible assets and contingent consideration to be fair valued at the date of aquisition in order to ascertain the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. Significant estimates are required to be made in determining the value of contingent consideration and intangible assets. These valuations are conducted by independent valuation experts.

(c) Property, plant and equipment

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of the Company's assets are determined by management at the time the asset is acquired, and are reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

(d) Impairment of goodwill

Goodwill is tested for impairment at each reporting period and whenever there is an indication that the recoverable amount of a cash generating unit (CGU) is less than its carrying amount based on a number of factors including operating results, business plans, future cash flows and economic conditions. The recoverable amount of CGU is determined based on higher of value-in-use and fair value less cost to sell. The goodwill impairment test is performed at the level of the CGU or groups of CGU which are benefitting from the synergies of the acquisition and which represents the lowest level at which goodwill is monitored for internal management purposes.

Key assumptions on which management has based its determination of recoverable amount include estimated long term growth rates, weighted average cost of capital and estimated operating margins. Cash flow projections take into account past experience.

2.3 Revenue recognition

Revenue from contact centre and transaction processing services comprises from both time / unit price and fixed fee based service contracts. Revenue from time / unit price based contracts is recognised as services are rendered and is billed in accordance with the contractual terms specified in the customer contracts. Revenue from fixed fee based service contracts is recognised on achievement of performance milestones specified in the customer contracts. Unbilled receivables represent costs incurred and revenues recognised on contracts to be billed in subsequent periods as per the terms of the contract.

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

For all instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate

Notes to the Financial Statements

for the year ended 31 March 2018

(Currency: In INR millions)

that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses.

2.4 Goodwill

Goodwill represents the cost of business acquisition in excess of the Company's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. When the net fair value of the identifiable assets, liabilities and contingent liabilities acquired exceeds the cost of business acquisition, a gain is recognised immediately in Other Comprehensive Income. Goodwill is measured at cost less accumulated impairment losses.

2.5 Property, plant and equipment

Property, plant and equipment 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 property, plant and equipment. Depreciation on property, plant and equipment is provided pro-rata to the period of use based on management's best estimate of useful lives of the assets as summarized below:

Asset category	Useful life (in years)
Tangible assets	
Leasehold improvements	Lease term or 5 years, whichever is shorter
Computers*	2 – 4
Service equipment*	2 – 5
Furniture and fixtures*	2 – 5
Office equipment*	2 – 5
Vehicles	2 – 5

* For these class of assets, based on internal assessment and independent technical evaluation carried out by external valuers, the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II to the Companies Act, 2013.

Depreciation methods, useful lives and residual values are reviewed periodically at the end of each financial year.

Borrowing costs are interest and other costs (including exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred by the Company in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of those property, plant and equipment which necessarily take a substantial period of time to get ready for their intended use are capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

2.6 Other intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, from the date that they are available for use. The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, demand, competition, and other economic factors (such as the stability of the industry, and known technological advances), and the level of maintenance expenditures required to obtain the expected future cash flows from the asset. Amortization methods and useful lives are reviewed periodically including at each financial year end.

Asset category	Useful life (in years)
Goodwill on acquired assets	5 years or estimated useful life, whichever is shorter
Domain name	3
Software*	2 – 4

* For these class of assets, based on internal assessment and independent technical evaluation carried out by external valuers, the management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence the useful lives for these assets is different from the useful lives as prescribed under Part C of Schedule II to the Companies Act, 2013.

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.

Notes to the Financial Statements
for the year ended 31 March, 2018

(Currency: In INR millions)

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

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

2.7 Impairment

(a) Financial assets

The Company recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit and loss. Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

(b) Non-financial assets

(i) Goodwill

Goodwill is tested for impairment on an annual basis and whenever there is an indication that goodwill may be impaired, relying on a number of factors including operating results, business plans and future cash flows. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the Company's cash generating units ('CGU') or groups of CGU's expected to benefit from the synergies arising from the business combination.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment occurs when the carrying amount of a CGU including the goodwill, exceeds the estimated recoverable amount of the CGU. The recoverable amount of a CGU is the higher of its fair value less cost to sell and its value-in-use. Value-in-use is the present value of future cash flows expected to be derived from the CGU.

Total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss on goodwill is recognized in net profit in the statement of profit and loss and is not reversed in the subsequent period.

(ii) Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the CGU to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognized in the statement of profit and loss is measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the statement of profit and loss if there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

2.8 Employee benefits

a) Post employment benefits

Gratuity

The Gratuity scheme is a defined benefit plan. The company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The present value of the obligation under such defined benefit plan is determined based on actuarial valuation by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan are based on the market yields on Government securities as

Notes to the Financial Statements

for the year ended 31 March 2018

(Currency: In INR millions)

at the balance sheet date. The Company recognises the net obligation of a defined benefit plan in its balance sheet as an asset or liability. Gains or losses through re-measurement of the net defined benefit liability / (asset) are recognised in other comprehensive income and other components are recognised in statement of profit and loss. The actual return of portfolio of plan assets in excess of yields computed by applying the discount rate used to measure the defined benefit obligation are recognised in other comprehensive income. The effects of any plan amendments are recognised in statement of profit and loss.

Defined contribution plans

In accordance with Indian regulations, all employees receive benefits from a Government administered provident fund scheme. This is a defined contribution retirement plan in which both, the Company and the employee contribute at a determined rate. Monthly contributions payable to the provident fund are charged to the statement of profit and loss as incurred.

b) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g., under short-term cash bonus, if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the amount of obligation can be estimated reliably.

c) Other long-term employee benefits

Compensated absences

Provision for compensated absences cost is made based on actuarial valuation by an independent actuary.

Where employees of the Company are entitled to compensated absences, 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 absences 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.

d) Share-based compensation

The Company operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the granting of the options and the discount on the shares granted are recognised as an expense, together with a corresponding increase in equity, over the period in which the performance and / or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (i.e. the vesting date). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. On each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. The impact of the revision of original estimates, if any, is recognised immediately in the Statement of Profit and Loss, with a corresponding adjustment to equity.

2.9 Income taxes

Income tax expense comprises current tax expense and the net change in the deferred tax asset or liability during the period. Current tax and deferred tax are recognised in the statement of profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Current income taxes

The current income tax expense includes income taxes payable by Firstsource and its overseas branch.

The current tax payable is after taking credit for tax relief available for export operations in Special Economic Zones (SEZs).

Advance taxes and provisions for current income taxes are presented in the balance sheet after off-setting advance tax paid and income tax provision arising in the same tax jurisdiction and where the relevant tax paying units intend to settle the asset and liability on a net basis.

Deferred income tax is recognised using the balance sheet approach. Deferred income tax assets and liabilities are recognised for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount, except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects

Notes to the Financial Statements

for the year ended 31 March, 2018

(Currency: In INR millions)

neither accounting nor taxable profit or loss at the time of the transaction.

Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be recognised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be recognised. Deferred income tax liabilities are recognised for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be settled.

For operations carried out in SEZs, deferred tax assets or liabilities, if any, have been established for the tax consequences of those temporary differences between the carrying values of assets and liabilities and their respective tax bases that reverse after the tax holiday ends.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the relevant entity intends to settle its current tax assets and liabilities on a net basis.

Deferred tax assets include Minimum Alternative Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set-off against future income tax liability. Accordingly, MAT is recognised as deferred tax asset in the balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be recognised.

2.10 Leases

Finance lease

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

The finance charge / (income) is recognised in consolidated statement of profit and loss, 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 arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as operating lease. Operating lease payments are recognised on a straight line basis over the lease term, unless the increase is on account of inflation, in the statement of profit and loss.

2.11 Foreign currency

Functional currency

The functional currency of the Company is the Indian Rupee (INR). The numbers are rounded off to millions: one million equals to ten lakhs.

Transactions and translations

Foreign currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the balance sheet date. The gains or losses resulting from such translations are included in net profit in the statement of profit and loss. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at fair value are translated at the exchange rate prevalent at the date when the fair value was determined. Non-monetary assets and non-monetary liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the

Notes to the Financial Statements

for the year ended 31 March 2018

(Currency: In INR millions)

period in which the transaction is settled. Revenue, expense and cash flow items denominated in foreign currencies are translated into the relevant functional currencies using the exchange rate in effect on the date of the transaction.

The translation of financial statements of the foreign branch to the presentation currency is performed for assets and liabilities using the exchange rate in effect at the balance sheet date and for revenue, expense and cash flow items using the average exchange rate for the respective periods. The gains or losses resulting from such translation are included in currency translation reserves under other components of equity.

2.12 Earnings per equity 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.

2.13 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.

2.14 Financial instruments

2.14.1 Initial recognition

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability.

2.14.2 Classification and subsequent measurement

a) Non-derivative financial instruments

i) Cash and cash equivalents

The Company considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

ii) Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

iii) Financial assets at fair value through other comprehensive income ('FVOCI')

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.The Company has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of equity investments not held for trading.

Notes to the Financial Statements

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iv) Financial assets at fair value through profit and loss ('FVTPL')

Financial assets are measured at fair value through profit and loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit and loss are immediately recognised in statement of profit and loss.

v) Financial liabilities

Financial liabilities are measured at amortised cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amount approximate fair value to short-term maturity of these instruments.

vi) Equity instruments

An equity instrument is a contract that evidences residual interest in the assets of the company after deducting all of its liabilities.

Equity instruments are recognised by the Company at the proceeds received net of direct issue cost.

b) Derivative financial instruments

Cash flow hedge

The Company designates certain foreign exchange forward, option and future contracts as hedge instruments in respect of foreign exchange risks. These hedges are accounted for as cash flow hedges.

The Company uses hedging instruments that are governed by policies, which are approved by the Board of Directors, which provide written principles on the use of such financial derivatives consistent with the risk management strategy of the Company. The hedge instruments are designated and documented as hedges at the inception of the contract. The effectiveness of hedge instruments to reduce the risk associated with the exposure being hedged is assessed and measured at inception and on an ongoing basis. The ineffective portion of designated hedges is recognised immediately in the statement of profit and loss.

The effective portion of change in the fair value of the designated hedging instrument is recognised in Other comprehensive income and accumulated under the heading Cash flow hedge reserve.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or no longer qualifies for hedge accounting. Any gain or loss recognised in Other comprehensive income and accumulated in equity till that time remains and is recognised in statement of profit and loss when the forecasted transaction is no longer expected to occur; the cumulative gain or loss accumulated in statement of changes in equity is transferred to the statement of profit and loss.

c) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

2.14.3 De-recognition of financial instruments

The Company de-recognises a financial asset when the contractual rights to the cash flows from the financial assets expire or it transfers the financial assets and such transfer qualifies for de-recognition under Ind AS 109. A financial liability (or a part of financial liability) is de-recognised from the Company's balance sheet when obligation specified in the contract is discharged or cancelled or expired.

2.14. 4 Fair value of financial instrument

In determining the fair value of its financial instrument, the Company uses the methods and assumptions based on market conditions and risk existing at each reporting date. Methods of assessing fair value result in general approximation of value, and such value may never actually be realised. For all other financial instruments, the carrying amounts approximate the fair value due to short maturity of those instruments.

2.15 Business combinations

Business combinations have been accounted for using the acquisition method under the provisions of Ind AS 103, Business Combinations.

The cost of an acquisition is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of acquisition, which is the date on which control is transferred to the Company. The cost of acquisition also includes the fair value of any contingent consideration. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are

Notes to the Financial Statements

for the year ended 31 March 2018

(Currency: In INR millions)

measured initially at their fair value on the date of acquisition.

Business combinations between entities under common control is accounted for at carrying value.

Transaction costs that the Company incurs in connection with a business combination such as finders' fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

Business Combinations on or after 1 April 2002

As part of its transition to Ind AS, the Group has elected to apply the relevant Ind AS, viz. Ind AS 103, Business Combinations, to only those business combinations that occurred on or after 1 April 2002. In accordance with Ind AS 103, the Group accounts for these business combinations using the acquisation method when control is transfered to the Group.

Business Combinations prior to 1 April 2002

In respect of such business combinations, goodwill represents the amounts recognised under the Group's previous accounting framework under Indian GAAP adjusted for the reclassification of certain intangibles.

2.16 Cash flow statement

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

2.17 Onerous contracts

Provisions for onerous contracts are recognised when the expected benefits to be derived 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 Recent accounting pronouncements

Ind AS 21 Foreign currency transactions and advance consideration:

On 28 March 2018, MCA has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. This amendment will come into force from 1 April 2018. The Company has evaluated the effect of this on the financial statements and the impact is not material.

Ind AS 115 Revenue from Contract with Customers:

On 28 March 2018, MCA has notified the Ind AS 115, Revenue from Contract with Customers. The core principle of the new standard is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The effective date for adoption of Ind AS 115 is financial periods beginning on or after 1 April 2018. The effect on adoption of Ind AS 115 on the financial statements is expected to be insignificant.

Notes to the Financial Statements
as at 31 March 2018

(Currency: In INR millions)

3. Property, plant and equipment

	Leasehold improvements	Computers	Service equipment	Office equipment	Furniture and fixture	Vehicles	Total
Gross block (at deemed cost)							
As at 1 April 2017	957.42	751.61	497.50	1,001.82	330.78	10.16	3,549.29
Additions/ adjustments during the year	26.18	49.38	39.35	29.00	5.04	10.77	159.72
Deletions during the year	(363.67)	(251.20)	(123.06)	(427.73)	(119.04)	(20.93)	(1,305.63)
Foreign exchange on translation	(7.32)	(2.20)	(2.01)	(1.67)	(0.44)	-	(13.64)
As at 31 March 2018	**612.61**	**547.59**	**411.78**	**601.42**	**216.34**	**-**	**2,389.74**
Accumulated depreciation/ amortization							
As at 1 April 2017	879.45	701.81	467.13	934.15	266.81	7.07	3,256.42
Charge for the year	21.47	25.34	11.95	25.10	11.63	-	95.49
On deletions/ adjustments during the year	(346.33)	(236.35)	(117.99)	(408.68)	(108.31)	(7.07)	(1,224.73)
Foreign exchange on translation	(6.83)	(1.90)	(1.79)	(1.41)	(0.34)	-	(12.27)
As at 31 March 2018	**547.76**	**488.90**	**359.30**	**549.16**	**169.79**	**-**	**2,114.91**
Net block							
As at 31 March 2018	**64.85**	**58.69**	**52.48**	**52.26**	**46.55**	**-**	**274.83**
As at 31 March 2017	77.97	49.80	30.37	67.67	63.97	3.09	292.87

	Leasehold improvements	Computers	Service equipment	Office equipment	Furniture and fixture	Vehicles	Total
Gross block (at deemed cost)							
As at 1 April 2016	961.84	742.38	504.13	1,006.94	328.84	10.37	3,554.50
Additions/ adjustments during the year	51.93	40.25	9.71	41.21	5.81	-	148.91
Deletions during the year	(32.55)	(22.12)	(9.85)	(40.80)	(2.39)	-	(107.71)
Foreign exchange on translation	(23.80)	(8.90)	(6.49)	(5.53)	(1.48)	(0.21)	(46.41)
As at 31 March 2017	**957.42**	**751.61**	**497.50**	**1,001.82**	**330.78**	**10.16**	**3,549.29**
Accumulated depreciation/ amortization							
As at 1 April 2016	914.37	711.02	469.48	934.20	263.87	4.96	3,297.90
Charge for the year	17.50	20.68	12.72	40.19	10.52	2.11	103.72
On deletions	(31.57)	(21.99)	(9.62)	(35.95)	(6.57)	0.08	(105.62)
Foreign exchange on translation	(20.85)	(7.90)	(5.45)	(4.29)	(1.01)	(0.08)	(39.58)
As at 31 March 2017	**879.45**	**701.81**	**467.13**	**934.15**	**266.81**	**7.07**	**3,256.42**
Net block							
As at 31 March 2017	**77.97**	**49.80**	**30.37**	**67.67**	**63.97**	**3.09**	**292.87**
As at 31 March 2016	47.47	31.36	34.65	72.74	64.97	5.41	256.60

Notes to the Financial Statements

as at 31 March 2018

(Currency: In INR millions)

4. (i) Goodwill

Goodwill has been accounted on acquisition of BPO division of ISGN Novasoft Technologies Limited through slump sale agreement in the year ended March 31, 2017.

Pursuant to 'Slump Sale Agreement' ('SSA') dated 28 January 2016 entered into by and among ISGN Novasoft Technologies Limited, ISGN (the "Seller") and Firstsource Solutions Limited (the "Buyer"), the Company purchased the BPO division of ISG Novasoft Technologies Limited for a cash consideration of INR 30.

The purchase price has been allocated based on the management estimate and independent appraisal of fair values as follows:

Components	Acquiree's carrying value	Fair value adjustments	Purchase price allocated
Net assets	28.32	-	28.32
Fair value adjustment to net assets acquired	-	(38.46)	(38.46)
Total	28.32	(38.46)	(10.14)
Goodwill	-	-	40.14
Total purchase price	-	-	30.00
Amount of consideration paid in cash	-	-	30.00

(ii) Other intangible assets

	Domain name	Software	Total
Gross block			
As at 1 April 2017	6.72	920.96	927.68
Additions	-	147.94	147.94
Deletions during the year	-	(242.85)	(242.85)
Foreign exchange on translation	-	(0.56)	(0.56)
As at 31 March 2018	**6.72**	**825.49**	**832.21**
Accumulated depreciation / amortization			
As at 1 April 2017	6.72	699.25	705.97
Charge for the year	-	119.81	119.81
On deletions	-	(237.34)	(237.34)
Foreign exchange on translation	-	(0.44)	(0.44)
As at 31 March 2018	**6.72**	**581.28**	**588.00**
Net block			
As at 31 March 2018	-	244.21	244.21
As at 31 March 2017	-	221.71	221.71

	Domain name	Software	Total
Gross block			
As at 1 April 2016	6.72	746.47	753.19
Additions	-	176.21	176.21
Deletions during the year	-	(0.08)	(0.08)
Foreign exchange on translation	-	(1.64)	(1.64)
As at 31 March 2017	**6.72**	**920.96**	**927.68**
Accumulated depreciation / amortization			
As at 1 April 2016	6.72	613.49	620.21
Charge for the year	-	86.60	86.60
On deletions	-	0.41	0.41
Foreign exchange on translation	-	(1.25)	(1.25)
As at 31 March 2017	**6.72**	**699.25**	**705.97**
Net block			
As at 31 March 2017	**-**	**221.71**	**221.71**
As at 31 March 2016	-	132.98	132.98

Notes to the Financial Statements

as at 31 March 2018

(Currency: In INR millions)

5. Investments

		31 March 2018	31 March 2017
(i)	**Non-current**		
	Unquoted		
	Investments carried at cost (Investment in equity instruments of subsidiaries)		
	218,483 (31 March 2017: 218,483) fully paid-up common stock of USD 1 each of Firstsource Group USA Inc.@ #	**11,733.41**	11,716.01
	2,834,672 (31 March 2017: 2,834,672) fully paid up equity shares of GBP 1 each of Firstsource Solutions UK Limited #	**42.53**	36.35
	1,050,000 (31 March 2017: 1,050,000) fully paid-up common stock of INR 10 each of Firstsource Process Management Services Limited	**33.00**	33.00
	6,823,570 (31 March 2017: 6,823,570) fully paid-up common stock of LKR 10 each of Firstsource Dialog Solutions (Private) Limited	**46.18**	46.18
	1 (31 March 2017:1) fully paid-up common stock of EUR 1 each of Firstsource BPO Ireland Limited	**17.36**	17.36
	Investment in associate		
	-Equity accounting		
	1,000 (31 March 2017 : 1,000) fully paid equity shares of INR 10 each of Nanobi Data and Analytics Private Limited	**0.08**	0.08
	-At cost		
	739,506 (31 March 2017 : 638,044) fully paid compulsorly convertible cumulative preference shares of INR 10 each of Nanobi Data and Analytics Private Limited	**87.92**	79.92
	-At amortised cost		
	100,000 (31 March 2017 : Nil) fully paid Optionally Convertible Debentures of INR 100 each of Nanobi Data and Analytics Private Limited	**10.00**	-
	-At amortised cost		
	Philippines treasury bills*	**24.63**	25.84
		11,995.11	11,954.74
	* These securities have been earmarked in favor of SEC, Philippines in compliance with Corporation Code of Philippines.		
	@ includes the value of revaluation impact of ECB on hedging relationship.		
	# includes value of ESOP cost pertaining to employees of the foregin entities.		
(ii)	**Current**		
	Investments carried at fair value through statement of profit and loss		
	Mutual and other funds (unquoted)	**190.00**	1495.17
		190.00	1,495.17

6. Other financial assets

		31 March 2018	31 March 2017
	(Unsecured, considered good)		
(i)	**Other non-current financial assets**		
	Deposits	**240.52**	348.96
	Foreign currency forward contracts	**-**	305.89
	Lease rentals receivable	**27.20**	15.76
		267.72	670.61

Notes to the Financial Statements
as at 31 March 2018

(Currency: In INR millions)

	31 March 2018	31 March 2017
(ii) Other current financial assets		
Unbilled receivables	**179.20**	204.12
Bank Deposits	**0.70**	0.65
Advances to subsidiaries	**-**	399.58
Foreign currency forward contracts	**197.18**	912.39
Lease rentals receivable	**14.97**	11.80
Loans and advances to employees	**7.14**	9.38
Recoverable on sale of subsidiary	**49.05**	48.73
	448.24	1,586.65
Total other financial assets	**715.96**	2,257.26

7. Other assets

	31 March 2018	31 March 2017
(Unsecured, considered good)		
(i) Other non-current assets		
Capital advances	**-**	0.44
Prepaid expenses	**13.42**	10.47
Deferred contract cost	**89.86**	102.14
Others	**-**	-
	103.28	113.05
(ii) Other current assets		
Prepaid expenses	**89.13**	113.13
Indirect tax recoverable	**151.52**	78.47
Other advances	**9.21**	8.14
Deferred contract cost	**12.39**	12.13
Others	**-**	-
	262.25	211.87

8. Trade receivables

	31 March 2018	31 March 2017
(Unsecured)		
Considered doubtful	-	0.94
Less: Impairment allowance	-	0.94
Considered good	**5,647.40**	3,719.34
	5,647.40	3,719.34
	5,647.40	3,719.34

Trade receivables are non-interest bearing. No trade or other receivables are due from directors or other officers of the Company either severally or jointly. For receivables from related party, refer note 24.

Notes to the Financial Statements
as at 31 March 2018

(Currency: In INR millions)

9. Cash and cash equivalents

	31 March 2018	31 March 2017
Cash on hand	**0.04**	0.04
Balances with banks		
-in current accounts	**143.58**	157.02
	143.62	157.06

10. Taxation
As at 31 March 2018

Taxation	Opening Balance	Recognised in Profit and loss	Recognised in Other Comprehensive Income	Closing Balance
Deferred tax asset on account of:				
Difference between tax and book value of fixed assets	**321.09**	**3.25**	**-**	**324.34**
Gratuity and compensated absences	**55.97**	**(25.82)**	**-**	**30.15**
Employee share based payment	**-**	**26.16**	**-**	**26.16**
Minimum alternate tax credit carried forward	**1,565.69**	**212.69**	**-**	**1,778.38**
	1,942.75	**216.28**	**-**	**2,159.03**
Deferred tax liability on account of:				
Cash flow hedges	**346.20**	**-**	**(354.34)**	**(8.14)**
	1,596.55	**216.28**	**354.34**	**2,167.17**

As at 31 March 2017

Taxation	Opening Balance	Recognised in Profit and loss	Recognised in Other Comprehensive Income	Closing Balance
Deferred tax asset on account of:				
Difference between tax and book value of fixed assets	371.23	(50.14)	-	321.09
Gratuity and compensated absences	50.24	5.73	-	55.97
Carry forward losses	-	-	-	-
Minimum alternate tax credit carried forward	1,361.30	204.39	-	1,565.69
	1,782.77	159.98	-	1,942.75
Deferred tax liability on account of:				
Cash flow hedges	-	-	346.20	346.20
	1,782.77	159.98	(346.20)	1,596.55

Income tax asset				
Advance tax and tax deducted at source (net)			**704.45**	604.78
			704.45	604.78

Notes to the Financial Statements

as at 31 March 2018

(Currency: In INR millions)

Income tax expense

Income tax expense in the statement of profit and loss comprises:

	Year ended	
	31 March 2018	31 March 2017
Current taxes	**277.00**	258.36
Deferred taxes	**(3.60)**	44.41
Income tax expense	**273.40**	302.77

A reconciliation of the income tax provision to the amount computed by applying the statutory income tax rate to the income before income taxes is summarized below:

	Year ended	
	31 March 2018	31 March 2017
Profit before income taxes	**2,192.56**	2,187.36
Enacted tax rates in India	**34.61%**	34.61%
Computed expected tax expense	**758.80**	757.00
Tax effect due to deduction under Section 10AA	**(386.53)**	(382.73)
Expenses not deductible for tax purposes	**11.93**	10.63
ESOP cost allowed for tax purpose	**(33.41)**	(55.40)
Others	**5.90**	(26.73)
Previous years tax adjustments	**(83.29)**	-
Income tax expense	**273.40**	302.77

11. Share capital

	31 March 2018	31 March 2017
Authorised		
872,000,000 (31 March 2017: 872,000,000) equity shares of INR 10 each	**8,720.00**	8,720.00
	8,720.00	8,720.00
Issued, subscribed and paid-up		
686,522,819 (31 March 2017: 681,308,337) equity shares of INR 10 each, fully paid-up	**6,865.23**	6,813.08
	6,865.23	6,813.08

a) Reconciliation of shares outstanding at the beginning and at the end of the reporting year

	31 March 2018		31 March 2017	
	Number of shares	**Amount**	**Number of shares**	**Amount**
At the commencement of the year	**681,308,337**	**6,813.08**	673,314,912	6,733.15
Shares allotted during the year - employee stock option scheme	**5,214,482**	**52.15**	7,993,425	79.93
At the end of the year	**686,522,819**	**6,865.23**	681,308,337	6,813.08

Notes to the Financial Statements
as at 31 March 2018

(Currency: In INR millions)

b) Particulars of shareholders holding more than 5% equity shares

	31 March 2018		31 March 2017	
	Number of shares	% of total shares	Number of shares	% of total shares
Spen Liq Private Limited	373,976,673	54.47%	373,976,673	54.89%

c) Shares held by holding company

	31 March 2018		31 March 2017	
	Number of shares	Amount	Number of shares	Amount
Spen Liq Private Limited	373,976,673	3,739.77	373,976,673	3,739.77

d) Employee stock options

During the year ended 31 March 2018 the Company granted 3,400,000 (31 March 2017: 3,550,000) options at an exercise price of INR 41.12 (31 March 2017: INR 40.85).

e) Shares reserved for issue under options

15,524,812 (31 March 2017: 19,270,187) number of shares are reserved for employees for issue under the employee stock options plan (ESOP) amounting to INR 155.25 (31 March 2017: INR 192.70).

f) Rights, preferences and restrictions attached to equity shares

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shareholders are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder are in proportion to its share of the paid-up equity capital of the Company.

On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

g) Share application money received under ESOP scheme

The Company received INR 101.42 (31 March 2017: INR 157.78) as share application money under ESOP scheme during the year ended 31 March 2018 in respect of which 5,214,482 (31 March 2017: 7,993,425) shares were allotted during the year.

12. Borrowings

	31 March 2018	31 March 2017
(i) Long-term borrowings		
Secured		
Term loan - from banks		
External commercial borrowings (ECB) (refer note 'a')	-	588.08
Unsecured		
Loan from non-banking financing companies	78.61	88.52
(refer note 'c')		
	78.61	676.60
(ii) Short-term borrowings		
Unsecured		
Export finance from banks (refer note 'd')	-	619.25

Notes to the Financial Statements

as at 31 March 2018

(Currency: In INR millions)

	31 March 2018	31 March 2017
Current portion of long term borrowings		
Secured		
External commercial Borrowing (ECB) (refer Note 'a')	-	491.21
Finance lease obligation (refer note 'b')	-	6.69
Unsecured		
Loan from non-banking financing companies (refer note 'c')	**83.87**	64.03
	83.87	1,181.18
Aggregate secured borrowings	-	1,085.98
Aggregate unsecured borrowings	**162.48**	771.80
Borrowings carried at amortised cost	**162.48**	1,857.78

a. External commercial borrowing is a dollar denominated borrowing carrying floating interest rate in the range of 3.20% to 3.75%. The loan was secured against pari passu charge on all current assets, non-current assets and fixed assets of the Company. The loan has been repaid in full during the year.

b. Finance lease obligation carries interest in the range of 4%- 12.5% for the period of 3- 5 years from April 2013 to March 2018, repayable in quarterly installments. This is secured by way of hypothecation of underlying fixed assets taken on lease.

c. Loan from non-banking financing companies carries interest in the range of 6.62%- 12.26% for the period of 3- 4 years from April 2014 to December 2019, repayable in quarterly installments from the date of its origination.

d. Export finance from banks including post-shipment and pre-shipment, carries interest in the range of 1.30% to 2.50%. Same is repaid during the year.

e. The Company has accounted INR 5.74 as effect of changes in foreign exchange rate on ECB.

13. Other financial liabilities

	31 March 2018	31 March 2017
(i) Other non current financial liabilities		
Foreign currency forward contracts	**161.46**	-
	161.46	-
(ii) Other current financial liabilities		
Book credit in bank account	**91.82**	121.06
Interest accrued but not due on borrowings	**0.71**	3.80
Creditors for capital goods	**4.27**	11.09
Employee benefits payable	**199.40**	160.69
Other Liabilities	**9.38**	-
Advances from subsidiaries	**118.20**	-
	423.78	296.64

Notes to the Financial Statements
as at 31 March 2018

(Currency: In INR millions)

14. Provision for employee benefits

	31 March 2018	31 March 2017
(i) Non-current		
Gratuity	**51.73**	95.22
	51.73	95.22
(ii) Current		
Compensated absences	**50.86**	64.09
	50.86	64.09

15. Other liabilities

	31 March 2018	31 March 2017
Other current liabilities		
Tax deducted at source	**19.40**	34.46
	19.40	34.46

Notes to the Financial Statements
for the year ended 31 March 2018

(Currency: In INR millions)

16. Revenue from operations

	31 March 2018	31 March 2017
Sale of services	**7,628.18**	8,408.65
Other operating income	**984.48**	992.00
	8,612.66	9,400.65

17. Other income

	31 March 2018	31 March 2017
Profit on sale / redemption current investments, net	**49.14**	37.01
Gain on sale of domestic contracts*	**7.67**	-
Interest income	**13.39**	15.45
- Exchange gain/(loss) on translation of investments	**3.00**	(22.28)
- Translation (loss)/ gain on borrowings	**(3.00)**	22.28
- Others	**(14.04)**	11.87
Gain on sale of fixed assets, net	**5.22**	3.80
Miscellaneous income	**65.75**	79.73
	127.13	147.86

* During the year ended 31 March 2018, the Company sold certain India domestic contracts as per the definitive agreement signed dated 7 July 2017 for a consideration of INR 150 million.

18. Employee benefits expense

	31 March 2018	31 March 2017
Salaries and wages	3,799.58	4,190.10
Contribution to provident and other funds	253.45	281.58
Staff welfare expenses	73.93	85.57
Employee stock compensation expense	26.04	22.71
	4,153.00	4,579.96

19. Finance cost

	31 March 2018	31 March 2017
Interest expense		
- on external commercial borrowings (ECB)	31.79	40.75
- on working capital demand loan and others	29.97	25.37
Finance charges on leased assets	0.56	1.63
	62.32	67.75

Notes to the Financial Statements

for the year ended 31 March 2018

(Currency: In INR millions)

20. Other expenses

	31 March 2018	31 March 2017
Rent	**555.04**	685.74
Car and other hire charges	**308.16**	369.19
Repairs, maintenance and upkeep	**306.56**	363.69
Electricity, water and power consumption	**208.22**	253.37
Computer expenses	**166.30**	190.15
Legal and professional fees	**128.60**	133.02
Connectivity charges	**128.35**	125.39
Recruitment and training expenses	**59.21**	98.90
Information and communication expenses	**56.40**	67.01
Travel and conveyance	**46.79**	70.28
Insurance	**38.84**	41.36
Services rendered by business associates and others	**-**	-
Contribution to CSR	**34.52**	30.30
Miscellaneous expenses	**26.49**	36.80
Printing and stationery	**14.85**	18.91
Auditors remuneration and expenses		
- as audit fees	**14.50**	18.00
- as reimbursement of expenses	**0.71**	1.27
Meeting and seminar expenses	**7.64**	4.81
Rates and taxes	**6.82**	9.15
Directors' sitting fees	**5.75**	5.60
Bank administration charges	**2.86**	0.93
Provision for doubtful debts/ written off/ (written back), net	**-**	(0.75)
	2,116.61	2,523.12

Notes to the Financial Statements

as at 31 March 2018

(Currency: In INR millions)

21. Financial instruments

I. Financial instruments by category:

The carrying value and fair value of financial instruments by categories as of 31 March 2018 were as follows:

	Amortized cost	FVTPL	FVOCI	Total carrying amount	Total fair value
Financial assets					
Investments	**34.63**	**190.00**	**-**	**224.63**	**224.63**
Trade receivables	**5,647.40**	**-**	**-**	**5,647.40**	**5,647.40**
Cash and cash equivalents	**143.62**	**-**	**-**	**143.62**	**143.62**
Other financial assets	**518.78**	**-**	**197.18**	**715.96**	**715.96**
Total	**6,344.43**	**190.00**	**197.18**	**6,731.61**	**6,731.61**
Financial liabilities					
Borrowings	**162.48**	**-**	**-**	**162.48**	**162.48**
Other financial liability	**423.78**	**-**	**161.46**	**585.24**	**585.24**
Trade and other payables	**275.62**	**-**	**-**	**275.62**	**275.62**
Total	**861.88**	**-**	**161.46**	**1,023.34**	**1,023.34**

The carrying value and fair value of financial instruments by categories as of 31 March 2017 were as follows:

	Amortized cost	FVTPL	FVOCI	Total carrying amount	Total fair value
Financial assets					
Investments	25.84	1,495.17	-	1,521.01	1,521.01
Trade receivables	3,719.34	-	-	3,719.34	3,719.34
Cash and cash equivalents	157.71	-	-	157.71	157.71
Other financial assets	1,038.98	-	1,218.28	2,257.26	2,257.26
Total	4,941.87	1,495.17	1,218.28	7,655.32	7,655.32
Financial liabilities					
Borrowings	1,857.78	-	-	1,857.78	1,857.78
Other financial liability	296.64	-	-	296.64	296.64
Trade and other payables	338.53	-	-	338.53	338.53
Total	2,492.95	-	-	2,492.95	2,492.95

II. Fair value hierarchy:

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Financial Statements
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(Currency: In INR millions)

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 31 March 2018:

	As at 31 March 2018	Fair value measurement at end of the reporting period using		
		Level 1	Level 2	Level 3
Investments				
Investment in liquid mutual fund units	**190.00**	**190.00**	**-**	**-**
Total	**190.00**	**190.00**	**-**	**-**
Derivative financial instruments- foreign currency forward contract	**35.72**	**-**	**35.72**	**-**

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 31 March 2017:

	As at 31 March 2017	Fair value measurement at end of the reporting period using		
		Level 1	Level 2	Level 3
Investments				
Investment in liquid mutual fund units	1,495.17	1,495.17	-	-
Total	1,495.17	1,495.17	-	-
Derivative financial instruments- foreign currency forward contract	1,218.28	-	1,218.28	-

The fair value of other financial assets and liabilties approximate the carrying value.

The fair value of Mutual and other funds is based on quoted price. Derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in the marketplace. The fair value of equity instruments and preference instruments is based on inputs that are not based on observable market data.

III. Financial risk management:

Financial risk factors:

The Company's activities are exposed to a variety of financial risks: market risk, credit risk, and liquidity risk. The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The primary market risk to the Company is foreign exchange risk. The Company uses derivative financial instruments to mitigate foreign exchange related risk exposures. The Company's exposure to credit risk is influenced mainly by the individual characteristic of each customer and the concentration of risk from the top few customers.

a) Market risk

The Company operates internationally and a major portion of the business is transacted in several currencies and consequently the Company is exposed to foreign exchange risk through its services from India for contracts in the overseas geographies, primarily in the United States of America and United Kingdom and purchases from overseas suppliers in foreign currencies. The Company holds derivative financial instruments such as foreign exchange forward and option contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The exchange rate between the Indian rupee and foreign currencies has changed substantially in recent years and may fluctuate substantially in the future. Consequently, the results of the Company's operations may be affected as the Rupee fluctuates against these currencies.

Notes to the Financial Statements
as at 31 March 2018

(Currency: In INR millions)

The following table analyzes foreign currency risk as of 31 March 2018:

	USD	GBP	PHP	Others*	Total
Total financial assets	**3,308.85**	**2,522.49**	**57.45**	**0.11**	**5,888.91**
Total financial liabilities	**(111.88)**	**(6.32)**	**30.11**	**-**	**(88.10)**

*Others includes LKR, AUD, etc

The following table analyses foreign currency risk as of 31 March 2017:

	USD	GBP	PHP	Others*	Total
Total financial assets	2,553.00	1,153.05	4.15	0.25	3,710.45
Total financial liabilities	1,998.77	94.44	29.21	4.91	2,127.34

*Others includes LKR, AUD, etc

5% appreciation/ depreciation of the respective foreign currencies with respect to functional currency would result in increase/decrease in the Company's profit before tax by approximately INR 295.14 for the year ended 31 March 2018 (31 March 2017 : INR 117.22).

Derivative financial instruments

The Company holds derivative financial instruments such as foreign currency forward contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank. These derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in the marketplace.

The following table gives details in respect of outstanding foreign currency forward contracts:

Particulars	**31 March 2018**		31 March 2017	
Forward contracts				
in USD	**55.22**	**3,677.08**	65.42	4,355.84
in GBP	**108.12**	**10,993.13**	53.90	4,594.10
Total	**163.34**	**14,670.21**	119.32	8,949.94

The foreign exchange forward contracts mature within sixty months.

The table below analyzes the derivative financial instruments into relevant maturity grouping based on the remaining period as of the balance sheet date:

Particulars	**31 March 2018**	31 March 2017
Forward contracts in USD		
Not later than one month	**1,674.81**	1,686.39
Later than one month and not later than three months	**265.37**	379.85
Later than three months	**1,736.90**	2,289.60
	3,677.08	4,355.84

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Particulars	31 March 2018	31 March 2017
Forward contracts in GBP		
Not later than one month	**765.97**	901.44
Later than one month and not later than three months	**685.49**	393.25
Later than three months	**9,541.67**	3,299.41
	10,993.13	4,594.10

The movement in Hedging Reserve, for derivatives designated as cash flow hedges is as follows:

Particulars	31 March 2018	31 March 2017
Balance at the beginning of the period	**654.15**	444.18
Changes in the fair value of effective portion of cash flow hedges	**(986.88)**	347.58
Deferred tax movement	**354.34**	(346.20)
(Gains)/Losses transferred to statement of profit and loss on occurrence of forecasted hedge transaction	**(82.39)**	208.59
Balance at the end of the period	**(60.78)**	654.15

The following table summarises approximate gains / (loss) on the Company's other comprehensive income on account of appreciation/ depreciation of underlying foreign currencies:

	31 March 2018	31 March 2017
5% appreciation of the underlying foreign currencies	**(627.44)**	(482.09)
5% Depreciation of the underlying foreign currencies	**691.79**	379.07

b) Credit risk

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to INR 5,647.40 as at 31 March 2018 (31 March 2017: INR 3,719.34) and unbilled revenue amounting to INR 179.20 as at 31 March 2018 (31 March 2017 : INR 204.12). Trade receivables and unbilled revenue are typically unsecured and are derived from revenue earned from customers primarily located in the United States, United Kingdom and other locations. Credit risk has always been managed by the Company by continuously monitoring the credit worthiness of customers to which the Company grants credit terms in the normal course of business.

c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

The table below provides details regarding the contractual maturities of significant financial liabilities as of 31 March 2018 and 31 March 2017:

	31 March 2018		31 March 2017	
	Less than 1 Year	More than 1 year	Less than 1 Year	More than 1 year
Trade payables	**275.62**	**-**	338.53	-
Export finance, Line of credit	**-**	**-**	619.25	-
Other borrowings	**83.87**	**78.61**	561.93	676.60
Other financial liabilities	**423.78**	**161.46**	296.64	-

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as at 31 March 2018

(Currency: In INR millions)

22. 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 lessor and lessee. Expenses under non-cancellable operating leases for the year ended 31 March 2018 aggregated to INR 207.94 (31 March 2017: INR 435.29).

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

	As at 31 March 2018	As at 31 March 2017
Amount due within one year from the balance sheet date	245.93	295.33
Amount due in the period between one year and five years	392.95	313.86
Amount due in the period beyond five years	16.55	37.58
	655.43	646.77

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. Expenses under cancellable operating leases for the year ended 31 March 2018 is INR 106.54 (31 March 2017: INR 399.90).

Finance lease

The Company has acquired certain capital assets under finance lease. Future minimum lease payments under finance lease as at 31 March 2018 are as follows:

	Minimum lease payments	Finance charges	Present value of minimum payments
As at 31 March 2018			
Amount payable within one year from the balance sheet date	-	-	-
Amount payable in the period between one year and five years	-	-	-
	-	-	-
As at 31 March 2017			
Amount payable within one year from the balance sheet date	7.34	0.66	6.69
Amount payable in the period between one year and five years	-	-	-
	7.34	0.66	6.69

The Company has given vehicles on finance lease to its employees as per policy. As at 31 March 2018, the future minimum lease rentals receivable are as follows:

	Minimum lease payments	Finance charges	Present value of minimum payments
As at 31 March 2018			
Amount receivable within one year from the balance sheet date	**18.05**	**3.08**	**14.97**
Amount receivable in the period between one year and five years	**29.76**	**2.56**	**27.20**
	47.81	**5.64**	**42.17**
As at 31 March 2017			
Amount receivable within one year from the balance sheet date	14.23	2.43	11.80
Amount receivable in the period between one year and five years	17.68	1.92	15.76
	31.91	4.35	27.56

Notes to the Financial Statements

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(Currency: In INR millions)

23. Employee stock option plan

Employee stock option scheme 2003 ('Scheme 2003')

The Employee Stock Option Scheme 2003 ('the Scheme') approved by the Board of Directors and the members of the Company and administered by the Nomination and Remuneration Committee ('the Committee') is effective October 11, 2003. The key terms and conditions included in the scheme are in line with Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (as amended by SEBI (shared based employee benefits) Regulations, 2014). As per the Scheme, the Committee issued stock options to the identified employees at an exercise price equal to the fair value on the date of grant and the stock options would vest in tranches over a period of four years as stated below and shall be exercised within a period of ten years from the date of the grant of the options.

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	25.00
End of 18 months from the date of grant of options	12.50
End of 24 months from the date of grant of options	12.50
End of 30 months from the date of grant of options	12.50
End of 36 months from the date of grant of options	12.50
End of 42 months from the date of grant of options	12.50
End of 48 months from the date of grant of options	12.50

Notes to the Financial Statements

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(Currency: In INR millions)

Employee stock option activity under Scheme 2003 is as follows:

Description	Exercise Range	31 March 2018 Shares arising out of options	31 March 2018 Weighted Average period in months	31 March 2017 Shares arising out of options	31 March 2017 Weighted Average period in months
Outstanding at the beginning of the year	00.00- 30.00	**10,652,500**	**77.34**	18,049,075	77.34
	30.01- 60.00	**7,977,687**	**61.89**	7,646,842	61.89
	60.01- 90.00	**640,000**	**14.91**	800,000	14.91
		19,270,187		26,495,917	
Granted during the year	00.00- 30.00	**-**		-	
	30.01- 60.00	**3,400,000**		3,350,000	
	60.01- 90.00	**-**		-	
		3,400,000		3,350,000	
Forfeited during the year	00.00- 30.00	**191,490**		795,510	
	30.01- 60.00	**729,403**		816,988	
	60.01- 90.00	**-**		60,000	
		920,893		1,672,498	
Exercised during the year*	00.00- 30.00	**4,687,375**		6,601,065	
	30.01- 60.00	**527,107**		1,392,360	
	60.01- 90.00	**-**		-	
		5,214,482		7,993,425	
Expired during the year	00.00- 30.00	**-**		-	
	30.01- 60.00	**370,000**		1,009,807	
	60.01- 90.00	**640,000**		100,000	
		1,010,000		1,109,807	
Outstanding at the end of the year	00.00- 30.00	**5,773,635**	**57.79**	10,652,500	66.81
	30.01- 60.00	**9,751,177**	**88.18**	7,977,687	69.71
	60.01- 90.00	**-**	**-**	640,000	5.43
		15,524,812		19,270,187	
Exercisable at the end of the year	00.00- 30.00	**5,422,385**	**56.73**	8,652,500	63.00
	30.01- 60.00	**3,594,591**	**60.23**	2,442,694	47.71
	60.01- 90.00	**-**	**-**	640,000	6.73
		9,016,976		11,735,194	

* The weighted average share price of these options was INR 19.45 and INR 19.74 for the year ended 31 March 2018 and 31 March 2017 respectively.

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

	31 March 2018	31 March 2017
Dividend yield	**0%**	0%
Expected Life	**5.5-7 years**	5.5-7 years
Risk free interest rate	**6.50% to 9.06%**	6.50% to 9.06%
Volatility	**0% to 75%**	0% to 75%
Model Used	**Black & Scholes**	Black & Scholes

Notes to the Financial Statements
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(Currency: In INR millions)

The expense arises from equity settled share based payment transaction amounting to INR 46.63 and INR 39.41 for the year ended 31 March 2018 and 31 March 2017 respectively. The cost related to employee stock options of its subsidiary companies is recognised as addition to investment. Accordingly, the amount of INR 6.18 and INR 6.68 is recognised as investments in Firstsource Solutions UK Limited for the year 31 March 2018 and 31 March 2017 respectively. INR 14.41 and INR 10.02 is recognised as investment in Firstsource Group USA Inc. for the year 31 March 2018 and 31 March 2017 respectively.

24. Related party transactions

Details of related parties including summary of transactions entered into during the year ended 31 March 2018 are summarized below:

Ultimate Holding Company	CESC Limited
Holding Company	Spen Liq Private Limited (Spen Liq)
Fellow Subsidiary Companies	Spencer Retail Limited (Spencer)
	Omnipresent Retail India Private Limited (Omnipresent)
	New Rising Promoters Private Limited
Subsidiaries wherein control exists	The related parties where control exists are subsidiaries as referred to in Note 1 to the financial statements.
Associate	Nanobi Data and Analytics Private Limited (Nanobi)
Key Managerial Personnel	Rajesh Subramaniam
	Dinesh Jain
Non- executive Directors	Sanjiv Goenka
	Charles Miller Smith
	Y.H. Malegam
	Pradip Roy
	Subrata Talukdar
	Shashwat Goenka
	Donald W. Layden, Jr.
	V. K. Sharma
	Pradip Kumar Khaitan
	Grace Koshie

Particulars of related party transactions:

Name of the related party	Description	Transaction value during the year ended		Receivable / (Payable) as at	
		31 March 2018	31 March 2017	**31 March 2018**	31 March 2017
FSL UK	Income from services	**2,013.16**	1,749.43	**2,340.46**	1,002.85
	Reimbursement of expenses	**3.13**	14.44	**-**	-
	Recovery of expense	**166.43**	150.69	**30.41**	176.78
	Receipt of services	**54.55**	460.31	**(82.08)**	(119.99)
	Parental guarantee commission	**16.61**	11.36	**16.61**	11.36
FAL	Income from services	**518.65**	487.96	**379.47**	218.58
	Reimbursement of expenses	**0.08**	-	**-**	-
	Recovery of expense	**32.21**	29.61	**51.29**	90.19
Medassist	Income from services	**128.30**	101.65	**93.99**	30.02
	Reimbursement of expenses	**-**	0.01	**-**	-
	Recovery of expense	**66.00**	59.93	**76.95**	77.35
FG US	Income from services	**689.77**	680.81	**720.50**	312.28
	Reimbursement of expenses	**0.26**	0.05	**-**	-
	Recovery of expense	**1.29**	4.07	**(112.09)**	46.81
	Parental guarantee commission	**48.73**	57.92	**48.73**	57.92

Notes to the Financial Statements

for the year ended 31 March 2018

(Currency: In INR millions)

Particulars of related party transactions:

Name of the related party	Description	Transaction value during the year ended		Receivable / (Payable) as at	
		31 March 2018	31 March 2017	**31 March 2018**	31 March 2017
FTS	Income from services	**1,123.09**	1,076.27	**1,110.55**	885.92
	Recovery of expense	**75.10**	57.97	**28.28**	54.59
	Reimbursement of expenses	**4.51**	3.48	**-**	-
FSL Ireland	Parental guarantee commission	**-**	4.13	**-**	4.13
OAL	Income from services	**0.50**	-	**0.51**	-
ISGN- FFS	Recovery of expense	**2.62**	7.73	**0.67**	2.52
	Income from Services	**796.65**	994.64	**949.15**	976.58
ISGN-SOL	Recovery of expense	**0.26**	15.84	**(0.06)**	(8.26)
ISGN	Reimbursement of expenses	**0.06**	5.57	**-**	-
Nanobi	Investments	**18.00**	25.00	**-**	-
	Receipt of services	**0.19**	5.83	**-**	-
CESC Limited	Income from services	**12.59**	21.00	**-**	1.60
Spencer	Income from services	**2.62**	7.73	**-**	2.02
	Receipt of services	**-**	1.91	**-**	(0.50)
New Rising Promoters Private Limited	Recovery of expense	**1.56**	1.05	**-**	-
Non-executive directors	Sitting fees	**5.75**	5.60	**-**	-
Key Managerial Personnel	Remuneration*	**92.02**	62.38	**-**	-

The sales to and purchases from related parties are made on terms equivalent to that prevailing in arm's length transactions.

*Excludes ESOP, gratuity and compensated absences.

Description	For the year ended	
	31 March 2018	31 March 2017
Rajesh Subramaniam	**71.29**	45.99
Dinesh Jain	**20.73**	16.39

25. Employee benefits

The Company has a defined benefit gratuity plan in India (funded). The Company's defined benefit gratuity plan is a final salary plan for employees, which requires contributions to be made to a separately administered fund.

The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the Act, Indian employee who has completed five years or more of service is entitled to specific benefit. The level of benefits provided depends on the member's length of service and salary at retirement age. The fund has the form of a trust and it is governed by the Board of Trustees, which consists of an equal number of employer and employee representatives. The Board of Trustees is responsible for the administration of the plan assets and for the definition of the investment strategy.

Each year, the Board of Trustees reviews the level of funding in the India gratuity plan. Such a review includes the asset-liability matching strategy and investment risk management policy. This includes employing the use of annuities and longevity swaps to manage the risks. The Board of Trustees decides its contribution based on the results of this annual review. Generally, investments are in debt mutual funds. Annual contributions are at a level such that no plan deficits (based on valuation performed) will arise.

a) Gratuity plan

The following table sets out the status of the gratuity plan:

Reconciliation of opening and closing balances of the present value of the defined benefit obligation and fair value of planned assets:

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(Currency: In INR millions)

Particulars	31 March 2018	31 March 2017
Change in present value of obligations		
Obligations at beginning of the year	**116.70**	113.20
Service cost	**22.63**	20.56
Interest cost	**6.85**	6.94
Actuarial (gain)/loss	**(20.05)**	0.33
Benefits paid	**(28.31)**	(24.33)
Obligations at the end of the year	**97.82**	116.70
Change in plan assets		
Fair value of plan assets at beginning of the year	**21.48**	22.43
Adjustments to opening fair value of plan assets	**(2.74)**	0.44
Return on plan assets excluding interest income	**(0.42)**	(0.26)
Interest income	**1.64**	1.61
Contributions	**54.43**	21.60
Benefits paid	**(28.30)**	(24.34)
Fair value of plan assets at end of the year	**46.09**	21.48
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	**97.82**	116.70
Fair value of plan assets at the end of year	**(46.09)**	(21.48)
Funded status being amount of liability recognised in the balance sheet	**51.73**	95.22
Gratuity cost for the year		
Service cost	**22.63**	20.56
Net Interest cost	**5.21**	5.32
Net gratuity cost	**27.84**	25.88
Remeasurements of the net defined benefit liability/ (asset)		
Actuarial (gains) / losses	**(20.05)**	0.33
(Return)/loss on plan assets excluding amounts included in the net interest on the net defined benefit liability/ (asset)	**0.42**	0.26
Total actuarial (gain)/loss recognized in (OCI)	**(19.63)**	0.59
Category of Assets	**Total Amount**	Target Allocation %
Gartuity Fund (LIC of India, ICICI Prudential Insurance Company and Birla Sunlife Insurance Co. Ltd)	**31.67**	100%
Total Itemized Assets	**31.67**	100%
Assumptions		
Mortality	**IALM (2006-08) Ult.**	IALM (2006-08) Ult.
Interest rate	**7.60%**	6.68%
Rate of growth in salary levels	**5.00%**	5.00%
Employee Attrition Rate	**25% reducing to 2% for over 20 years of service**	25% reducing to 2% for over 20 years of service

Since the scheme funds are invested with LIC of India, ICICI Prudential Insurance Company & Birla Sunlife Insurance Co. Ltd., EROA is based on rate of return declared by fund managers.

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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.

The Company continues to fund to the trust in next year by reimbursing the actual payouts.

Gratuity cost, as disclosed above, is included under 'Employee benefit expense'.

b) Contribution to Provident fund

The provident fund charge during the year amounts to INR 138.99 (31 March 2017: INR 173.32).

c) Compensated absences

Actuarial assumptions	31 March 2018	31 March 2017
Interest rate	**7.60%**	6.68%
Rate of growth in salary levels	**5.00%**	5.00%

26. Segment reporting

As per Ind AS 108- Operating Segment, if a financial report contains both consolidated financial statements of a parent that is within the scope of this Ind AS as well as the parent's separate financial statements, segment information is required only in the consolidated financial statements. Accordingly, information required to be presented under Ind AS 108- Operating Segment has been given in the consolidated financial statements of the Company.

27. Computation for calculating diluted earnings per share

	Year ended	
	31 March 2018	31 March 2017
Number of shares considered as basic weighted average shares outstanding	**683,343,271**	676,262,213
Add: Effect of potential issue of shares/ stock options *	**6,271,705**	9,400,038
Number of shares considered as weighted average shares and potential shares outstanding	**689,614,976**	685,662,251
Net profit after tax attributable to shareholders	**1,919.16**	1,884.59
Net profit after tax for diluted earnings per share	**1,919.16**	1,884.59
* Not considered when anti-dilutive		

28. Capital and other commitments and contingent liabilities

	As at	
	31 March 2018	31 March 2017
a) The estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	**168.89**	93.75
b) Claims not acknowledged as debts	**1.35**	1.35
c) Guarantees given to the Government of India, Customs and Central excise department in relation to future duty obligation and letter of credit given	**11,123.15**	14,141.54
d) The Company has a purchase commitment towards Nanobi Data and Analytics Private Limited for the Optionally Convertible Debentures of INR 100 per unit of 1,20,000 units.	**12.00**	-

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Guarantees

	31 March 2018	31 March 2017
Guarantees given for working capital facilities and finance lease on behalf of Firstsource Solution UK Limited (FSL-UK)	**3,321.99**	3,950.09
Guarantees given for credit facilities and term loans on behalf of Firstsource Group USA, Inc. (FG US)	**7,788.41**	10,173.45
Guarantees given to the Government of India, Customs and Central excise department in relation to future duty obligation	**12.75**	18.00

Direct tax matters

Income tax demands amounting to INR 920.66 (31 March 2017: INR 1,197.93) for the various assessment years are disputed in appeal by the Company in respect of which it has favorable decisions supporting its stand based on the past assessment or otherwise and hence, the provision for taxation is considered adequate. The Company has paid INR 10.38 (31 March 2017: INR 10.38) tax under protest against the demand raised for the assessment year 2004-05, INR 12.50 (31 March 2017: INR 12.50) tax under protest against the demand raised for the assessment year 2009-10, INR 80.00 (31 March 2017: INR 80.00) tax under protest against the demand raised for the assessment year 2011-12.

Indirect tax matters

Service tax demands amounting to INR 172.12 (31 March 2017: INR 172.11) in respect of service tax input credit and FCCB issue expenses is disputed in appeal by the Company. The Company expects favourable appellate decision in this regard.

The Company's pending litigations comprise of claims against the Company and pertaining to proceedings pending with Income tax and service tax. The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable, in the financial statements. The Company does not expect the outcome of these proceedings to have a materially adverse effect on its financial statements.

29. Long-term contracts

The Company has a process whereby yearly all long-term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that adequate provision as required under any law / Accounting Standards for material foreseeable losses on such long term contracts (including derivative contracts) has been made in the books of account.

30. Corporate social responsibility (CSR)

As per Section 135 of the Companies Act, 2013, a CSR trust has been formed by CESC Limited, Ultimate Holding Company. The areas identified by the CSR trust includes activities for promoting healthcare, art / culture, sports and education as the four priority areas to be pursued in phases and in a manner aligned with the CSR rules and regulations. Significant value of the funds have been contributed by the Company to the trust and are to be utilised on the activities which are specified in Schedule VII to the Act.

a) Gross amount required to be spent by the Company during the year is INR 34.52 (31 March 2017: INR 30.03)

b) Amount spent by Firstsource during the year on:

Particulars	**Amount paid**	**Amount yet to be paid***	**Total**
Construction/ acquisition	-	-	-
On purposes other than (i) above	34.10	0.42	34.52

* INR 0.42 is paid on 04 May 2018

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31. Micro, small and medium enterprises

Under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, which came into force from 2 October 2006, and on the basis of the information and records available with the Company, the following disclosures are made for the amounts due to the Micro and Small enterprises:

Particulars	31 March 2018	31 March 2017
The amounts remaining unpaid to micro and small suppliers as at the end of the year		
Principal	-	-
Interest	-	-
Amount of interest paid by the Company in terms of section 16 of the MSMED Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year	-	-
Amount of interest due and payable for the year 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 Act, 2006	-	-
Amount of interest accrued and remaining unpaid at the end of the accounting year		
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the MSMED Act, 2006	-	-

32. Subsequent events

Dividends

The Board of Directors at its meeting held on 7 May 2018 have recommended a maiden dividend of INR 1.50 per equity share for the Financial Year ended 31 March 2018, subject to approval of shareholders at the Annual General Meeting.

As per our report of even date attached.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
Firm's Registration No. 117366W/W-100018

Sanjiv V. Pilgaonkar
Partner
Membership No: 39826

Kolkata
7 May 2018

For and on behalf of the Board of Directors of Firstsource Solutions Limited

Sanjiv Goenka
Chairman

Rajesh Subramaniam
Managing Director & CEO

Shashwat Goenka
Director

Y. H. Malegam
Director

Charles Miller Smith
Director

V.K. Sharma
Director

Donald W. Layden Jr.
Director

Subrata Talukdar
Director

Pradip Kumar Khaitan
Director

Pradip Roy
Director

Grace Koshie
Director

Kolkata
7 May 2018

Pooja Nambiar
Company Secretary

Dinesh Jain
President & CFO

Notice

NOTICE is hereby given that the 17th Annual General Meeting of the Members of Firstsource Solutions Limited will be held on Monday, August 6, 2018 at 3:30 p.m. at Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai- 400 025 to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt:
   a) the audited financial statements of the Company for the financial year ended March 31, 2018 along with the reports of the Board of Directors and the Auditors thereon; and

   b) the audited consolidated financial statement of the Company and its subsidiaries for the financial year ended March 31, 2018 along with the report of the Auditors thereon.

2. To declare a final maiden dividend for the FY2017-18.

3. To appoint a Director in place of **Mr. Subrata Talukdar** (DIN 01794978), who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS:

4. RE-APPOINTMENT OF MR. PRADIP ROY AS AN INDEPENDENT DIRECTOR OF THE COMPANY:

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

"RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 ("the Act") and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification/(s) or re-enactment/(s) thereof for the time being in force) and the applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification/(s) or re-enactment/(s) thereof, for the time being in force), Mr. Pradip Roy (DIN 00026457), a Director of the Company, be and is hereby re-appointed as an Independent Director, not liable to retire by rotaion, on the Board of Directors of a Company for a term of three (3) consecutive years i.e. up to the conclusion of the 20th Annual General Meeting of the Company to be held for the FY2020-21.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

5. APPOINTMENT/ CONTINUATION OF MR. PRADIP KUMAR KHAITAN AS A DIRECTOR OF THE COMPANY:

To consider and if thought fit, to pass the following resolution as a **Special Resolution:**

"RESOLVED THAT pursuant to Regulation 17(1A) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 effective from April 1, 2019, approval of shareholders of the Company be and is hereby granted to the Company continuing the directorship of Mr. Pradip Kumar Khaitan (DIN 00004821), in the capacity of a Non-Executive and Non-Independent Director, liable to retire by rotation.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

6. APPOINTMENT/ CONTINUATION OF MR. CHARLES MILLER SMITH AS A DIRECTOR OF THE COMPANY:

To consider and if thought fit, to pass the following resolution as a **Special Resolution:**

"RESOLVED THAT pursuant to Regulation 17(1A) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 effective from April 1, 2019, approval of shareholders of the Company be and is hereby granted to the Company continuing the directorship of Mr. Charles Miller Smith (DIN 00950635), in the capacity of a Non-Executive and Independent Director, not liable to retire by rotation.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

By Order of the Board of Directors

Pooja Nambiar
Company Secretary & Compliance Officer
ACS No.: 14055

Firstsource Solutions Limited
CIN: L64202MH2001PLC134147
Registered Office:
5th Floor, Paradigm 'B' Wing, Mindspace, Link Road,
Malad, (West), Mumbai- 400 064, India

Tel : +91-22-66660888, Fax: +91-22-66660887
www.firstsource.com
Email:complianceofficer@firstsource.com

June 29, 2018

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND, ON A POLL, TO VOTE ON HIS BEHALF. [A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES INORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING]. Pursuant to the provisions of Section 105 of the Companies Act, 2013, a person can act as a proxy on behalf of members not exceeding 50 and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. In case a proxy is proposed to be appointed by a member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder.

2. Corporate members intending to send their authorised representatives to attend the 17th Annual General Meeting ("AGM") are requested to send a certified true copy of the appropriate resolution/ authority, as applicable, authorising their representatives to attend and vote on their behalf at the AGM.

3. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, July 30, 2018 to Monday, August 6, 2018 (both days inclusive) for the purpose of payment of the final maiden dividend for the FY2017-18 and the date of the Annual General Meeting.

4. Members whose shareholding is in electronic mode are requested to direct change of address notification and updates of bank account details to their respective depository participant/(s). Members are requested to utilize the Electronic Clearing System (ECS) for receiving dividends.

5. SEBI has decided that securities of listed companies can be transferred only in dematerialised form and therefore members are requested to note that to avail various benefits of dematerialisation, members are advised to dematerialise shares held by them in physical form.

6. Subject to the provision of the Act, dividend of INR 1.50 per fully paid equity share as recommended by the Board, if declared at the meeting, will be paid within a period of 30 days from the date of declaration, to those members whose names appear on the Register of Members as on Monday, July 30, 2018.

7. Members are requested to address all correspondence, including on matters relating to dividends, to the Registrar and Share Transfer Agents, 3i Infotech Limited Tower # 5, 3rd to 6th Floor, International Infotech Park, Vashi, Navi Mumbai – 400 703.

8. Members wishing to claim dividends that remain unclaimed are requested to correspond with the Registrar and Share Transfer Agent as mentioned above. Members are requested to note that dividends that are not claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will, as per Section 124 of the Act, be transferred to the Investor Education and Protection Fund (IEPF).

9. The Statement pursuant to Section 102 (1) of the Companies Act, 2013 in respect of the Special businesses under the Notice is amended hereto. All the documents referred to in the Notice 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 up to the date of the AGM.

10. Members are requested to bring their duly filled Attendance Slip along with the copy of the Annual Report at the AGM.

11. 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.

12. Members holding shares in electronic (dematerialised) form are advised to send the request/(s) for change pertaining to their bank details, National Electronic Clearing Service (NECS), Electronic Clearing Service (ECS), Mandates, Nomination, Power of Attorney, Change of Address, Change of Name, Email Address, Contact Numbers etc. to their respective Depository Participant (DP). Changes intimated to the DP will then be automatically reflected in the Company's records which will help the Company and its Transfer Agents to provide efficient and better services. The Company or its Registrars cannot act on any such requests received directly from the members holding shares in electronic form.

13. To prevent fraudulent transactions, members are advised to exercise due diligence and notify the Company of any change in address or demise of any member as soon as possible. Members are also advised not to leave their demat account/(s) dormant for long. Periodic statement of holdings should be obtained from the concerned Depository Participants and holdings should be verified.

14. Pursuant to the requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the information/ brief profiles about the Directors proposed to be re-appointed at the AGM are given in the Annexure to this Notice.

15. 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.

    The Notice of the AGM along with the Annual Report for

FY2017-18 is being sent by electronic mode to those Members whose email addresses are registered with the Company/ Depository Participants unless any Member has requested for a physical copy of the same. For Members who have not registered their email addresses, physical copies are being sent by the permitted mode. To support the 'Green Initiative', the Members who have not registered their email addresses, are requested to register the same with their Depository Participants. Members holding shares in physical mode are requested to register their email addresses with the Registrar & Transfer Agent of the Company.

16. Voting through Electronic means:

(a) In compliance with the provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is pleased to provide to the members the remote e-Voting facility to exercise their right to vote on resolutions proposed to be considered at the AGM. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") will be provided by Central Depository Services (India) Limited (CDSL);

(b) The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper;

(c) The Members who have cast their vote by remote e-voting prior to the meeting may also attend the meeting but shall not be entitled to cast their vote again;

(d) The remote e-voting period will commence on Thursday, August 2, 2018 at 9.00 a.m. and will end on Sunday, August 5, 2018 at 5.00 p.m. During this period, the members of the Company, holding shares either in physical form or in dematerialised form, as on the cut-off date of Monday, July 30, 2018 may cast their vote by remote e-voting. The remote e-voting module shall be disabled by CDSL for voting on Sunday, August 5, 2018 at 5.00 p.m. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently;

(e) The Company has appointed Rathi & Associates, Company Secretary in whole time practice (email: associates.rathi8@gmail.com), to act as the Scrutinizer for conducting the electronic voting process and voting at the AGM in a fair and transparent manner;

(f) The process and manner for remote e-voting are as under:

(i) The shareholders should log on to the e-voting website www.evotingindia.com.

(ii) Click on Shareholders/ Members.

(iii) Now Enter your User ID.
   a. For CDSL: 16 digits beneficiary ID.
   b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID.
   c. Members holding shares in Physical Form should enter Folio Number registered with the Company.

(iv) Next enter the Image Verification as displayed and Click on Login.

(v) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.

(vi) If you are a first time user follow the steps given below:

	For Members holding shares in Demat Form and Physical Form
PAN	• Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (applicable for both demat shareholders as well as physical shareholders). • Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and 8 digit of the sequence number in their PAN field.
Dividend Bank Details OR Date of Birth (DOB)	• Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login. • If both the details are not recorded with the depository or company please enter the user id/ folio number in the Dividend Bank details field as mentioned in instruction (iii).

(vii) After entering these details appropriately, click on "SUBMIT" tab.

(viii) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is also to be used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

(ix) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

(x) Click on the EVSN of Firstsource Solutions Limited which is 180705006

(xi) On the voting page, you will see "RESOLUTION DESCRIPTION" and against each resolution the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

(xii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.

(xiii) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.

(xiv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.

(xv) You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.

(xvi) If a demat account holder has forgotten the changed login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

(xvii) Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively. Please follow the instructions as prompted by the mobile app while voting on your mobile.

(xviii) Note for Non – Individual Shareholders and Custodians:

Non-Individual shareholders (i.e. other than Individuals, HUF, NRI, etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.

A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.

- After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.

  The list of accounts linked in the login should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.

- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

  In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.

(xix) Institutional members (i.e. members other than individuals, HUF, NRIs, etc.) are also required to send scanned copy (PDF/ JPG format) of the relevant Board Resolution/ Authority Letter etc. together with the attested specimen signature/(s) of the duly authorised signatory/ (ies) who are authorised to vote, to the Scrutinizer Rathi & Associates through email at: associate.rathi8@gmail.com.

(xx) Members have an option to vote either through e-voting or casting a vote at the Meeting. If a Member has opted for e-voting, then he should not cast his vote at the Meeting also and vice-versa. However, in case, a Member has cast his vote at the Meeting and also by e-voting, then voting done through e-voting shall prevail and voting done at the Meeting shall be treated as invalid.

(xxi) The voting rights of members shall be in proportion to their shares in the paid up equity share capital of the Company as on the cut-off date of Monday, July 30, 2018.

(xxii) Any person, who acquires shares of the Company and becomes member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. Monday, July 30, 2018, should follow the same procedure for e-Voting as mentioned above.

(xxiii) A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility either of remote e-voting or voting at the AGM through ballot paper.

(xxiv) The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of the Scrutinizer, by use of "Ballot Paper" for all those members who are present at the AGM but have not cast their votes by availing the remote evoting facility.

(xxv) The Scrutinizer shall, after the conclusion of voting at the AGM, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of atleast two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the AGM, a consolidated Scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorised by the Chairman in writing, who shall countersign the same and declare the result of the voting forthwith.

(xxvi) The Results declared along with the report of the Scrutinizer shall be placed on the website of the Company viz: www.firstsource.com and on the website of CDSL e-Voting immediately after the declaration of result by the Chairman or a person authorised by him in writing. The results shall also be immediately forwarded to the BSE Limited and National Stock Exchange of India Limited, Mumbai.

EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS OF SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 4

Mr. Pradip Roy was appointed as an Independent Director by the Board of Directors of the Company pursuant to the provisions of Section 149 of the Companies Act, 2013 ("Act") read with the Companies (Appointment and Qualification of Directors) Rules, 2014 ("Rules") and Clause 49 of the erstwhile Listing Agreement with the Stock Exchanges. Mr. Pradip Roy holds the said office as an Independent Director up to the conclusion of the ensuing Annual General Meeting of the Company ("first term" in line with Sections 149(10) and 149(11) and the Explanation to Section 149(11) of the Act). Nomination and Remuneration Committee of the Board of Directors, on the basis of the report of performance evaluation of Independent Directors, has recommended re-appointment of Mr. Pradip Roy as an Independent Director for three (3) consecutive years on the Board of the Company. The Board, based on the performance evaluation of Independent Directors and as per the recommendation of the Nomination and Remuneration Committee, considers that, given his background and experience and contributions made by him during his tenure, the continued association of Mr. Pradip Roy would be beneficial to the Company and, accordingly, it is desirable to continue to avail his service as an Independent Director.

Accordingly, it is proposed to re-appoint Mr. Pradip Roy as an Independent Director of the Company, not liable to retire by rotation and to hold office for three (3) consecutive years effective for a term upto the conclusion of the 20th (Twentieth) Annual General Meeting of the Company to be held for the FY2020-21. Section 149 of the Act and provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations 2015 ("Listing Regulations") inter alia prescribe that an independent director of a company shall meet the criteria of independence as provided in Section 149(6) of the Act. Section 149(10) of the Act provides that an independent director shall hold office for a term up to five consecutive years on the Board and shall be eligible for re-appointment on passing a special resolution by the Company and disclosure of such appointment in its Board's report. Section 149(11) provides that an independent director may hold office up to two consecutive terms. Mr. Pradip Roy is not disqualified from being appointed as Director in terms of Section 164 of the Act and has given his consent to act as an Independent Director.

Brief resume of Mr. Pradip Roy is given in the Annexure to this Notice.

Mr. Pradip Roy has given a declaration to the Board that he meets the criteria of independence as provided under Section 149(6) of the Act. In the opinion of the Board, Mr. Pradip Roy has fulfilled the conditions specified in the Act and the Rules framed thereunder for appointment as an Independent Director and is independent of the management.

Copy of the draft letter of appointment of Mr. Pradip Roy, setting out the terms and conditions of appointment is available for inspection by members at the Registered Office of the Company. Mr. Pradip Roy may deemed to be concerned or interested in the resolution for his appointment. None of the other Directors and Key Managerial Personnel of the Company or their relatives is concerned or interested in the said Resolution in the accompanying Notice. In compliance with the provisions of Section 149 read with Schedule IV of the Act, the appointment of Mr. Pradip Roy as an Independent Director is now being placed before the Members for their approval. The Board recommends the appointment of Mr. Pradip Roy as an Independent Director on the Board of the Company as set out at Item No. 4 of the Notice for approval by the Members.

Item Nos. 5 & 6

As per the Report submitted by Uday Kotak Committee to Securities and Exchange Board of India (SEBI) on recommendation for amendments to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR"), SEBI vide its Notification dated May 9, 2018 notified Securities and Exchange Board of India (Listing Obligations And Disclosure Requirements) (Amendment) Regulations, 2018.

The said Amendment Regulation also includes amendment in Regulation 17 of the said LODR wherein a new Sub Regulation 17(1A) has been introduced with effect from April 1, 2019 which reads as under:

"No listed entity shall appoint a person or continue the directorship of any person as a non-executive director who has attained the age of seventy five (75) years unless a special resolution is passed to that effect, in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such a person."

Mr. Pradip Kumar Khaitan, Non-Executive Non-Independent Director and Mr. Charles Miller Smith, Non-Executive Independent Director have been associated with the Company since November 14, 2014 and August 19, 2002 respectively and have both attained the age of more than seventy five (75) years.

As per the aforementioned regulation, approval from the members by way of a Special Resolution is required to enable them to continue as Directors after April 1, 2019.

Mr. Pradip Kumar Khaitan and Mr. Charles Miller Smith are both hugely experienced in corporate matters and they have been actively involved in all matters brought before the Board of Directors of the Company ('the Board') from time to time. Their advice has always benefited the Company and the Board.

In view of the aforesaid regulation, the Board and its Nomination and Remuneration Committee have recommended appropriate Resolutions for continuation of appointments of Mr. Pradip Kumar Khaitan and Mr. Charles Miller Smith as Non Executive Directors.

Brief resume of above named Directors is given in the Annexures hereto.

Both the above-named Directors may be deemed to be concerned or interested in the respective resolution for continuing their appointments. None of the other Directors and Key Managerial

Personnel of the Company or their relatives is concerned or interested in the respective resolution in the accompanying Notice.

The Board recommends the above Resolutions as set out at Item Nos. 5 & 6 respectively of the Notice for approval by the Members.

By Order of the Board of Directors

Pooja Nambiar
Company Secretary & Compliance Officer
ACS No.: 14055

Firstsource Solutions Limited
CIN: L64202MH2001PLC134147
Registered Office:
5th Floor, Paradigm 'B' Wing, Mindspace, Link Road,
Malad, (West), Mumbai- 400 064, India
Tel : +91-22-66660888, Fax: +91-22-66660887
www.firstsource.com
Email:complianceofficer@firstsource.com

June 29, 2018

ANNEXURE TO THE NOTICE

BRIEF PROFILE OF PERSON PROPOSED TO BE RE-APPOINTED AS DIRECTOR AT THE ENSUING ANNUAL GENERAL MEETING

A. **Mr. Subrata Talukdar** (DIN 01794978), aged 59 years, is a commerce graduate and an alumnus of the Kellogg School of Management, USA and Chartered Accountant in India. Mr. Talukdar began his career at the Indian arm of Coopers Lybrand, before switching over to the manufacturing sector handling the finance portfolio.

Mr. Talukdar is the President & CFO - Power Group of CESC Limited. He has been associated with the group for over three decades. Going beyond his core function of conventional finance, Mr. Talukdar also heads the Renewable Energy, Coal Mining and Power Trading business. He is also a core member of the corporate strategy team.

Mr. Talukdar represents Spen Liq Private Limited, Promoter, on the Board of Directors of the Company. He is a Director on the Boards of various companies namely Haldia Energy Limited, Dhariwal Infrastructure Limited, Crescent Power Limited, Surya Vidyut Limited, CESC Infrastructure Limited, CESC Projects Limited, CESC Green Power Limited, Kolkata Games & Sports Private Limited, New Rising Promoters Private Limited, Rubberwood Sports Private Limited, Bantal Singapore Pte. Limited and Rama Prasad Goenka Football Academy.

He is holding Memberships of the following Committees across all Public Limited companies, in which he is Director:

Name of the Company	Name of the Committee	Position held (Chairman/ Member)
Crescent Power Limited	1. Audit Committee	Chairman
Surya Vidyut Limited	1. Audit Committee	Chairman
CESC Infrastructure Limited	1. Remuneration Committee	Chairman
	2. Audit Committee	Member
Firstsource Solutions Limited	1. Stakeholders Relationship Committee	Chairman
	2. Audit Committee	Member
	3. Nomination & Remuneration Committee	Member
	4. CSR Committee	Member
	5. Investment Committee	Member
	6. Strategy Committee	Member

He does not hold any shares or stock options of the Company. He is not related to any other Director of the Company. He attended four (4) Board Meetings during the FY2017-18.

B. **Mr. Pradip Roy (DIN 00026457)**, aged 69 years, is a Certificated Associate of Indian Institute of Bankers (CAIIB), a Management graduate from Faculty of Management Studies, Delhi University and also holds a B.Sc. (Hons.) degree in Petroleum Engineering. He did his engineering from Indian Institute of Technology, Dhanbad (formerly known as Indian School of Mines, Dhanbad). He holds a certificate in Investment Appraisal & Management from Harvard University, Cambridge, USA. Mr. Roy joined the banking sector (Bank of India) as a Probationary Officer in 1972 and switched to IDBI in 1979.

Post retirement, Mr. Roy worked as an Advisor with UTI AMC Limited, with the Indian office of Lincoln International Advisors Private Limited, an American Investment Advisory firm, head quartered in Chicago and also as Senior Advisor to Gujarat Pipavav Defense and Offshore Engineering Company Limited.

Mr. Roy was a member of the Task Force for drawing-up the Business Plan of Infrastructure Development Finance Company Limited (IDFC) and member of the team that made presentation on the Business Plan of IDFC, to the World Bank/ IFC, in May, 1997. His paper on Indian power sector was selected by the World Energy Congress for personal presentation, at Buenos Aires, Argentina in October, 2001. In August 2010, Mr. Roy was selected by the Government of India for representing the financial sector as a member of sub-group on Shipping and Ports constituted under the aegis of Planning Commission.

Mr. Roy has extensively travelled across geographies on business commitments and has vast exposure to negotiations with overseas/ domestic clients, lenders, merchant bankers, law firms on matter related to Project finance and Investment banking. He also served as 'Nominee Director' of IDBI on various Investee Companies.

Mr. Roy is a Director on the Boards of various companies namely Phillips Carbon Black Limited, Precision Wires India Limited, Noida Power Company Limited, GVK Industries Limited, IL&FS Infra Asset Management Limited, GVK Gautami Power Limited, Mumbai International Airport Limited and Navi Mumbai International Airport Pvt. Ltd.

He is holding Memberships of the following Committees across all Public Limited companies, in which he is Director:

Name of the Company	Name of the Committee	Position held (Chairman/ Member)
Precision Wires India Limited	1. Audit Committee 2. Nomination & Remuneration Committee	Member Member
GVK Industries Limited	1. Audit Committee 2. Nomination & Remuneration Committee	Member Member
GVK Gautami Power Limited	1. Audit Committee 2. Nomination & Remuneration Committee	Member Member
Mumbai International Airport Limited	1. Audit Committee 2. Nomination & Remuneration Committee	Member Chairman
Phillips Carbon Black Limited	Audit Committee	Member
IL&FS Infra Asset Management Limited	1. Audit Committee 2. Investors Grievances & Redressal Committee 3. Risk Management Committee	Member Chairman Chairman
Firstsource Solutions Limited	1. Nomination & Remuneration Committee 2. Corporate Social Responsibility Committee	Member Member
Navi Mumbai International Airport Pvt. Ltd	1. Nomination & Remuneration Committee 2. Audit Committee	Member Member

Mr. Roy does not hold any shares or Stock Options in the Company. He is not related to any Director of the Company. He attended four (4) Board Meetings during the FY2017-18.

Mr. Pradip Kumar Khaitan (DIN 00004821), aged 77 years, is a B.Com, LL.B. and Attorney-at-law (Bell Chambers Gold Medalist). He has professional Affiliations with Bar Council of India, Bar Council of West Bengal, Indian Council of Arbitration, New Delhi and Incorporated Law Society of Calcutta. Mr. Khaitan is the Senior Partner of Khaitan & Co. and is widely regarded as amongst the most influential legal practitioners in India. With over 50 years of experience, Mr. Khaitan has advised on a wide range of transactions.

Mr. Khaitan's practice includes advising domestic business houses and International Corporations, Banks, Development Agencies and Governments on all aspects of commercial and corporate laws, taxation, joint ventures, IPOs, mergers & demergers, corporate governance, restructuring and insolvency issues. He regularly advises on strategic decisions and sensitive commercial and legal issues.

Mr. Khaitan represents Spen Liq Private Limited, the Promoter on the Board of Directors of the Company. Mr. Khaitan is a Director on the Board of Directors of several public listed Companies in India namely CESC Limited, Dalmia Bharat Limited, Dhunseri Petrochem Limited, Electrosteel Castings Limited, Emami Limited, Graphite India Limited, India Glycols Limited, OCL India Limited and Woodlands Multispeciality Hospital Limited.

He is holding Memberships of the following Committees across all Public Limited companies, in which he is Director:

Name of the Company	Name of the Committee	Position held (Chairman/ Member)
CESC Limited	1. Nomination & Remuneration Committee 2. Finance & Forex Committee 3. Risk Management Committee 4. Project Management Committee	Chairman Member Chairman Member
Dalmia Bharat Limited	1. Audit Committee cum Risk Management 2. Nomination & Remuneration Committee	Member Member
Dhunseri Petrochem Limited	1. Nomination & Remuneration Committee 2. Corporate Social Responsibility Committee	Member Chairman
Electrosteel Casting Limited	1. Nomination & Remuneration Committee 2. Audit Committee 3. Corporate Social Responsibility Committee	Member Member Member
Graphite India Limited	1. Stakeholders Relationship Committee 2. Nomination & Remuneration Committee 3. Committee for Borrowings	Member Chairman Member

India Glycols Limited	1. Audit Committee	Chairman
	2. Nomination & Remuneration Committee	Chairman
	3. CSR Committee	Member
	4. Committee of Directors	Member
	5. Ethics Committee for Code of Conduct for Directors & Senior Management	Chairman
	6. Risk Management Committee	Member
	7. Stakeholders Relationship Committee	Chairman
Woodlands Multispecialty Hospital Limited	1. Share Allotment Committee	Chairman
	2. Audit Committee	Member
	3. Nomination and Remuneration Committee	Member

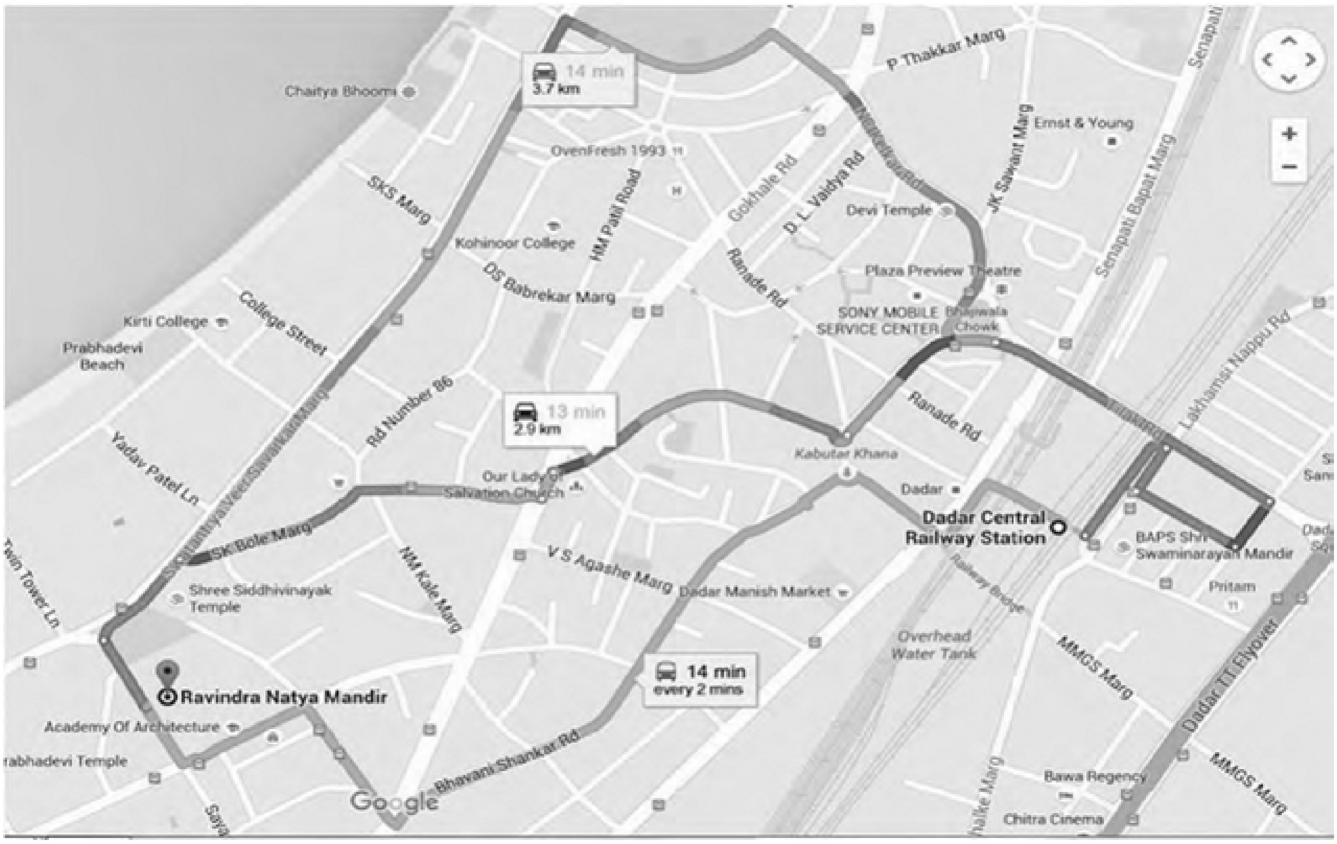
Mr. Khaitan does not hold any shares or stock options of the Company. He is not related to any other Director of the Company. He attended three (3) Board Meetings during the FY2017-18.

Mr. Charles Miller Smith (DIN 00950635), aged 79 years, is M.A. (Hons.) in Medieval and Modern History from St. Andrews in Scotland and was awarded Honorary Doctorate in 1995.

Mr. Smith is the former Chairman of Scottish Power. Previously, he worked at Unilever for more than 30 years where he held a wide range of financial and general management positions in the U.K., the Netherlands and India and was a Director between 1989 and 1994. He was an International Advisor to Goldman Sachs and Warburg Pincus, Chairman of Imperial Chemical Industries (ICI) from 1999-2001 and Chief Executive of ICI from 1994-1999. Mr. Smith was previously a Non-Executive Director of Midland Bank plc. and HSBC Holdings plc. Mr. Smith was a member of the Defence Management Board of the Ministry of Defence, Senior Advisor to Deutsche Bank for 2007-2011, a Non-Executive Director for Premier Foods for 2009-2015. Mr. Smith is Director of the Board of Firstsource Solutions UK Limited, a wholly-owned subsidiary of the Company, and a Chairman of Edge Investment Management Limited and Pollen and Grace. Mr. Smith is a member of Audit Committee and Nomination and Remuneration Committee of the Board of the Company.

Mr. Smith holds 60,000 equity shares and 286,010 Stock Options in the Company as on March 31, 2018. He is not related to any Director of the Company. He attended three (3) Board Meetings during the FY2017-18.

Route map for venue of the 17th Annual General Meeting:
Date: August 6, 2018
Time: 3.30 P.M.
(Prominent land mark- behind Shree Siddhivinayak Temple)



Notes

Corporate Information

Registered Office
CIN: L64202MH2001PLC134147
5th Floor, Paradigm 'B' Wing,
Mindspace, Link Road, Malad (West),
Mumbai – 400 064, India.
www.firstsource.com

Statutory Auditors
Deloitte Haskins & Sells LLP
Chartered Accountants
Tower 3, 32nd Floor,
India Bulls Finance Centre,
Elphinstone Mill Compound,
Senapati Bapat Road,
Elphinstone Road (West),
Mumbai – 400 013.

Company Secretary and Compliance Officer
Pooja Nambiar

Committee Details

Audit Committee
Mr. Y. H. Malegam, Chairman
Mr. Charles Miller Smith
Ms. Grace Koshie
Mr. Subrata Talukdar

Nomination and Remuneration Committee
Mr. Y. H. Malegam, Chairman
Mr. Charles Miller Smith
Mr. Pradip Roy
Mr. Subrata Talukdar

Stakeholders Relationship Committee
Mr. Subrata Talukdar, Chairman
Mr. Rajesh Subramaniam

Corporate Social Responsibility Committee
Mr. Shashwat Goenka, Chairman
Mr. Rajesh Subramaniam
Mr. Pradip Roy
Mr. Subrata Talukdar

Investment Committee
Mr. Y. H. Malegam, Chairman
Mr. Rajesh Subramaniam
Mr. Subrata Talukdar

Strategy Committee
Mr. Shashwat Goenka, Chairman
Mr. Rajesh Subramaniam
Mr. Donald W. Layden Jr.
Mr. Subrata Talukdar

Major Bankers
1. Bank of America, N.A.
2. Bank of Philippines, Islands
3. Barclays Bank Plc
4. Citibank, N.A.
5. DBS Bank Limited
6. HDFC Bank Limited
7. ICICI Bank Limited
8. IDFC Bank
9. Standard Chartered Bank
10. RBL Bank Limited

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Stay Ahead

5th Floor, Paradigm 'B' Wing, Mindspace, Link Road,
Malad (West), Mumbai 400 064, India
CIN: L64202MH2001PLC134147