RP-Sanjiv Goenka Group
Growing Legacies

firstsource®

Looking Ahead with Confidence

Firstsource Solutions Limited
Annual Report 2013

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

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

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

At Firstsource, our confidence is the product of our resilience to adversities. In FY 2012-13, we navigated successfully through multiple challenges, debt servicing issues, tepid market sentiment impacting financial performance, halted investments and a generally sombre spirit.

The better part of the story, however, begins here:

We cleared our impending issues, repaid FCCBs, improved financial performance and brought about a sea-change in management control. Besides, we rationalised cost, managed and marshalled human resources with greater ability and acumen - all in the span of just one year.

This achievement is the foundation of our confidence. The runway is now clear of all roadblocks and we are ready to take-off with renewed confidence and rigour, and work towards regaining our leadership position.

Knowing Firstsource

At Firstsource, we provide innovative, customer-centric business process services from 47 delivery centres spread across US, UK, Ireland, Philippines, India and Sri Lanka. We are among the top five ITES-BPO companies globally, offering consulting services with outsourcing solutions. We serve clients across industries including:

- Telecom & Media
- Healthcare
- Banking, Financial Services and Insurance (BFSI)
- Publishing

Our service portfolio encompasses Customer Management, Collections Management and Data Processing, with an assimilation of best-of-breed processes, innovative technology platforms and Intellectual Property (IP) assets. Our world-class services help reduce operational costs, record process improvements and improve core competence. The result is enhanced customer satisfaction.

Driven by the Rightshore delivery model, we partner with our clients to help them ensure client proximity, understand domain and market, and communicate effectively to ensure that excellent products and services are delivered. Our client portfolio comprises over 800 global clients, including 21 Fortune 500 and 9 FTSE 100 companies.

A brief snapshot

USD 517 Million
Revenue in FY 2012-13

31,000+
Employees across the globe

100+

Global clients

47

Delivery centres worldwide

6

Countries presence

Service offerings

Customer Management

Collections Management

Data Processing

Business Transformation

STRATEGIC VISION

To be among the top two leaders in the 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 operational excellence and innovation.

ENDURING VALUES

- **Innovation:** Always think of new ways to add value
- **Integrity:** Be ethical, honest and proper in all interactions
- **People-centricity:** Performance-driven people are our greatest asset
- **Agility:** To stay nimble and move quickly, regardless of our size
- **Collaboration:** The best work happens when individuals commit to shared goals
- **Excellence:** Raise the bar, every single time

STOCK STATISTICS

BSE code: 532809 **NSE symbol:** FSL

Market capitalisation: ₹ 670.82 Crores as on 31st March, 2013

Number of outstanding shares: ₹ 65.76 Crores as on 31st March, 2013

Financial Performance

CONSOLIDATED FINANCIAL PERFORMANCE

(₹ in Million)

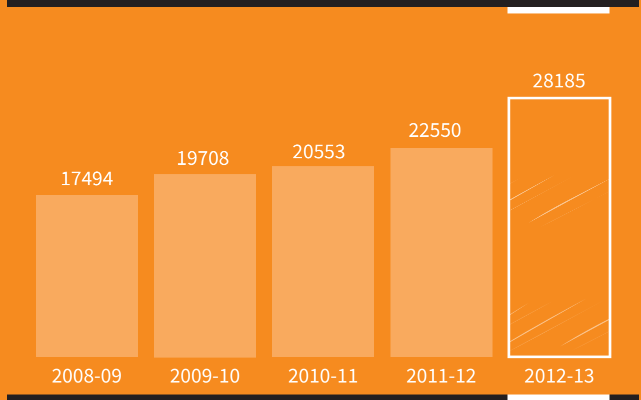
Particulars	2012 -13	2011-12
Revenue from Operations	28,185	22,550
Other Income	(17)	61
Total Income	28,168	22,611
Operating EBITDA	2,796	1,851
Operating EBIT	1,912	958
Profit before Tax	1,592	760
Profit after Tax	1,466	620
Earning per Share (EPS) - Basic (₹)	2.91	1.44
Earning per Share (EPS) - Diluted (₹)	2.82	1.44

CONSOLIDATED FINANCIAL POSITION

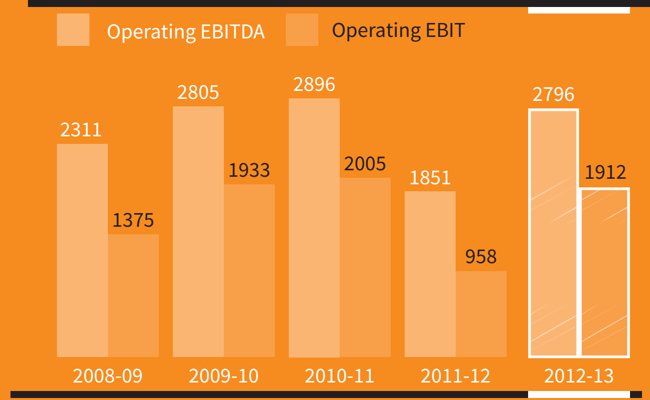
(₹ in Million)

Particulars	2012 -13	2011-12
Non - Current Assets	26,972	26,685
Current Assets	6,544	12,630
Assets	33,516	39,315
Shareholders' Funds	17,136	14,299
Minority Interest	11	13
Non - Current Liabilities	9,336	10,210
Current Liabilities	7,033	14,793
Equity and Liabilities	33,516	39,315

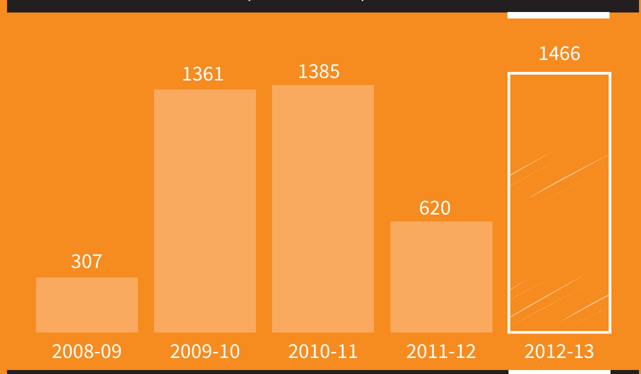
REVENUE (₹ in Million)



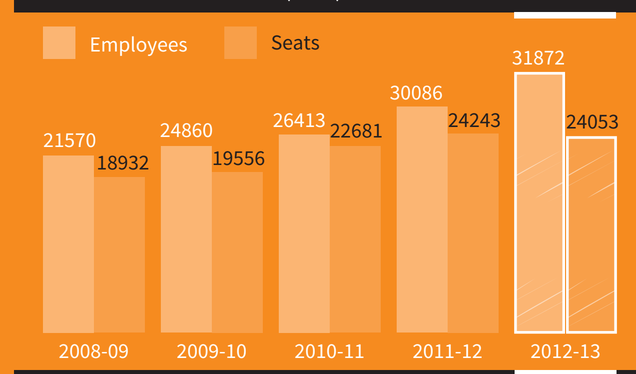
OPERATING EBITDA and OPERATING EBIT (₹ in Million)



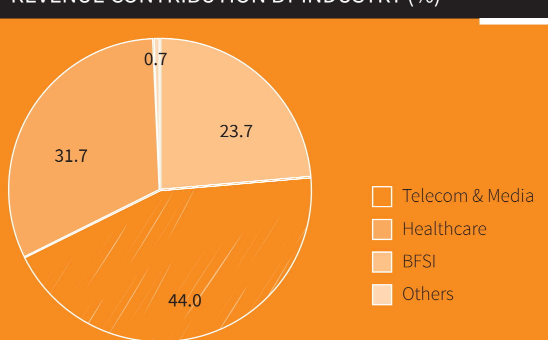
PROFITS AFTER TAX (₹ in Million)



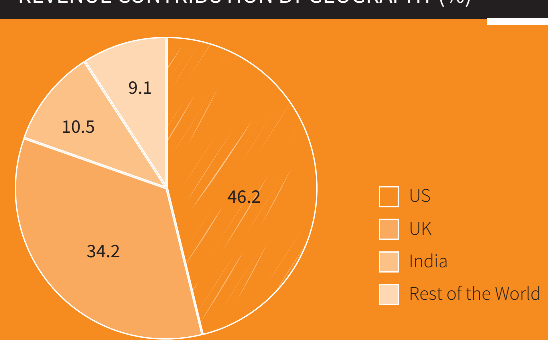
EMPLOYEES and SEATS (Nos.)



REVENUE CONTRIBUTION BY INDUSTRY (%)



REVENUE CONTRIBUTION BY GEOGRAPHY (%)



Letter from the Chairman

Dear Shareholders,

Since my appointment as the Chairman of Firstsource Solutions, this is my first communication to Shareholders. I would like to send my warm greetings to all of you, while sharing the good news that your Company doubled its profit after taxation in FY 2012-13, which was not an easy year for India and the world. The year's excellent figures encourage me to expect still better performance in FY 2013-14.

Firstsource, as a Company, is in the midst of an interesting growth, when global economies are on the mend and governments in many countries are sharply focused on implementing fiscal discipline. Across UK and US, there is a mood of optimism, mixed with vigilance--this augurs well for further growth of your Company.

Compared to the developed economies, the emerging markets are also determined to put up a better show, demonstrating remarkable resilience against unpredictable headwinds. Nearer home, the Indian economy, during FY 2012-13, grew at 5 percent despite multiple challenges, including fiscal deficit, firm interest rates, inflation and disappointing current account deficits.

As far as your Company is concerned, I am happy that we are reasonably well-positioned in all the market segments we serve, backed by a razor-edge focus on operational efficiencies, constant innovation and profitable expansion. At Firstsource, we are confident that this will result in higher operating margins with a cascading effect on de-leveraging balance sheets and ultimately create shareholder value.

I am indeed happy to report to you that internally there is resolute support from the management as also employees. We are, therefore, confident of delivering on your expectations in the coming years, as we continue to grow from strength to strength. Your Company's journey ahead appears exciting and we shall be counting on the support of all stakeholders.

I am grateful for the contribution of the outstanding individuals who sit with me on the Board of your Company. My thanks also to the committed management team for its very valuable and timely contribution. May I also thank you, dear Shareholder, for your continued trust in us. Together we shall be looking forward to a successful and profitable FY 2013-14 for our Company, which is now a valuable member of the RP-Sanjiv Goenka Group.

With best wishes,

Sanjiv Goenka
Chairman

Letter from the Managing Director & CEO

Dear Shareholders,

Regardless of the prevailing scepticism around business environments, there are multiple reasons to be optimistic about the future of the BPM (Business Process Management) industry. Amid global headwinds, India's BPM industry demonstrated vigour and resilience, by growing at 14.2 percent in FY 2012-13 and is expected to maintain a similar trajectory next year.

Key developments

FY 2012-13 was an eventful year at Firstsource. We recalibrated our strategy and sharpened our focus in driving operational excellence and fiscal prudence. This played a significant part in the repayment of the FCCBs worth USD 237 Million and enabled your Company attract a quality Promoter in the RP-Sanjiv Goenka Group. The Group acquired 56.86 percent stake in your Company in December 2012.

The induction of the Group has now ensured a very high degree of stability and confidence among various stakeholders and marks a new chapter in your Company's future.

Our performance

We registered a turnover of ₹ 28,185 Million in FY 2012-13, up 25 percent from ₹ 22,550 Million in FY 2011-12. The Profit After Tax more than doubled from ₹ 620 Million in FY 2011-12 to ₹ 1,466 Million in FY 2012-13, one of the highest witnessed in recent times. Operating EBIT margins also increased by 2.6 percent over FY 2011-12 to reach 6.8 percent for FY 2012-13. The strong performance has been driven by structural realignment, operational efficiency, quality service delivery and strengthening our customer base. We earned around 90 percent of our revenues from the existing customers and added new logos in UK and Ireland, especially in the financial services domain. The year also marked significant interventions in the healthcare provider, business with an aim to capitalise on the many opportunities driven by healthcare reforms in US.

In many ways, this was an inflection year for Firstsource. We turned around performance, built strong client relationships, invested in new capabilities, repaid the FCCB liability in full and attracted a strong promoter group.

Going ahead

We aim to build innovation in our service capabilities, driven by the right cost structure, focused management and optimum resource utilisation. The strategies are being formulated to translate non-optimal customer accounts into profitable ones. We continue to invest in our people and present progressive opportunities that will drive our employee commitment on a global level. Our deep domain knowledge and skills will enable us to continue to be the partner of choice for our clients.

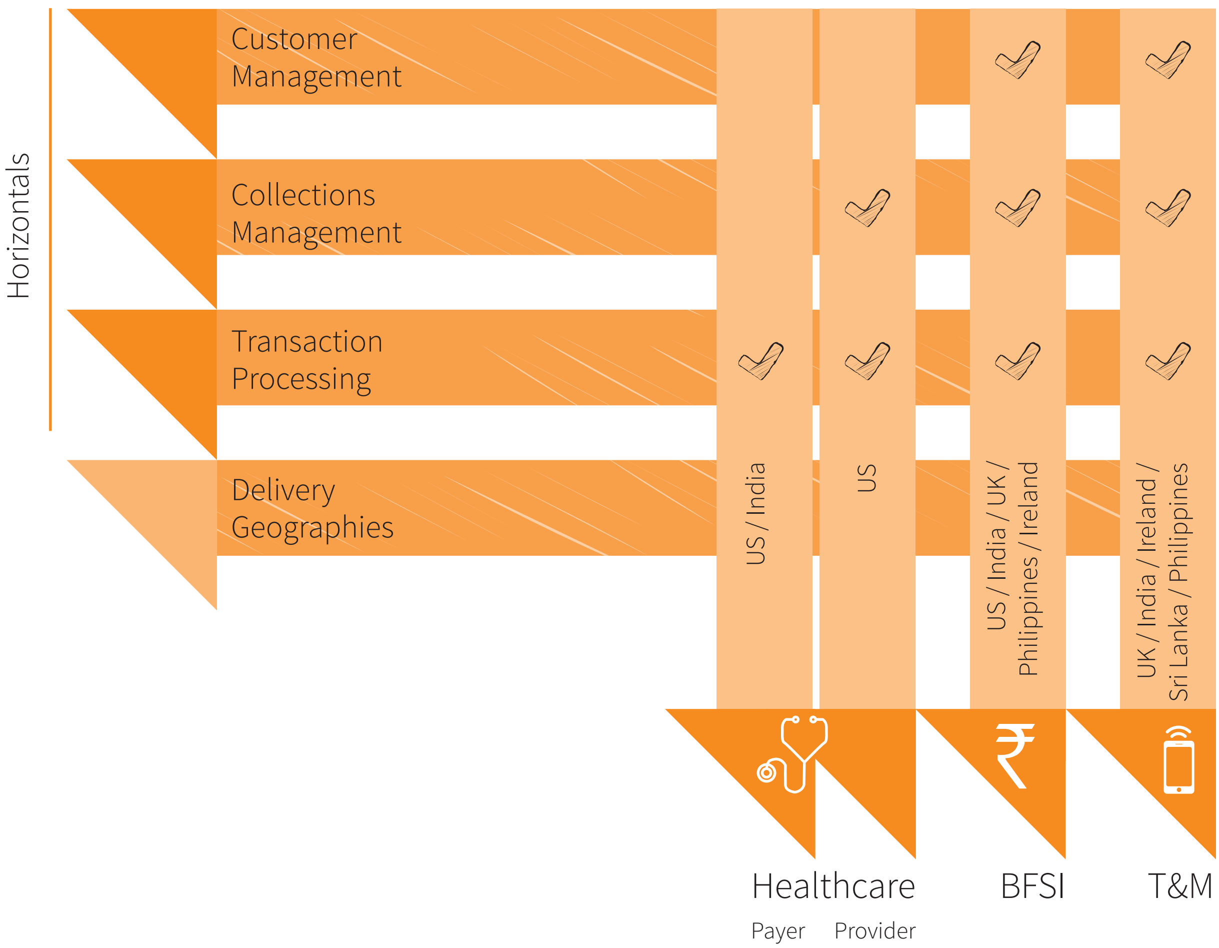
In conclusion, I would like to express my gratitude to all the employees for their contribution, customers for their trust and the shareholders for reposing faith in us.

Regards,

Rajesh Subramaniam
MD & CEO

Business Overview

Firstsource has a unique business model that encompasses three dimensions - vertical markets, horizontal service lines and geographical delivery. Vertical focus is relevant for identifying niche segments that we operate in, while horizontal service lines act as delivery units. This structure ensures greater operational efficiency and yields excellent service levels.



Service Offerings

Customer Management

Customer Management is one of the most crucial facets that define the success of any organisation. Clients are willing to invest in channels that enable them to provide customer-centric services across operations.

Firstsource delivers innovative and value-added business process management services across the customer lifecycle through deep domain knowledge, strategic alliances and internal competence. In today's multi-channel environment, Firstsource devises effective strategies for customer acquisition, customer care and complaints management for its global clientele.

CUSTOMER ACQUISITION

Firstsource provides end-to-end Customer Management solutions for its clients:

- Expands customer base through outbound and inbound telesales, direct marketing, data mining and others
- Improves customer relationships and minimises costs through back office services like application processing, order management, account activation and so on
- Reduces customer acquisition lead time via process efficiency initiatives

CUSTOMER CARE

With a majority of the 30,000+ strong workforce in Customer Management, Firstsource offers value-driven customer care solutions. The solutions cover complete customer lifecycle and ensure a high level of customer care, data security, quality services, improved customer retention and cost efficiencies.

COMPLAINTS MANAGEMENT

Effective Complaints Management drives customer loyalty over the long term. Firstsource has a professional team with years of experience, adept in understanding the needs of the end-customers and guiding them with appropriate solutions.

Collections Management

Firstsource is among the top 25 global Account Receivable Management (ARM) players with more than 18 years of experience in the business. The customer-centric approach, coupled with industry best business intelligence, helps Firstsource offer innovative solutions for collections and recoveries. Providing end-to-end solutions encompassing entire collections life-cycle, from pre-collection delinquency to collections support, helps Firstsource deliver outstanding results.

Key strengths

- Deep domain experience
- Platform-based delivery complemented by robust analytics
- Understanding of compliance controls in US market
- Strong client relationships

Firstsource primarily serves banking and financial institutions, healthcare providers, telecommunications and the education industry. The collections services are based on a unique Rightshore delivery model, which offers customised approach to meet every client's needs.

Early Stage Services

- Pre-delinquency management
- First-party collections
- Pre-charge off
- Data enhancement

Late Stage Services

- Pre-legal
- Litigation
- Third-party collections
- Skip trace services

Transaction Processing

Streamlining and managing business processes in a cost-effective manner is always a priority for every business. It needs to extend to creating a transacting environment where customer satisfaction and Turnaround Time (TAT) are paramount. Firstsource helps clients meet these goals by offering end-to-end back office outsourcing solutions.

Serving Diverse Verticals

Healthcare

Firstsource delivers outsourced service offerings to both the Provider and Payer businesses across US, under the healthcare vertical. Firstsource's services enable clients to enhance their focus on quality of healthcare, customer satisfaction and return on investment.

31.7%
Revenue contribution

Healthcare reforms are expected to drive significant changes in the Provider and Payer business. With the business model in this industry changing from B2B to B2C, consumer orientation is going to be of paramount importance with opportunities to expand Firstsource's market share.

HEALTHCARE - PROVIDER

The Firstsource Healthcare Provider business delivers revenue cycle management solutions that include eligibility services, enrolment and other recovery solutions to help over 730 hospitals and health systems to maximise reimbursement, increase cash flow and reduce bad debt. Being in the business for over 20 years, Firstsource employs the right people and deploys technology to improve revenue processes and create value for its clients.

Firstsource's nationwide presence is supported by local solutions through 13 US regional service centres and 1,500 employees. The tenured management staff averages 15 years of experience in the healthcare industry.

Industry Recognitions

- Received prestigious Healthcare Financial Management Association (HFMA) Peer Review designation for the sixth consecutive year
- Ranked among the top companies in '2012 Best in KLAS Awards: Software & Services' for the fourth consecutive year
- Conferred with 'contract holder' status under General Services Administration (GSA)

DOMAINS OF EXCELLENCE

People
- 1,500 employees
- Management staff with over 15 years of industry experience
- 13 US regional service centres

Technology
- Incorporated electronic data interchange in all the processes
- Capability to establish bi-directional interfaces using Secure File Transfer Protocol (SFTP), Virtual Private Network (VPN) and so on

Expertise
- Six sigma process for performance excellence
- Dedicated project management, operations and support staff
- Comprehensive implementation process

Solutions Offered: Premier Partnership Program, MedAssist® Eligibility Services, Receivables Management, Member Enrolment Services, Innovative Staffing Solutions, Patient Financing (Map™), Physical Enrolment and Contact Center Solutions

HEALTHCARE - PAYER

Firstsource has been providing quality business process outsourcing solutions to the Healthcare Insurance (Payer) industry since 2005. Firstsource's Payer-specific solutions brings rich experience in 'Life Cycle of a Claim' management with a proven track record in delivery.

The Healthcare Payer business leverages a mix of both onshore and offshore service centres. It helps customers to achieve high return on investment and mitigate business risks.

Firstsource Healthcare Payer services include:

- Front-end Claims Intake, Mailroom and Printing
- Claims Data Capture (paper/electronic to ANSI/NSF/Proprietary formats, both std and non-std)
- Claims Adjudication, Processing and Adjustments – Medicare, Medicaid, Commercial, HMO, PPO
- Enrolment, Eligibility and Member Management
- Provider Data Management
- Member and Provider Customer Service

Solutions Offered: Front-end Office and Mailroom Solutions, Data Conversion, Claims Processing Adjudication, Claims Auditing, Member Enrolment and Eligibility Services

Banking and Financial Services

23.7%

Revenue contribution

Firstsource has built a robust Banking and Financial services practice by managing the outsourcing requirements of some of the leading banks in UK, US, Republic of Ireland and India. Given its lineage of being a part of India's largest private sector banking group, Firstsource has an impressive client roster in the financial services domain. Firstsource delivers business process management solutions for credit cards, mortgages, retail banking and insurance - general, life and health. Firstsource offers best-in-class service capabilities across Customer Account Management, Loan Processing and Reconciliation, Back Office Processing, Customer service and Fulfilment, Collections and Recoveries. A sound multi-channel customer service strategy, combined with process excellence initiatives, have made Firstsource the preferred outsourcing partner for the Banking and Financial services industry.

Segments - Credit Cards, Mortgage, Retail Banking, General Insurance, Property and Casualty Insurance, Life Insurance

Services Offered: Loan Processing & Reconciliation, Complaints Management, Check & Item Processing, Customer Service & Fulfilment, Collections & Recoveries

Telecommunications & Media

44.0%

Revenue contribution

Firstsource has a rich domain expertise in the Telecommunications sector, having partnered with some of the leading global telecom companies in UK, US, India and Australia, for more than a decade. Firstsource specialises in Telecom outsourcing across services, such as fixed line, mobility, cable and broadband, thereby enabling Telecom companies improve the overall customer experience, increase revenues and reduce costs. Firstsource handles various business processes in Customer Management, transaction processing and back office functions for some of the biggest names in the global telecom arena. The Company leverages its industry knowledge and service capabilities to drive transformational initiatives, resulting in profitable business outcomes for Telecom clients, across geographies.

Segments - Broadband/High Speed Internet (ISP), Wireless/Mobile, Cable and Satellite TV, Wireless/Fixed

Services Offered: Customer Service, Technical Support, Billing, Retention, Analytics, Rights Management, Provisioning & Fulfilment, Sales Receivable & Collections Management

Profile of Marquee Clients

BFSI

6 of the leading banks in US

2 of the leading consumer finance companies in US

A leading Irish Bank

A leading credit card issuer in UK

Largest retail bank and mortgage lender in UK

One of the top 5 private banks in India

One of the top 3 car insurance companies in UK

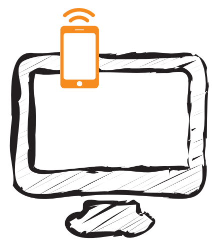
One of the leading auto insurers in US

India's leading private life insurer

HEALTH CARE

7 of the top 10 health insurance / managed care companies in US

730+ hospitals in US



TELECOMMUNICATIONS & MEDIA

2 of the top 10 US telecom companies

2 of the top 3 mobile companies in UK

2 of the top 4 Internet Service Providers (ISPs) in UK

Largest Pay TV provider in UK

Leading European telecom service provider

Largest telecom service provider in UK

Global provider in telecom equipment and networks

Innovative mobile service provider in UK

Largest Pay TV provider in Australia and leading telecom service provider

3 of the top 5 mobile companies in India

Largest telecom company in Sri Lanka

3 of the world's largest trade publishers

World's leading online retailer

Global academic (K12) Publisher

World's leading business information provider

Global leader in online/digital magazine retail

Positioned for Performance

Navigating through rough weathers that affected the global economy, Firstsource has emerged stronger than ever before. We have fortified our firm grip on the business and are ready to drive it ahead with confidence.

At Firstsource, our value-added products and services helped us sail forward and build better partnerships for our clients. We have emerged stronger and are ready to face the future with renewed vigour.

During the year, we repaid FCCBs through cash reserves; made preferential allotment of share and external borrowings; the RP-Sanjiv Goenka Group took over the reins of Firstsource, resulting in a change in management control and we displayed strong fundamentals to drive our financial performance to the next level.

All the above helped us move forward in a focused manner.

HUMAN RESOURCES

With a renewed vigour and focus to improve productivity of all the employees, various initiatives have been undertaken by Firstsource. These cover performance improvement initiatives, investments in talent management and learning and development programmes. Along with these initiatives, the Company has only looked forward to empower its internal audience and giving progressive opportunities to all its employees.

POISED TO GROW

Firstsource is constantly looking at the elements of driving change and innovation and keeping the clients at the centre of whatever it does. The Company is also targeting the maintenance of the right cost structure, right profiling, better understanding of the customer, providing innovative customised solutions and increased capabilities to them. These measures will allow the Company to push and get more from each business, acquiring repeat client orders and expanding geographies.

Awards and Accolades

National Outsourcing Association Awards 2012

- Telecommunications, utilities and high-tech outsourcing project of the year – with Telefonica O2
- Innovation in outsourcing – with Giffgaff
- Outsourcing contact centre provider of the year

The European Call Centre and Customer Service Awards 2012

- Outsourcer of the Year

NASSCOM BPO Strategy Summit 2012

- Top 15 BPO exporters in India for FY 2011-12
- Ranked 13th in the annual rankings of top 20 IT BPO employers in India

Global Services' 7th Annual GS100

- Featured in two categories, namely Global BPO Challengers and Global Customer Management Leaders

IAOP Global Outsourcing 100

- Ranked 22nd in top 100 companies providing outsourcing services globally

Aaj Tak Care Awards

- Bagged 'Aaj Tak Care Awards' for creating livelihood in the rural sector

13th Annual Call Center Excellence awards 2012

- Listed as one of the finalists in the 'Best Outsourced Provider' category

Welsh Contact Centre Awards 2012

- Received an award for the 'Best Outsourced Contact Centre'

Marketing Magazine's Award 2012

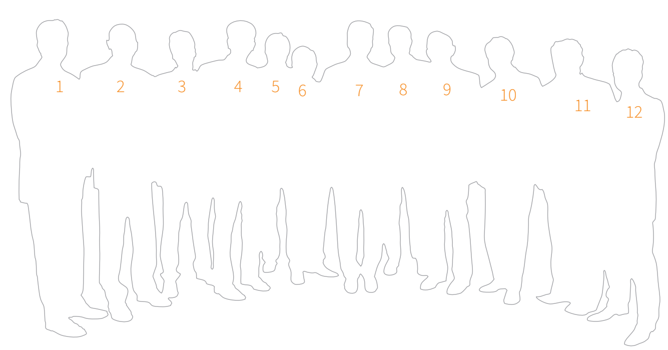
- Conferred with the 'Contact Centre Agency of the Year Award'

Corporate Information

Board of Directors

L-R

1 Haigreve Khaitan, 2 Ananda Mukerji (Vice Chairman), 3 Shashwat Goenka, 4 Rajesh Subramaniam (Managing Director and CEO), 5 Donald W. Layden Jr., 6 Pradip Roy, 7 Sanjiv Goenka (Chairman), 8 Charles Miller Smith, 9 Y.H Malegam, 10 Dr. Shailesh J. Mehta, 11 Subrata Talukdar, 12 K.P. Balaraj



Corporate Information

Senior Management Team

Rajesh Subramaniam
Managing Director and CEO

Sanjay Venkataraman
President - Customer Management

Iain Regan
EVP – Sales and Client Services

David Strickler
President and CEO – Healthcare Provider

Mitzi Winters
Chief Operating Officer - Healthcare Provider

Venkataraman K R
EVP – Healthcare Payer and Publishing

Shalabh Jain
EVP - Customer Management – Domestic Business

Arjun Mitra
EVP – Collections

Vishwajit Negi
EVP – Operations - Customer Management (India) International Business

Dinesh Jain
Chief Financial Officer

Gayatri Anandh
Head – Technology

Smita Gaikwad
Global Head – Marketing & Corporate Communications

Satish M
EVP – Human Resources

Arun Tyagi
Chief Compliance Officer

Kiran Kosaraju
Country Head – Philippines

Board Committees

Audit Committee

Y.H. Malegam (Chairman), Dr. Shailesh J. Mehta, Charles Miller Smith, Subrata Talukdar

Compensation and Board Governance Committee

Dr. Shailesh J. Mehta (Chairman), Ananda Mukerji, Y. H. Malegam, Charles Miller Smith, K. P. Balaraj, Subrata Talukdar

Shareholders'/Investors' Grievance Committee

Dr. Shailesh J. Mehta (Chairman), Subrata Talukdar, Rajesh Subramaniam (Managing Director & CEO)

Company Secretary & Compliance Officer

Sanjay Gupta

Directors' Report

Dear Members,

Directors of your Company take great pleasure in presenting the Twelfth Annual Report of your Company on its business and operations during the year alongwith the audited financial statements for the financial year ended March 31, 2013.

FINANCIAL RESULTS

The performance of the Company for the Financial Year 2012-13 is summarised below:

(₹ in Million)

Particulars	Consolidated		Standalone	
	FY 2012-13	FY 2011-12	FY 2012-13	FY 2011-12
Total Income	28,649.3	22,936.4	9,733.9	8,561.8
Profit Before Interest and Depreciation	3,259.6	2,237.3	2,278.4	1,673.0
Interest and Finance Charges (net)	783.7	584.9	527.9	655.6
Depreciation	884.0	892.6	576.6	598.8
Profit Before Tax	1,591.9	759.8	1,173.9	418.6
Provision for Taxation (including Deferred Tax Charge/ Credit)	129.2	137.7	-	-35.0
Profit After Tax Before Minority Interest	1,462.7	622.1	1,173.9	453.6
Minority Interest	-3.2	1.8	-	-
Profit After Tax before Adjustment of Results of Rev IT Systems Private Limited amalgamated with the Company during the year	-	-	1,173.9	-
Profit After Tax of Rev IT Systems Private Limited	-	-	185.8	
Net Profit After Tax	1,465.9	620.3	1,359.7	453.6
Balance Brought Forward	6,285.1	5,664.8	3,401.5	2,947.9
Accumulated balance of Rev IT Systems Private Limited brought forward pursuant to Scheme of Amalgamation	-	-	437.4	-
Total Profits available for Appropriations	7,751.0	6,285.1	5,198.6	3,401.5
Adjustment of Amalgamation Deficit pursuant to Scheme of Amalgamation of Rev IT Systems Private Limited with the Company	333.2	-	-	-
Accumulated Balance in Profit & Loss Account at the end of the year	7,417.8	6285.1	5,198.6	3,401.5
Earning Per Share (₹) – Basic	2.91	1.44	2.70	1.05
Earning Per Share (₹) – Diluted	2.82	1.44	2.66	1.05

RESULT OF OPERATIONS

The consolidated total income increased from ₹ 22,936.4 Million to ₹ 28,649.3 Million, a growth of 24.9% over the previous financial year. The consolidated Net Profit After Tax increased from ₹ 620.3 Million to ₹ 1,465.9 Million, a growth of 136.3% 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 increased from ₹ 8,561.8 Million to ₹ 9,733.9 Million, a growth of 13.7% over the previous financial year. The standalone Profit After Tax increased from ₹ 453.6 Million to ₹ 1,359.7 Million, a growth of 199.8% over the previous financial year.

With a view to conserve cash reserves to meet current financial obligations of the Company, the Directors of your Company do not recommend any dividend for financial year 2012-13.

PREFERENTIAL ALLOTMENT

During the year under review, your Company issued and allotted, on Preferential allotment basis, 226,897,444 equity shares of face value of ₹ 10/- each at an issue price of ₹ 12.10/- per share, aggregating to ₹ 2,745.5 Million (including a Premium of ₹ 476.5 Million), to Spen Liq Private Limited, wholly owned subsidiary of CESC Limited, part of RP-Sanjiv Goenka Group.The issue proceeds were fully utilised for redemption of outstanding Foreign Currency Convertible Bonds ("FCCBs") which were due for redemption on December 4, 2012.

AMALGAMATION

During the year, the Board approved the amalgamation of Rev IT Systems Private Limited ("Rev IT"), a wholly owned subsidiary of the Company, with the Company, owing to beneficial impacts from synergies of operations, cost savings, strengthening of financial position and optimum utilisation of assets. The Hon'ble High Court of judicature of Bombay, dispensing the meetings of Members and Creditors of both the Companies, vide its order dated November 5, 2012, sanctioned the Scheme of Amalgamation of Rev IT with the Company. The Company and Rev IT filed certified copies of the order of Hon'ble High Court with the Registrar of Companies, Maharashtra. Consequently Rev IT stood amalgamated with the Company during the year as per the scheme of Amalgamation with appointed date being April 1, 2011.

SHARE CAPITAL

As a result of amalgamation of Rev IT Systems Private Limited with the Company, the Authorised share capital of your Company increased from ₹ 8500 Million to ₹ 8,720 Million by addition of 22,000,000 equity shares of ₹ 10/- each.

Further, after issue of 226,897,444 equity shares to Spen Liq Private Limited on preferential allotment basis, the issued, subscribed and paid-up equity share capital of the Company has increased from 430,776,307 shares to 657,673,751 shares of ₹ 10/- each aggregating to ₹ 6,576.7 Million.

CHANGE IN CONTROL

The Preferential Allotment of equity shares to Spen Liq Private Limited ("Spen Liq"), wholly owned subsidiary of CESC Limited, constituted 34.50% of the paid up equity share capital of the Company. Further, 3 major shareholders viz. ICICI Bank Limited, Metavante Investments (Mauritius) Limited ("Metavante") and Aranda Investments Mauritius Pte. Limited ("Aranda") sold 5% each of their shareholding aggregating to 15% of the paid-up equity share capital to Spen Liq. This entitled Spen Liq to 49.50% of the paid-up share capital of the Company resulting in change in control over the Company by Spen Liq with effect from December 5, 2012. Further, Spen Liq alongwith its holding company, CESC Limited became Promoter of the Company in place of ICICI Bank Limited as per SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2009, from the said date.

In terms of the provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, Spen Liq along with Person Acting in Concert viz. CESC Limited, issued a Public Announcement for Open Offer to acquire equity shares of the Company. The Open Offer opened on January 4, 2013 and closed on January 17, 2013. Spen Liq acquired 48,428,165 equity shares from public shareholders of the Company at a price of ₹ 12.20/- per equity share under the Open Offer aggregating to 7.36% of post preferential issue paid-up equity capital of the Company.

As a result of above transactions, Spen Liq held 56.86% of total paid up capital of your Company post Open Offer. Accordingly, the Company is now a subsidiary of Spen Liq and Spen Liq being a subsidiary of CESC Limited, the Company is also a subsidiary of CESC Limited.

REDEMPTION OF FOREIGN CURRENCY CONVERTIBLE BONDS

The Company had issued Zero Coupon Foreign Currency Convertible Bonds ("FCCBs") of USD 275 Million in December 2007. The FCCBs had a maturity period of 5 years and 1 day and they were listed on Singapore Exchange Securities Trading Limited. The nominal amount of outstanding FCCBs as on March 31, 2012 was USD 169.8 Million with a maturity value of USD 236.65 Million at the time of redemption due on December 4, 2012. It is a great pleasure to announce that the said outstanding FCCBs were duly redeemed in full in cash on due date, completely discharging your Company from its obligation towards the Bondholders.

GLOBAL DELIVERY FOOTPRINT

The Company, on a consolidated basis had 47 global delivery centers as on March 31, 2013. The centers are located across India, USA, UK, Philippines and Sri Lanka. 24 of the Company's delivery centers are located in 16 cities in India, 14 are in the USA, 6 are in UK, 2 in Philippines and 1 in Sri Lanka. The Company's established global delivery footprint enables it to deliver wide range of services and strengthens relationships with existing customers.

During the year, the Company incurred capital expenditure of ₹ 515.3 Million mainly towards refurbishment and maintenance of delivery centers and creation of additional capacity in Philippines, India, USA and UK.

QUALITY INITIATIVES

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

AWARDS AND ACCOLADES

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

- Best Outsourced center by Welsh Contact Centre Awards, 2012
- National Outsourcing Association Awards, 2012, in following prestigious categories:
    - Telecommunications, Utilities and High-Tech Outsourcing Project of the Year
    - Innovation in Outsourcing
    - Outsourcing Contact Centre Provider of the Year
- "Outsourcer of the Year" at the European Call Centre and Customer Service Awards, 2012
- "Contact Centre Agency of the Year Award" by Marketing Magazine's Awards, 2012

- Ranked # 22 in Global Outsourcing 100® rankings in 2012 by The International Association of Outsourcing Professionals
- As per NASSCOM's Annual rankings:
  - Ranked amongst the Top 5 ITES-BPO companies in 2012
  - Ranked amongst the Top 15 IT- BPO employers in India in 2012
- Ranked amongst top Indian BPO companies in 7th Annual Global Services GS100

HUMAN RESOURCES

On a consolidated basis, the Company has grown from 30,086 fulltime employees as on March 31, 2012 to 31,872 employees as of March 31, 2013.

The statement of particulars of employees required in accordance with Section 217(2A) of the Companies Act, 1956 ("the Act"), read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees forms part of this Report. However, as permitted under the Act, this Annual Report is being sent to all members and other entitled persons thereto excluding the above statement. Any Member interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company. The said statement is also available for inspection at the Registered Office during working hours upto the date of the forthcoming Annual General Meeting (AGM).

PUBLIC DEPOSITS

During the year, your Company has not accepted any deposits under Section 58A of the Companies Act, 1956 and as such, no amount on account of principal or interest on public deposits was outstanding as on March 31, 2013.

BOARD OF DIRECTORS

During the year under review, Mr. Rajesh Subramaniam was appointed as Managing Director & Chief Executive Officer ("MD & CEO") of the Company w.e.f. May 16, 2012 to succeed Mr. Alexander Matthew Vallance, who resigned as MD & CEO w.e.f. May 15, 2012. The Directors place on record their deep appreciation for valuable contribution made by Mr. Alexander Matthew Vallance as MD & CEO.

Mr. Pravir Vohra, representing ICICI Bank Limited, erstwhile Promoter, Mr. Ram V. Chary, representing equity investor Metavante and Mr. Mohit Bhandari, representing equity investor Aranda, resigned as Directors of your Company w.e.f. December 5, 2012. The Directors place on record warm appreciation for services rendered by them.

With the successful consummation of both the preferential allotment of 34.50% of the post preferential issue equity share capital of the Company and secondary purchase of 15% in aggregate of the post issue capital from 3 major shareholders, Spen Liq held 49.50% of the post issue capital of the Company. Accordingly, Mr. Sanjiv Goenka was appointed as an Additional Director on the Board on December 3, 2012 and Mr. Shashwat Goenka, Mr. Haigreve Khaitan and Mr. Subrata Talukdar were appointed in the casual vacancies caused by resignation of Mr. Pravir Vohra, Mr. Ram V. Chary and Mr. Mohit Bhandari respectively, effective December 5, 2012. Mr. Pradip Roy was also appointed as an Additional Director effective December 3, 2012.

Dr. Shailesh Mehta stepped down as the Chairman of the Board of Directors w.e.f. December 3, 2012. The Directors place on record deep sense of appreciation for the services rendered by Dr. Mehta during his tenure as Chairman. However, Dr. Mehta continues as a Director on the Board. Mr. Sanjiv Goenka who was appointed as Director on the same date, succeeded Dr. Mehta as the Chairman of Board of Directors of the Company.

Pursuant to the provisions of Section 260 of the Companies Act, 1956 ("the Act"), Mr. Pradip Roy and Mr. Sanjiv Goenka hold office till the conclusion of the forthcoming Annual General Meeting. The Company has received notices along with the requisite deposits from the members of the Company pursuant to Section 257 of the Companies Act, 1956, proposing appointment of Mr. Pradip Roy, Mr. Sanjiv Goenka, Mr. Shashwat Goenka, Mr. Subrata Talukdar and Mr. Haigreve Khatian as Directors at the ensuing Annual General Meeting of the Company. We seek your support in confirming these appointments.

Mr. Y. H. Malegam and Mr. Charles Miller Smith, retire by rotation and being eligible, have offered themselves for re-appointment at the ensuing Annual General Meeting.

EMPLOYEES STOCK OPTION SCHEME

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

ESOS 2003

a) Total number of options under the Plan: 63,237,541

b) Options granted during the year 2012-13: 12,675,000

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

d) Options vested during the year 2012-13: 15,784,375

e) Options exercised during the year 2012-13: Nil

f) Total number of shares arising as a result of exercise of options during the year 2012-13: Nil

g) Options lapsed during the year 2012-13: 18,686,188*

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

h) Variation of terms of options during the year 2012-13: Nil

i) Money realised by exercise of options during the year 2012-13 (Amount in ₹): Nil

j) Total number of options in force: 47,948,532

k) Employee wise details of options granted to: i) Senior Managerial personnel during the year 2012-13: Mr. Rajesh Subramaniam-2,000,000, Mr. David Matthew Strickler – 750,000, Mr. Sanjay Venkataraman - 500,000, Mr. T.N. Shekar - 400,000, Mr. Kiran Kosaraju - 400,000 and Mr. Satish M - 400,000 ii) Any other employee, who has been granted options amounting to 5% or more of options granted during the year 2012-13: Nil iii) Identified employees who were granted options, equal to or exceeding 1% of the issued capital of the Company, during the year 2012-13: Nil

l) Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20 - 'Earnings Per Share': i) Standalone EPS – ₹ 2.66 per share. ii) Consolidated EPS – ₹ 2.82 per share.

m) Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the options. The impact of this difference on profits and on EPS of the Company: Please refer to Note No. 28 of the Standalone Financial Statements.

n) Weighted average exercise price and weighted average fair value of options separately for options whose exercise price either equals or exceeds or is less than the market price of the stock: i) Weighted average exercise price – ₹ 25.74 per option. ii) Weighted average fair value as per the Black Scholes Model – ₹ 10.01 per option.

o) A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted average information: a) Risk free interest rate b) Expected life c) Expected dividends and d) The price of the underlying share in market at the time of option grant: Please refer to Note No. 28 of the Standalone Financial Statements.

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

ESOS 2002

a) Total number of options under the Plan: 2,388,750

b) Options granted during the year 2012-13: Nil

c) Options vested during the year 2012-13: Nil

d) Options exercised during the year 2012-13: Nil

e) Total number of shares arising as a result of exercise of option during the year 2012-13: Nil

f) Options lapsed during the year 2012-13: 15,625

g) Variation in the terms of option during the year 2012-13: Nil

h) Money realised by exercise of options during the year 2012-13 (Amount in ₹): Nil

i) Total number of options in force: 71,250

j) Weighted average exercise price and weighted average fair value of options separately for options whose exercise price either equals or exceeds or is less than the market price of the stock: i) Weighted average exercise price – ₹ 11.50 per option ii) Weighted average fair value as per the Black Scholes Model –N.A.

SUBSIDIARY COMPANIES

As on March 31, 2013, your Company had 13 subsidiaries:

Domestic subsidiaries:

1. Anunta Tech Infrastructure Services Limited [wholly owned subsidiary ("WOS") of the Company]

International subsidiaries:

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

12. Firstsource Dialog Solutions (Private) Limited, Sri Lanka (Subsidiary of the Company)

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

I. The Hon'ble High Court of Bombay approved Scheme of Amalgamation of Rev IT Systems Private Limited, wholly owned subsidiary of the Company, with the Company vide its order dated November 5, 2012 and consequently Rev IT was amalgamated with the Company w.e.f. November 30, 2012.

II. #Firstsource Solutions S.A., Argentina, a subsidiary of Firstsource Solutions UK Limited, has been sold during the first quarter of financial year ended March 31, 2013, pending transfer of shares to buyer.

III. *Twin Lakes Property LLC – II became the subsidiary of Firstsource Advantage, LLC ("FAL") w.e.f. April 1, 2012 wherein 80% stake was held by FAL.

IV. @On December 29, 2012, FAL increased its stake in Twin Lakes Property, LLC – I and Twin Lakes Property LLC – II to 100% making them wholly owned subsidiaries of FAL.

PARTICULARS UNDER SECTION 212 OF THE COMPANIES ACT

The Ministry of Corporate Affairs, Government of India, vide General Circular No. 2/2011 dated February 8, 2011, granted a general exemption from compliance with Section 212 of the Companies Act, 1956 ("the Act"), subject to fulfilment of conditions stipulated in the circular. Your Company has satisfied the conditions stipulated in the circular and hence is entitled to the exemption. The financial data of the subsidiaries has been furnished under 'Details of Subsidiaries' forming part of the Annual Report. Consolidated Financial Statements of the Company and its subsidiaries for the year ended March 31, 2013, together with reports of Auditors thereon and the statement pursuant to Section 212 of the Act, form part of the Annual Report. The Annual Accounts and the related detailed information of subsidiary companies will be made available to the Members of the Company and subsidiary companies seeking such information at any point of time. The Annual Accounts of the subsidiary companies will also be available for inspection by any member at the registered/ head office of the Company and that of the subsidiary concerned.

CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

STATUTORY DISCLOURES OF PARTICULARS

A) Conservation of Energy

The Company has made progress towards energy conservation across all its delivery centers. For optimal utilisation of energy, more than 1800 old IT equipment (CRT monitors, desktops, servers etc.) were replaced with new energy efficient ones and 12 high energy consuming servers were consolidated. Further physical servers & desktops were migrated into Virtual Servers & Virtual Desktops. Avoiding physical desktops & servers enabled the Company to mitigate overall power consumption as well as cooling requirements for production centers and data centers. Consolidation of delivery centers was also carried out.

All these initiatives have contributed immensely in reducing energy consumption. These initiatives have helped reduce power consumption by 25%. With the implementation of such initiatives, the Company, like previous years, continues its legacy of pursuing GREEN IT and endeavours to innovate energy conservation methods in future.

B) Absorption of Technology

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

During the year, the Company embarked upon setting up Remote Infrastructure Management (RIM). RIM refers to remotely managing information technology (IT) infrastructure such as workstations (desktops, laptops, notebooks, etc.), servers, network devices, storage devices, IT security devices, etc.

Major sub-services included in RIM setup at the Company are:

- Service desk/ Help desk
- Proactive monitoring of server and network devices
- Workstation management
- Server management
- Storage management
- Application support
- IT security management

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, 60.2% of the Company's revenues were derived from exports. The Company provides BPO services mostly to clients in North America, UK and Asia Pacific regions. The Company has established direct marketing network around the world to boost its exports.

Foreign Exchange earned and used

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

(Standalone figures in ₹ Million)

Particulars	Fiscal 2013	Fiscal 2012
Foreign Exchange earnings	5,852.4	5,117.9
Foreign Exchange outgo (including capital goods and imports)	384.0	362.0

AUDITORS

M/s. B S R & Co., Chartered Accountants, who were appointed as the Statutory Auditors of the Company by the Members at their previous Annual General Meeting (AGM), shall be retiring on conclusion of the ensuing AGM and are eligible for re-appointment. Members are requested to consider their re-appointment from the conclusion of ensuing AGM upto the conclusion of AGM for the financial year 2013-14 at a remuneration to be decided by Audit Committee of the Board. The Company has received confirmation from M/s. B S R & Co., to the effect that their appointment, if made, will be within the limits of Section 224(1B) of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

ACKNOWLEDGEMENTS

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

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

For and on behalf of the Board of Directors

Sanjiv Goenka
Chairman

Mumbai
May 7, 2013

Management Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the Company's financial statements included herein and the notes thereto. The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles (GAAP) in India. The Company's management accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present the Company's state of affairs and profits for the year. Investors are cautioned that this discussion contains forward looking statements that involve risks and uncertainties. When used in this discussion, words like 'will', 'shall', 'anticipate', 'believe', 'estimate', 'intend' and 'expect' and similar expressions as they relate to the Company or its business are intended to identify such forward-looking statements. The Company undertakes no obligation 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 on their date of statement.

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

MACRO ECONOMICS AND OUTLOOK

Four years after the global financial crisis, the economic prospects have improved, but the road to recovery for advanced economies is expected to be a long drawn process. IMF predicts that world output growth shall reach 3.75% in 2013 and 4% in 2014. While private demand is appearing increasingly robust in the United States, in the Euro area it continues to be sluggish. There are good signs of economic activity in the emerging and the developing markets.

Over the last six months of fiscal 2012, advanced economy policymakers have successfully defused two of the biggest short-term threats to global recovery, the threat of Eurozone breakup and a sharp fiscal contraction in the United States caused by a plunge off the 'fiscal cliff.' In response, financial markets have rallied.

There was a noticeable slowdown in the emerging markets and developing economies during 2012, a reflection of the sharp deceleration in demand from key advanced economies, domestic policy tightening and the end of investment led growth. However, with consumer demand being resilient and revival of exports, most economies in Asia and Sub-Saharan Africa and many economies in Latin America and the Commonwealth of Independent States are now seeing growth. The recovery should gain momentum in emerging Europe also, as demand from advanced Europe slowly picks up.

The IMF while lowering its projection for economic growth in emerging economies to 5.3% in 2013 predicted that Indian economy growth is expected to accelerate from 4% in 2012 to 5.8% in 2013 and 6.2% in 2014. The prospect of increased activity in India is based on external demand, strong consumption, a better monsoon and policy improvements.

In view of the growth outlook, the World Bank forecasts that overall inflation in 2013 will remain relatively moderate. Global inflation is expected to fall in the 3.5 to 4 % range for 2013, which is very similar to the reported global inflation of 3.9 % in 2012. The developing countries are estimated to witness inflation of about 6.3 % in 2013, marginally higher than in 2012, as a result of increasing food prices and a higher allocation of the overall inflation measurement toward basic food staples.

During the course of the year 2012, unemployment in the United States fell by a full percentage point, an encouraging sign that businesses seemed to be hiring in spite of uncertainty. While the underlying trend in unemployment is downward, experts opine that the pace of job growth remains well below what is needed to push wages substantially higher or to significantly reduce the broadest measure of unemployment anytime soon.

In the Indian context, average unemployment rate is expected to rise to 9.4% in 2013 from 9.3% in 2012, as forecast by staffing firm Kelly Services. Overall, India would see a net addition of just under a million jobs and that means 2013 will be better than 2012 in terms of jobs addition.

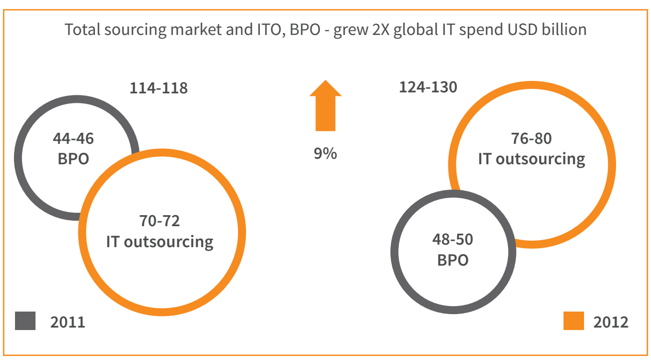
The year 2012 turned out to be a roller-coaster ride for the Indian Rupee. A low -point in the Rupee's journey in fiscal 2013 came on June 25, 2012, when it touched a one year high of ₹ 57.88 to the US$. However, the rupee did recover from the low and closed at a five-month high of ₹ 52.85, gaining the most in 13 quarters on the expectation of higher Foreign Institutional Investor (FII) inflows due to government-backed reform measures on Foreign Direct Investment (FDI) and diesel price hike.

The fiscal deficit and the trade gap, persistently high inflation, slowdown in growth of total factor productivity, fears about a reversal in capital flows, combined with a gold-buying binge by Indians, has put the rupee under sustained pressure. The central bank, on the other hand, has been categorical that it will only step in to curtail the volatility and not to support the rupee at some pre-determined value.

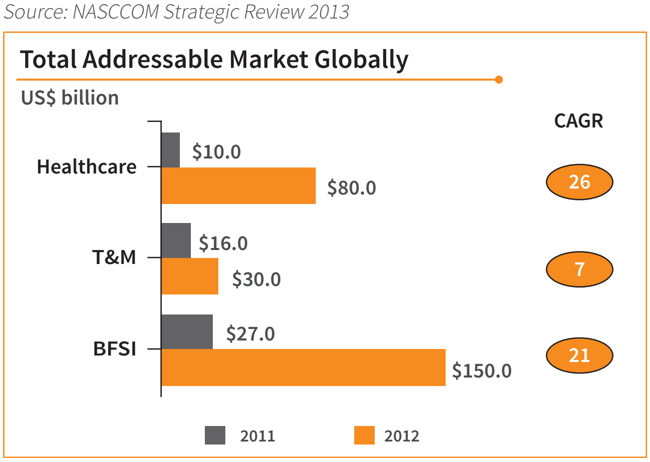
Overall, 2012 witnessed a deceleration in growth in major developing countries and economies in transition, reflecting both external vulnerabilities and domestic challenges including financial sector fragility.

BPM INDUSTRY REVIEW

Notwithstanding the reduction in budgets on account of continuing global economic volatility, 2012 recorded a steady annual growth of 4.8% for technology and related services sector, with worldwide spending of USD 1.9 trillion. BPM services with 4.9 per cent (slightly above industry average) contributed significantly to the growth; followed by IT services and packaged software each with 3.3 per cent growth. IT, BPM services and software products continued to lead, accounting for over USD 1 trillion – 58 per cent of the total IT and BPM spend.



Source: NASSCOM Strategic Review 2013



Firstsource is primarily into three key verticals of BFSI, Healthcare and Telecommunications & Media. According to NASSCOM and IDC reports, the opportunity in these verticals continues to be high, more specifically, in the emerging verticals like Healthcare and the total addressable market globally for outsourced BPM services in these verticals is shown in the table below.

TELECOMMUNICATIONS & MEDIA

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

While the addressable market is pegged at USD 30 billion in 2020 growing from the current levels of USD 16 billion, the growth rate is far more tepid than that demonstrated by other emerging verticals.

It would be pertinent to note that 2012 has been an extremely tough year for Telecom and Media organisations globally. Although declining revenues, frequently as a result of lower levels of advertising, have had the most obvious impact on media organizations, many telecom companies are also experiencing decreasing or flat revenues. In response, organizations in both sectors face the challenge of simultaneously reducing their costs, while introducing new products and services.

Decreasing or flat sales, increasing cost of customer acquisition and retention, improving quality of products and services, and introduction of new products and services are the key business issues faced by organisations in this sector.

The pattern of business issues is broadly similar by geography, though predictably in the emerging markets of Asia Pacific, companies in the telecoms and media sector face less need to reduce their costs and have a greater need to attract new customers, than companies in the mature markets of the U.S. and Europe

To address these challenges organisations are focused on cutting costs by product rationalization, focusing on superior customer experience to reduce customer churn, tightening credit control and leveraging technology to improve internal processes as well as customer engagement through digital and social media.

HEALTHCARE

In the Healthcare vertical, the Company serves the Payer market represented by the Insurance companies and the Provider market represented by Hospitals in the US. US Healthcare market which is estimated to reach USD 4.6 trillion by 2020 from 2011 spends of USD 2.5 trillion. The outsourcing opportunity in the BPM space is expected close to USD 80 billion by 2020 from the 2011 level of USD 10 billion according to IDC and NASSCOM.

The opportunity in the healthcare segment is driven by the passage of the landmark Healthcare reform bill in the US which enables a significant growth across both payer and provider segments. Congressional lawmakers continue their focus on the entitlement programs: Medicare and Medicaid. The Payer segment remains focused on reduction in administrative costs, member services and implementation of Health Information Exchanges (HIE). Hospitals are looking beyond traditional back office structures to address reimbursement pressures and increases in uninsured population. Key to the success for further growth in this sector would depend on the industry to understand and implement key provisions of reform mandates.

However, it is important to note that most provisions of this bill come into effect over a period of time and some as late as 2014. Firstsource is uniquely positioned to take advantage of these opportunities both on the Payer side as well as on the Provider side.

BFSI

The long-standing economic downturn has impacted the BFSI segment adversely with significant drop in consumer confidence. This has further exacerbated challenges for organizations in the BFSI segment, in effect forcing them to reduce cost, adapt to a demanding consumer, increase productivity and operational efficiencies. At the same time, they need to address challenges posed by regulatory compliance and increased consumer concerns pertaining to security and privacy.

There is an increasing adherence to regulation, compliance, and risk management issues. Legislation such as Dodd-Frank has caused organizations to scrutinize the way that agents present financial products to customers. Financial Services organisations need to be concerned about customer information and account data storage. Standards such as the Payment Card Industry Data Security Standard (PCI DSS), have been created to ensure the reliability and security of payment systems. Solutions that help with compliance are critical for success.

Organisations have to be aware of changing customer preferences (mobile, social, personal), the need to offer differentiated customer service to high-value clients, improving self-service across all channels and delivering a seamless end-to-end customer experience.

The Credit Card segment in the USA has a major share in overall BFSI revenues for the Company. However, the cards industry continues to see some pressure due to the reduction of the overall debt in the US from USD 1 trillion a few years ago to less than USD 800 billion recently. This reduction has been caused by increased scrutiny by the banks on credit limits and the consumer behavior to use cash and debit cards instead of credit. Liquidation rates have been the lowest in recent history and there was a perceptible fall in the charge offs in the early part of this fiscal 2013.

The UK financial services community has seen increasing pressure from regulatory reform and closer scrutiny due to increasing consumer complaints due to mis-selling of financial products. This has resulted in new opportunities around the complaints process and compliance in general. We are also observing increased traction in Customer Management opportunities.

The BFSI vertical with an estimated BPM market size of USD 150 billion in 2020 represents a mature and large market opportunity. Within the BFSI vertical, the Company operates across four key sub segments including cards, mortgages, general insurance and retail banking. The Company serves the US and the UK markets.

Outlook

The global BPM market is set to grow at 5.1% in 2013, according to HFS Research. Total market size for the BPM industry is expected to reach USD 304 billion, with industry-specific services representing USD 185 billion of the total pie. CM BPM will account for USD 52 billion and form the highest total revenues of any non-industry-specific segment with 4.1% year-over-year growth.

At a global level, IDC expects the BPM market to grow at a five-year CAGR of 5.3%, till 2016 while the U.S. market is expected to grow at a five-year CAGR of 4.2% in the same period. As per NASSCOM, “2013 can be connoted as the year of rapid transition and the BPM sector is likely to see a transformation in terms of the emphasis shifting from technology partners to strategic business partners." This in effect has characterized a fundamental operational and business shift resulting in today’s BPO translating to BPM (Business Process Management).

With the current economic turmoil and cost cutting, productivity increases will gain traction as organizations across sectors want to focus on their core competencies to enhance the customer experience and retention. In the context of economic uncertainty, customer demands have fluctuated, and the industry has had to exhibit change rapidly to stay ahead of the curve, and continue to be relevant. Technology advances has also necessitated the evolution of the sector.

For the BPM Industry, the journey from the basic voice services focused on cost arbitrage to delivering value based services that have significant impact on the client businesses has accelerated in the recent years. BPM vendors would need to enhance focus on products, platforms, social media, analytics and consulting projects for increasing their revenues and profitability. Non-linear revenues, outcome based pricing and projects that are high in revenues and margins, would be essential for vendors to grow rapidly in the market. Towards this end, they are building multi-delivery centers, niche vertical offerings and end-to-end solutions using cloud, big data and analytics for their clients.

Cloud services will continue to grow at a fast pace, thereby bringing better economics and flexibility. The future of customer service is focused on holistic support with seamless integration of all communication channels such as voice, email, chat, social media, collaboration, co-browsing and instant messaging.

Key challenges

The key challenge today is to deliver a superior business outcome as cost arbitrage no longer remains a differentiator. Hence, there is a need to reinvent the business model through innovation and a renewed focus on the use of new technologies. SMAC (Social media, Mobility, Analytics, and Cloud) technologies will fuel growth of this industry in Fiscal 2014 and beyond.

Countries like Malaysia, China and the Philippines in Asia; Egypt and Morocco in North Africa; Brazil, Mexico, Chile and Columbia in Latin America; and Poland and Ireland in Europe are emerging as attractive outsourcing destinations, posing a significant threat to India as a delivery location. According to NASSCOM, in the last five years, India has lost about 10 % market share to the rest of the world in the BPM space, most of which is in the voice contract segment. In terms of competition, though China faces challenges like language proficiency, it is making large investments to increase English proficiency. The Philippines, which is the second largest destination for outsourcing, is also a serious competitor.

However, the silver lining seems to be that BPM companies in some of these countries are facing similar challenges as what Indian BPM firms experienced earlier. For instance, the Philippines have started to display signs of strain with a scarcity of skilled people and very high levels of attrition. Moreover, adverse currency fluctuations have made it significantly expensive to operate out of the Philippines. The Philippine peso appreciated by more than 5% against the US dollar over the past one year. In comparison, the Indian currency which has depreciated by 8.5%.

Outsourcing has become a national issue in many developed countries like the US and the UK, who are supporting the local BPM industry through various means.

A number of developed countries are still struggling to overcome recession which is becoming a challenge in the creation of newer demand for the outsourcing services. Also, there is a rapid change in technology leading to its obsolescence. Therefore, it becomes very critical to constantly innovate and invest in creating differentiated service offering in the form of productization to provide value added services to the clients.

While there is an increasing demand for talent, there is only a small percentage of ready-to-be employed talent and this is another key challenge faced by the industry. The issue is being addressed in two ways – one is by a tie-up with educational institutes to introduce industry relevant courses to increase employability levels. The second option being pursued is to hire semi-skilled talent and then training them to meet industry standards. In addition, there is a lot of emphasis on career orientation and investment in training to groom employees in specific verticals and competence areas.

The measures taken by companies with regard to talent have led to increasing acceptance of the BPM industry and an outcome has been a reduction in attrition, a significant challenge in the past. Of course, the prevailing macro-economic scenario has also played its part in people not switching jobs frequently.

COMPANY OVERVIEW

The Company is a leading global provider of BPM services and is among India's top three pure-play BPM companies. The Company works with Fortune 500, FTSE 100 and several Hospital groups in the US, UK and India to deliver award winning business process management services in the Healthcare, Telecom & Media, and Banking, Financial Services and Insurance (BFSI) industries. Firstsource's Global Delivery or "Rightshoring" methodology supports clients from over 47 service facilities spread over United States, United Kingdom and Europe, Philippines, India and Sri Lanka. With more than 31,000 employees currently, Firstsource has a proven record of accomplishment of delivering business-oriented results to clients in North America, United Kingdom, Republic of Ireland, Asia Pacific and Australia. Based on the annual rankings by NASSCOM, the Company was fifth largest BPM provider in India in fiscal 2012 in terms of revenues.

The Company provides a comprehensive range of services to clients across the customer life cycle in each of its focus industries. The Company has in-depth domain knowledge in these industries with proven expertise in transferring business operations from its clients to its delivery centers and in administering, managing and further improving these processes leveraging by the right technology. The Company's key service offerings across its target verticals are depicted below:

Healthcare Payer

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

Healthcare Provider

Healthcare Provider	Patient services	Eligibility service	Receivables management	Collections services
Hospitals Physician Groups	• Patient contact and registration • Insurance verification and certification • Patient visit management	• Medicaid review and management - Assisting patients with secondary Medicaid coverage • Charity assistance - Handling all aspects of providing charity assistance • Self pay conversion • MedAssist Advantage Plan (MAP) - Innovative hospital credit card in conjunction with US Bank	• Ongoing and Clean-up Projects for all Payor Classes. - Initial billing, follow-up and denials management • Self-Pay "Early-Out" Cash Acceleration - Management of patient interaction to ensure maximum recovery • Management of Provider Enrollment and Billing for Out-of-Primary-State Medicaid Receivables • Credit Balance Resolution	• Custom Telephone Collection Campaign • Small Balance Collections • Skip-tracing Services • Cash Acceleration Services • Attorney Services

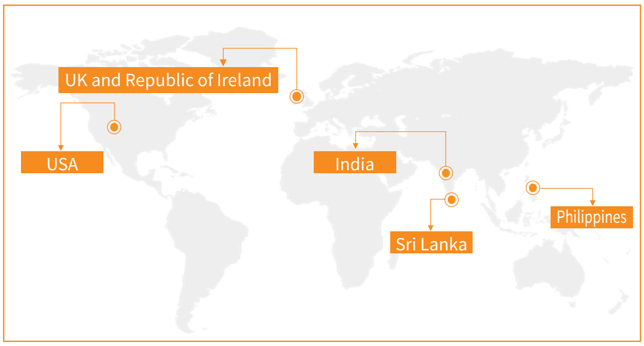
Telecom and Media

Telecom and Media	Sales and marketing	Account setup and activation	Customer service	Billing/Help desk support	Receivables and collections management	Saves/ Win back
Mobile/ Wireless Broadband/ High Speed Internet Fixed/ Wireline DTH/Pay TV	• Inbound sales • Outbound sales • Lead generation • Cross sell/Up	• Provisioning • Order and returns • Logistics coordination • Porting support • Credit vetting • Order input • Account administration • Internal actioning requests	• General enquiries • Information requests • Customer service • Welcome calls • Account management • Technical support • Help desk	• Invoice requests and complaints • Billing disputes • Process queries for charges • Billing • Billing issues • Technical support	• Overdue collections • Credit limit/ expiry • Inbound internal handoff calls • High usage management	• Dispute resolution • Increasing customer awareness for chosen plan • Increase tolling • Billing issues

Banking, Financial Services and Insurance (BFSI)

Financial Services	Customer service & fulfilment	Transaction processing		Collections
Credit Cards Custody Retail Banking Mortgage General & Life Insurance	• Account maintenance - Activation & authorization - Account closure - Lost and Stolen cards • Query management - Transaction related - Payment related - Product related - Helpdesk activities • Interactive services (Email/Web chat) - Upselling - Cross selling - Disputes & complaint resolution	• Check, remittance and item processing • Funds transfer and forex transactions • Custody operations & fund service - Portfolio valuation and reconciliations - Contract note generation - Settlements - Corporate actions - Billing support - Performance audit	• Mortgage - Origination - Loan vault conversion - Collateral review - Underwriting - Loan booking • Insurance - Application processing - Policy amendments - Policy amendment/ cancellation - Data and trend analysis	• Early stage collections - 1st party - Pre-charge off • Late stage collections - 3rd party collections - Skip trace

The Company services its clients through its global delivery capabilities both onshore and offshore. The Company has 47 delivery centers across India, US, UK, Republic of Ireland, Philippines and Sri Lanka supported by a robust and scalable infrastructure network that can be tailored to meet its clients' specific needs. 24 of the Company's delivery centers are located in India, 14 are in the United States, 6 are in the United Kingdom, 2 are in the Philippines and 1 is located in Sri Lanka. This gives the Company proximity to its clients and access to a global talent pool. The Company's right-shoring model uses locations most appropriate for delivering services and provides the best mix of skills and infrastructure to its clients.



The Company has grown from 2,188 full-time employees as of March 31, 2003 to 31,872 as of March 31, 2013. As of March 31, 2013, 20,987 of the Company's employees are based out of India, 3,585 are based out of the U.S., 5,006 are based out of the U.K. and Europe, 1,571 are based out of Philippines and 723 are based out of Sri Lanka. In addition, the Company uses trained personnel who are contracted on a need basis.

One of the key factors for the Company's revenue growth over years has been its ability to successfully grow its existing clients. As of March 31, 2013, the Company had nine clients with an annual billing of over ₹ 500 million compared to eight as of March 31, 2012 and none as of March 31, 2003. The Company's client concentration has continued to diversify. For fiscal 2013, the largest client contribution was at 16.7 per cent of total income from services as compared to 13.1 per cent in fiscal 2012 and 41.6 per cent in fiscal 2003. The contribution from top 5 clients was at 45.5 per cent of total income from services in fiscal 2013 as compared to 39.6 per cent in fiscal 2012 and 82.5 per cent in fiscal 2003.

The Company's total income has grown at a compound annual growth rate of 44 per cent from ₹ 771.5 million in fiscal 2003 to ₹ 28,185.4 million in fiscal 2013. Over the same period of time, the profits after tax have increased from a loss of ₹109.5 million in fiscal 2003 to a profit of ₹ 1,465.9 million in fiscal 2013. The Y-o-Y growth in total income of the Company in fiscal 2013 over fiscal 2012 is 25 per cent. On constant currency basis, neutralizing the impact of foreign exchange rate movements, the Company's revenue from operations grew at 15 per cent in fiscal 2013 over fiscal 2012. The growth in income is attributed to increased outsourcing by the Company's existing clients, both through increases in the volumes of work that they outsource to the Company under existing processes and the outsourcing of new processes and service lines to it (primarily as a result of the Company cross-selling new services to them) as well as business that the Company has won from new clients. 98 per cent of the Company's income from services during fiscal 2013 was derived from existing clients.

Fiscal 2013 has been a significant year in the Company's evolution. Key highlights of fiscal 2013 along with recognition and awards are mentioned below.

Key highlights

- RP-Sanjiv Goenka Group is the new promoter of the Company. A combination of Preferential Allotment, Secondary Purchase and Open Offer has enabled them to get an ownership of 56.86 per cent
- FCCB obligation of USD 237 million paid in full on December 4, 2012
- Continued to scale global operations with employee additions across India, UK, US and Europe, Philippines and Sri Lanka. Added 1,786 employees globally during the year with main additions being 348 people in US, 1,695 in UK and Europe, 147 in Philippines and 210 in Sri Lanka, partially offset by reduction of 614 employees in India. Global employee strength of 31,872 employees as on March 31, 2013.

Significant awards

- Best Outsourced Contact Centre by Welsh Contact Centre Awards, 2012
- 2012 National Outsourcing Association Awards – Winners in following Categories
  - Telecommunications, Utilities and High-Tech Outsourcing Project of the Year
  - Innovation in Outsourcing
  - Outsourcing Contact Centre Provider of the Year
- "Outsourcer of the Year" at the European Call Centre and Customer Service Awards, 2012
- "Contact Centre Agency of the Year Award" by Marketing Magazine's Awards, 2012
- Ranked among the Top 5 ITeS-BPM companies 2012
- Ranked among the Top 15 IT- BPM employers in India 2012
- Ranked amongst top BPM companies in India by Global Services 7th Annual GS100

Business Strategy

The Company's business structure is aligned along three dimensions – Vertical markets, Horizontal service lines and Geographies. Vertical focus is highly relevant from a market facing perspective across sales, client management, marketing and solutioning. This business structure creates distinct service lines as horizontal delivery units and also enables greater operational efficiency yielding superior service assurance.

	Healthcare		BFSI	T&M
	Payer	Provider		
Customer Management			✓	✓
Collections		✓	✓	✓
Transaction Processing	✓	✓	✓	✓
Delivery Geos	US/ India	US	US/India/ UK/ Philippines	US/India/ Philippines/ Sri Lanka

The Company believes that the BPM industry is a global industry and its strategic vision is to become a significant global BPM player and be amongst the leaders in the markets that we operate in. The Company's strategic approach to achieve this goal is as follows.

- Continue to strengthen domain expertise and develop deep industry knowledge

Domain expertise in the client's industry is a key differentiator in the BPM industry. The Company is extremely focused on strengthening its domain expertise in Healthcare, Telecom & Media and the BFSI industries. The Company continues to invest heavily in industry and client specific trainings and, establishing knowledge management system towards the same.

- Develop strong Centres of Excellence (CoE) to facilitate cross-selling across industry verticals

The Company has proven and differentiated horizontal capabilities in its current business portfolio. These capabilities include Customer Management, Collections, and Transaction Processing. The Company has created dedicated CoEs for these three horizontals and intends to expand these capabilities across its all three target industry verticals. For example, In the Transaction Processing horizontal, the Company has developed a robust end-to-end claims data entry and adjudication engine using a scalable workflow. In the Customer Management horizontal, the Company provides end-to-end customer lifecycle management across different interaction channels of voice, webchat, email, etc. These COEs continuously invest to develop innovative solutions to add value to customers.

- Creating differentiated service offerings

The Company has embarked on key initiatives to drive a marked level of value added services to its clients. As part of this initiative, productization of service offerings is creating re-usable process frameworks coupled with best-in-class technology platforms that result in cost savings, increased top - line growth, and improved customer experience as derived outcomes. Some of the products introduced in the fiscal were:

First Customer Intelligence – Powered by Firstsource's Customer Insight Framework, First Customer Intelligence (FCI) measures customer sentiments, emotions, and behavior across multiple communications channels at an early stage in the interaction. Actionable insights derived from these interactions help Firstsource to design suitable customer management strategies that reduce customer effort and costs

FirstChat – Combining superior webchat technology platforms with expert customer service and support via online chat and value-added services such as analytics, FirstChat provides end-to-end online customer management services. FirstChat facilitates customer web browsing by offering real-time person-to-person communication via live chat to bring the human touch to the online experience

First Smartomation – First Smartomation leverages non-invasive technology to integrate applications and platforms on which they run, creating a user-friendly interface from multiple discrete systems. It improves the agent productivity, accuracy and the customer experience

- Strong focus on client partnerships

Existing client relationships are extremely crucial as existing clients contribute majority of the revenues. In fiscal 2013, 98.2 per cent of the Company's income from services was derived from existing clients. Continuous innovation and provision of value added services help the Company retain and improve its wallet share with customers.

In addition to building strong client partnerships, the Company aims to explore new business opportunities across its focus industry verticals through its differentiated service offerings.

- Expansion in new geographies

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

- Business Transformation Office

The Company believes that technology will continue to be a key component of outsourcing solutions to its clients. The Company intends to invest in developing its own proprietary technology platforms and develop capabilities around technology platforms through strategic partnerships. Continuous process improvement is an integral part of the Company's value proposition to its clients.

- Continue to invest in people

Human Capital is the most important element of the Company and it believes that its middle management is particularly critical to its business, as they are responsible for managing teams, understanding its clients' expectations and its contractual obligations to clients, ensuring consistent and quality service delivery and deploying the Company's process excellence framework. The Company continuously invests in its HR to create a favourable work environment that encourages innovation which enables it to retain skilled and a highly professional workforce.

- Continue to expand service delivery capabilities

The Company believes that a multi-shore global delivery platform is critical for offering a long term viable business proposition to the clients. The Company has been an early mover in building significant onshore delivery capabilities in the US, the UK, Republic of Ireland and Sri Lanka and offshore delivery footprint in the Philippines and continues to expand in these countries. The Company is among the first to set up delivery presence in several tier II cities allowing it to offer vernacular capabilities to its domestic clients. The Company will continue to expand its delivery footprint to strengthen its position as a global BPM service provider.

Competitive Strengths

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

- Among the top players in Customer Management

Company provides services to its clients through end-to-end customer life cycle management across different industry verticals i.e. Telecom & Media, BFSI and Healthcare. The Company has been able to achieve critical mass, attract senior and middle-management talent, establish key client relationships and a track record of operational excellence as well as develop robust and scalable global delivery systems.

- Unique value proposition and leadership position in the Healthcare industry

The Company has a very unique portfolio of services providing claims adjudication and mailroom services across the Payer segment and Revenue cycle management (comprising of Eligibility services, Receivables management and collection services) across the Provider segment in US Healthcare industry. The Company's depth of services, marquee clients, scale, reach and delivery capabilities in the Healthcare industry provides it a unique position. For the year ended March 31,2013, 31.7 per cent of the Company's income from services came from the Healthcare industry.

- Diversified business model

The Company's income is diversified across a range of geographies and industries and the Company is not overly reliant on a small number of customers. The Company's earns revenues from the US, UK, Republic of Ireland and APAC geographies and services the Healthcare, Telecommunication and Media and BFSI industries.

- Multi-shore delivery model

The Company has established a truly global delivery base for its services, with 47 delivery centers, including 24 located in India, 14 in the United States, 6 in UK & Europe, 2 delivery centers in Philippines and 1 in Sri Lanka. Most customers today are looking for a service partner who can provide a combination of onshore and diversified offshore delivery capabilities and the Company believes its early move in creating this global delivery platform will help drive growth in the future.

- Established relationships with large global companies

The Company works with several "Fortune 500" and"FTSE 100" companies in the US, the UK and India. The Company's client base also includes over 700 hospitals in the US. Many of these relationships have strengthened over time as the Company obtains ongoing work from these clients and gains a greater share of their BPM outsourcing budget.

- Strong promoter

RP-Sanjiv Goenka group is the new promoter of the Company. A combination of preferential allotment, secondary purchase and open offer has enabled them to get an ownership of 56.86%. This provides a strong backing from the promoter of the Company.

- Experienced management team

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

- Scale and ability to manage aggressive growth

Based on the annual rankings by NASSCOM, the Company was the fifth largest BPO provider in India in fiscal 2012 in terms of revenues and amongst the top three pure-play BPO providers. The Company has a demonstrated track record in managing growth in its business both through organic and inorganic means. The Company's total income has grown at a compounded annual growth rate of 44 per cent from fiscal 2003 to fiscal 2013 which is significantly higher than industry growth rate.

Human Resources

Across the BPM industry, people and talent issues are widely recognized as critical to business success in both good and bad economic times. There is a growing need to recruit high-value talent, develop leaders, deploy these leaders effectively, and retain talent as one would protect any large, strategic investment. At Firstsource, we consider people issues like selection, retention, employee engagement and development as critical to business strategy and develop HR solutions to add value to the business.

Based on our vision of simplifying complex business processes through operational excellence and innovation; the HR function at Firstsource continued to make a paradigm shift from being a support function to a core and strategic business partner. Transcending all functional boundaries, and based on their understanding of how business delivers value, the HR professionals used their ability to streamline processes and procedures so that potential gaps could be identified and closed, at the earliest possible sign of difficulty. At the UK and Ireland offices, introduction of extended flexible working practices including term time, back to school and 'Work At Home' model helped the employees sustain the work life balance.

The BPM industry in India continues to be a net employment generator expected to provide direct employment to about 2.8 million, and indirectly employing 8.9 million people, this year. From the Company's perspective, our Human Capital specialists worked closely with business leaders to support the corporate strategy and ensure there is a supply of people with right skills, competencies and experiences. Firstsource added close to 1,700 people to its existing work force for supporting the new business requirements, taking the employee strength to 31,000 plus employees across 6 countries with 47 delivery locations. In 2012-13 we bagged the AajTak Care Award for creating livelihood in the rural sector of India.

Built on the philosophy of 'attract, retain and develop talent', the HR function built robust frameworks to drive recognition and retention initiatives. Our Talent Management specialists applied the concept of "differentiated workforce" by managing talent like a 'portfolio of investments'. We made investments in the most critical roles and people, thereby driving high performance culture across all levels in the organization. Comprehensive and competitive rewards and recognition programmes were used to periodically reward exceptional employees for their outstanding contribution, while enabling the organization achieve its goals by building a talented, agile and efficient work force. Firstsource was one of the finalists in Business in Community Awards, Northern Ireland for being the Employer of Choice.

Given the volatile economic environment, the greatest job security for any knowledge worker comes from his/her employability. Based on this understanding, the HR teams at Firstsource conceptualized and executed several leadership training programs to harness the potential of future leaders and build the talent pipeline. Across levels from senior most to supervisory, investment in employee development and training programs helped employees come closer to business realities and prepare them for the challenges that lie ahead. Robust Learning and Development frameworks were created to ensure the right employees develop the right competencies needed by Firstsource to remain competitive, while simultaneously preparing our workforce for future positions in the company.

Envisioning ACE (Achieve, Challenge and Enable) as a system that would help the business get the most out of its people, there was greater attention on driving performance management across geographies in 2012-13. The revision of 5 point rating scale and sharper definitions for the bell curve ratings was a step forward in this direction. Several new features were introduced and processes were streamlined to enhance the online platform and make it more user friendly. With the elevated focus on high performance in the redefined value of "People Centricity", the HR teams have been driving performance culture across levels. Since the real success of ACE lies in establishing clear and objective performance goals and ensuring candor in dialogue and evaluation; organization wide workshops were conducted to assist the employees better understand what is expected of them and facilitate managers become more effective.

What was really perceptible this year was that ACE was used all through the year to record, measure and evaluate performance, as opposed to the augmented usage only during Annual Appraisals. Moreover, Supervisors across levels made use of ACE to determine the training and development needs of their teams. Drawing from the eventual objective of improving organizational performance, this helped in laying the groundwork for several leadership training and development programs across Firstsource.

To make the employees feel safe and secure at the workplace; the HR team worked closely with the leadership to institutionalize the Anti Sexual Harassment and Global Ethics Policy. The Anti-Sexual Harassment Policy has been defined and executed with zero tolerance to harassment at workplace, thereby making Firstsource one of the very few Companies in India today to ensure such a strong policy execution. Our Global Ethics policy facilitates a culture of trust and integrity in day-to-day business transactions and guides our decision-making as well as our work relationships. Based on organizational value of Integrity, which requires abiding by the highest standard of honesty in day-to-day operations; the HR team added two new policies to the existing portfolio - the Anti Bribery policy and the Gifts & Entertainment policy.

Our HR leaders firmly believe that our work culture has been a strong differentiator and as an organization, we will continue to build on that. Our vision for coming years is to continue focusing on growing talent in accordance with the organization growth; drive accountability through a robust Performance Management system and create global HR offerings through local execution.

OPPORTUNITES AND THREATS

The Industry Structure, Development and Outlook section has described the potential of the BPM industry. It is important to note that the BPM industry is continuously growing given opportunities and market shifts.

Key growth drivers and opportunities for the Company include:

- Strong growth in Global BPM spend generating continuing demand for its services as customers get to focus on their core business demands and outsource non-core functions
- Cost and regulatory pressures in the current economic environment
- Increasing number of organizations globally are outsourcing business processes in an effort to simplify their organization, create flexibility and increase efficiencies
- Increasing customer focus on servicing customers, creating new and innovative products and services and reducing time-to-market their products and services.
- Increasing focus on accuracy and timeliness of processing thereby reducing transaction costs

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

- Realignment of our business taking into account three dimensions of vertical markets, horizontal service lines and geographies. The vertical emphasis has been on the market facing aspect of the business which encompasses sales, client management, marketing and solutions while the distinct horizontal service units deliver into different verticals. The new structure gives us more efficiency, more economies of scale across service lines and deeper process capability which will lead to a superior level of service.
- BFSI, Telecommunications and Media and Healthcare industries are expected to be a significant part of the total addressable global BPM market opportunity. From a service standpoint, Customer care remains the largest component of global BPM spending. Additionally, emerging markets like India present a large and growing domestic BPM opportunity, all these are the primary segments the Company operates in and has proven capability and strong market position. The Company's strategic positioning and scale in its target industry sectors of BFSI, Telecommunications and Media, Healthcare and specific focus on customer care puts it in a strong position for capitalizing on the growth potential.
- Clients are more comfortable partnering with large players with scale and operational expertise with a continuous focus

on quality of service delivery, ability to manage aggressive growth and adopt stringent security norms. The Company's believes its BPM market leadership is crucial in helping it tap the growth potential of the industry. The Company's diversified business model with established relationships with large global organisations, including over 21 "Fortune Global 500", "Fortune 500" and 9 "FTSE 100" companies also puts it at a competitive advantage compared to other offshore BPM providers.

- In order to successfully leverage the global BPM opportunity, flexibility in geographical delivery is an important factor. Some processes can't be offshored due to process complexities and regulatory requirements. Clients increasingly look for business partners who can deliver services across different geographies. The Company's established global delivery footprint enables it to deliver a wide range of services and deepen relationships with existing customers.

Competition

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

In the Healthcare business the Company primarily competes with:

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

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

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

In BFSI business unit the Company primarily competes with:

- Large global IT companies such as IBM, Accenture, Dell, Xerox, HP and Cap Gemini;
- Large global diversified receivable management and collections companies such as NCO Group, and Convergys;
- Credit card collection / recovery focused companies such as iQOR, GC Services, Outsourcing Solutions Inc. (OSI), Epicenter, Zenta, Teleperformance,
- BFSI focused offshore BPM providers, particularly in India such as Genpact, EXL; and
- BPM divisions of IT companies located in India including TCS, Infosys, Wipro, HCL In Asia business unit the Company primarily competes with:
- BPM divisions of global IT companies in India including IBM and HP
- Domestic market focused BPM firms such as Serco, Aegis, Hinduja Global, Spanco, Aditya Birla Minacs;
- National or regional / local BPM is in various states supporting regional Indian languages, including firms such as Kochar Infotech

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

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

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

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

RISKS & CONCERNS, RISK MITIGATION

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

DISCUSSION ON FINANCIAL PERFORMANCE RELATING TO OPERATIONAL PERFORMANCE

Financial position

Shareholders' funds

Share Capital. The authorised share capital of the Company is ₹ 8,720 million with 872 million Equity shares of ₹ 10 each. The paid up share capital as of March 31, 2013 stands at ₹ 6,576.7 million compared to ₹ 4,307.8 million as of March 31, 2012.

The increase in equity share capital of ₹ 2,268.9 million is on account of allotment of 226,897,444 Equity shares to Spen-Liq Private Limited (a 100% subsidiary of CESC Ltd.), a RP-Sanjiv Goenka group company.

Reserves and Surplus. The Reserves and surplus of the Company increased from ₹ 9,991.1 millionto ₹ 10,559.6 million. The details of increase in Reserves and surplus by ₹ 568.5 million, are as below:

	Amount (₹ million)
Increase on account of :	
Profit for the year less appropriation	1,465.9
Premium received on shares issued during the year	476.4
Hedging Reserve Account as per AS 30	295.8
Decrease on account of :	
Amortization of premium payable on redemption of outstanding FCCBs	557.4
Share issue expenses	83.0
Translation Reserve due to exchange difference on consolidation of non-integral subsidiaries	58.4
Adjustment of amalgamation deficit pursuant to the scheme of amalgamation of RevIT	970.8
Net Increase in Reserves and surplus	568.5

Minority Interest

Minority interest is created on account of 74% consolidation of Firstsource Dialog Solutions (Private) Limited (effective 13th May, 2011).

Minority interest as of March 31, 2013 decreased to ₹ 11.4 million from ₹ 13.3 million as of March 31, 2012.

Long-term Borrowings

Secured long-term borrowings represent finance lease obligation, External Commercial borrowing and term loan. Unsecured long-term borrowings represent loan from non-banking financing companies.

Secured long-term borrowings outstanding as of March 31, 2013 was ₹ 8,479.9 million as compared to ₹ 9,200.6 million as of March 31, 2012. The net decrease was on account of reclassification of Term loan from long-term borrowings to other current liabilities of ₹1,829.0 million, and increase was on account of availment of new External Commercial borrowing of ₹ 1,080.3 million, and finance lease obligations of ₹ 28.0 million.

Unsecured long-term borrowings outstanding as of March 31, 2013 was ₹ 20.8 million as compared to ₹ 58.2 million as of March 31, 2012. The increase was on account of loan from non-banking financing companies of ₹ 37.5 million.

Deferred Tax liabilities

Deferred tax liabilities as of March 31, 2013 was ₹ 282.9 million as compared to ₹ 110.2 million as of March 31, 2012. This increase is primarily due to increase in deferred tax liability on account of depreciation and amortization.

Other Long-term liabilities

Other long-term liabilities as of March 31, 2013 was ₹ 328.9 million as compared to ₹ 651.7 million as of March 31, 2012.

Long-term provisions

Long-term provisions represent provision for gratuity and compensated absence payable to employees based on actuarial valuation done by an independent actuary. The increase in long-term provisions from the last year is due to increase in provision for gratuity and compensated absence.

Short-term borrowings

Short-term borrowings as of March 31, 2013 were ₹ 1,628.6 million as compared to ₹ 366.7 million as of March 31, 2012. The movement is on account of availment of a secured working capital demand loan of ₹ 1,628.6 million offset by repayment of an unsecured working capital demand loan of ₹ 150 million and export finance of ₹ 216.7 million.

Trade payables

Trade payables as of March 31, 2013 was ₹ 1,412.1 million as compared to ₹ 1,312.3 million as of March 31, 2012.

Other Current liabilities

Other Current liabilities as of March 31, 2013 were ₹ 3,905.14 million as compared to ₹ 12,997.1 million as of March 31, 2012. The decrease in other current liabilities is primarily on account of repayment of FCCBs of ₹ 11,421.4 million.

Short-term provisions

Short-term provisions as on March 31, 2013 represent provision for gratuity and compensated absence payable to employees based on actuarial valuation (done by an independent actuary) of ₹ 0.5 million and ₹ 81.4 million respectively and also provision for estimated income tax liabilities both in India and abroad of ₹ 5.72 million (March 2012 balance of ₹ 24.8 million)

Goodwill

Goodwill as of March 31, 2013 was ₹ 23,601 million as compared to ₹ 23,108.6 million as of March 31, 2012.

The increase in goodwill during the year was ₹ 492.4 million. This increase was due to the restatement of goodwill on non-integral foreign subsidiaries at year end exchange rates.

Fixed Assets

The net block of tangible assets, intangible assets and capital work-in-progress was ₹ 1,561.6 million as of March 31, 2013 as compared to ₹ 1,957.2 million as of March 31, 2012, representing a decrease of ₹ 397.7 million. The Company incurred capital expenditure during the year of ₹ 479.6 million (including increase in leased assets of ₹ 6.2 million), assets acquired on acquisition of ₹ 129.5 million which was offset by net assets reduced amounting to ₹ 220.0 million and depreciation for the year was ₹ 884.0 million. The major items of capital expenditure during fiscal 2013 were primarily on account of additions in India and UK.

Investments

The investments of the company represents non-current investments of ₹ 26.81 million as on March 31, 2013 (March 31, 2012 ₹ 16 million) and current investment of ₹ Nil million as on March 31, 2013 (₹ 784.3 million as on March 31, 2012). The net decrease in total investments from ₹ 800.3 million to ₹ 26.81 million is due to redemption of investments for FCCB repayment. All the company's investments as of March 31, 2013 are non-trade investments in Philippines Treasury bills which are in compliance with corporation code of the Philippines

Long-term loans and advances

The long-term loans and advances of the company as of March 31, 2013 was ₹ 1,132.2 million compared to ₹ 1,257.4 million as of March 31, 2012. Significant items of loans and advances include payment towards security deposits for various rental premises, capital advances, prepaid expenses, lease rentals and advance income tax paid. The decrease is mainly on account of decrease in capital advances of ₹ 8.0 million, deposits of ₹ 99.9 million; advance income tax (Net of Provision for tax) of ₹ 76.4 million and increase in prepaid expenses of ₹ 49.9 million and lease rent receivables of ₹ 9.2 million.

Other non-current assets

The other non-current assets of the company as of March 31, 2013 was ₹ 650.7 million as compared to ₹ 345.8 million as of March 31, 2012. This increase is primarily on account of increase in minimum alternate tax credit carried forward.

Current assets

Trade receivables. Trade receivables amount to ₹ 3,865.8 million (net of provision for doubtful debts amounting to ₹ 49.5 million) as of March 31, 2013 as compared to ₹ 3,514.7 million (net of provision for doubtful debts amounting to ₹ 44.0 million) as of March 31, 2012. These debtors are considered good and realisable.

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

Debtors' days as of March 31, 2013 (calculated based on per-day sales in the last quarter) were 50 days, compared to 57 days as of March 31, 2012.

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, 2013 was ₹ 901.0 million as compared to ₹ 6,828.7 million as of March 31, 2012. Reduction in cash balance was primarily on account of repayment of FCCBs during the year.

Short-term loans and advances. Short-term loans and advances as of March 31, 2013 was ₹ 354.0 million as compared to ₹ 365.2 million as of March 31, 2012. The decrease in short-term loans and advances was mainly on account of decrease in advances recoverable by ₹ 57.1 million, lease rent receivables by ₹ 14.42 million and increase in prepaid expenses ₹ 26.1 million and Exchange gain on derivative contracts ₹ 34.2 million respectively.

Other Current assets. The other current assets of the company as of March 31, 2013 was ₹ 1,423.7 million as compared to ₹ 1,136.9 million as of March 31, 2012. This increase is primarily on unbilled receivables of ₹ 322.9 million offset by decrease in unamortised cost of rental deposit of ₹ 8.5 million and accrued interest by ₹ 27.7 million.

Results of Operations

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

PARTICULARS	Fiscal 2013		Fiscal 2012	
INCOME	₹ in Million	% of Income	₹ in Million	% of Income
Income from services	28,440.2	100.9%	22,548.5	100.0%
Other operating income	(254.8)	(0.9)%	1.4	0.0%
Revenue from Operations	**28,185.4**	**100.0%**	**22,549.9**	**100.0%**
EXPENDITURE				
Personnel Cost	19,348.7	68.6%	15,225.0	67.5%
Other expenses	6,041.0	21.4%	5,474.1	24.3%
Operating EBITDA (Earnings before Interest, Tax and Depreciation)	**2,795.7**	**10.0%**	**1,850.9**	**8.2%**
Depreciation and amortization	884.0	3.1%	892.6	4.0%
Operating EBIT (Earnings before Interest and Tax)	1,911.7	6.9%	958.2	4.2%
Finance charges	783.7	2.8%	584.9	2.6%
Other income	464.0	1.6%	386.5	1.7%
Profit before tax	**1,592.0**	**5.7%**	**759.8**	**3.4%**
Provision for taxation				
- Current tax expense (including foreign taxes)	247.9	0.9%	259.9	1.2%
- Deferred tax charge / (credit)	137.5	0.5%	(9.5)	0.0%
- Minimum alternate tax credit entitlement	(256.1)	(0.9)%	(112.6)	(0.5)%
Profit after tax before minority interest	**1,462.7**	**5.2%**	**622.1**	**2.8%**
Minority interest	(3.2)	0.0%	1.8	0.0%
Profit after tax	**1,465.9**	**5.2%**	**620.3**	**2.8%**

Income

Income from services. Income from services increased 26.1 per cent to ₹ 28,440.2 million in fiscal 2013 from ₹ 22,548.5 million in fiscal 2012. The company attributes this growth in its income from services to increased work from its existing clients and addition of new clients. These growth drivers were further complemented by favorable currency during the fiscal year 2013 as compared to previous fiscal year. The average exchange rate for USD and GBP in fiscal 2013 was ₹ 54.55 per USD and ₹ 86.23 per GBP as compared to ₹ 48.53 per USD and ₹ 77.40 per GBP in fiscal 2012.

Revenue from Operations. The Company's revenue from operations increased 25.0 per cent to ₹ 28,185.4 million in fiscal 2013 from ₹ 22,549.9 million in fiscal 2012. On constant currency basis, neutralizing the impact of foreign exchange rate movements during the year, the company's revenue from operations grew at 15 per cent in fiscal 2013 over fiscal 2012.

Consolidated Revenues by Geography. The Company serves clients mainly in North America, United Kingdom and India. Clients from United States accounted for 46.2 per cent (fiscal 2012 – 51.8 per cent) and clients from United Kingdom accounted for 34.2 per cent (fiscal 2012 – 31.4 per cent) of the income from services in fiscal 2013. Clients in India accounted for 10.5 per cent (fiscal 2012 – 12.0 per cent) of the income from services in fiscal 2013.

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

(₹ in Million

	Fiscal Year		
	2013	2012	2011
North America (USA and Canada)	13,133.5	11,687.3	11,529.2
UK	9,724.5	7,072.0	6,145.3
India	2,993.2	2,700.6	2,225.4
Rest of the world	2,589.0	1,088.6	210.3
Total	**28,440.2**	**22,548.5**	**20,110.2**

There was a decrease in the proportion of the income from North America primarily due to reduction in revenues in the Credit Card Collections business on account of lower liquidation and charge off rates. UK revenues in rupee terms however witnessed a strong growth Y-o-Y of 37.5 per cent aided by increase in revenues from existing customers and new business wins during FY12. Relatively faster pace of growth in UK compared to North America has resulted in UK revenue contribution increasing in percentage terms to 34.2 per cent in fiscal 2013 compared to 31.4 per cent in fiscal 2012. Revenues from India increased by 10.8 per cent in this fiscal, primarily due to higher volumes from existing customers and price hikes from the existing clients.

Consolidated Revenues by Industry. Healthcare, Telecommunications and Media and BFSI accounted for 31.7 per cent, 44.0 per cent and 23.7 per cent of income from services, respectively, in fiscal 2013 and 34.3 per cent, 37.0 per cent and 27.9 per cent of income from services, respectively, in fiscal 2012.

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

(₹ in Million)

	Fiscal Year		
	2013	2012	2011
Healthcare	9,007.2	7,722.9	7,183.6
Telecommunications and Media	12,503.9	8,351.2	7,351.6
BFSI	6,736.2	6,288.3	5,293.8
Others	192.8	186.1	281.1
Total	**28,440.2**	**22,548.5**	**20,110.2**

In the Healthcare business, the company works for both payers (insurance companies) and providers (hospitals and physician groups). While there was flat revenue growth in the Healthcare provider side of the business in fiscal 2013, the Payer business volumes showed large traction resulting in strong revenue growth. Passage of Healthcare reforms in the US is a landmark event and the company believes it is well positioned to benefit from these reform implications as these start to translate in to business opportunities.

On the Telecommunications and Media front, for the purpose of income from services reporting by industry, above numbers include both international telecom business (telecommunications and media business unit) as well as domestic telecom business (part of Asia Business Unit). The company works across all service lines from Mobile, wireless and fixed lines to Broadband, high speed internet, DTH and Pay TV in the Telecommunications and Media industries supporting the customer lifecycle management across multiple channels. The international Telecommunications and media business unit witnessed strong growth during fiscal 2013. India domestic telecom business (part of Asia Business Unit) in fiscal 2013 has seen modest revenue growth on the back of increase in volumes and price hikes by existing customers. Combination of these factors across both international as well as domestic Telecom and Media business has resulted in overall contributing to 44.0 per cent of income from services in fiscal 2013 compared to 37.0 per cent in fiscal 2012.

Within the BFSI vertical, for the purpose of income from services reporting by industry, above numbers include (a) credit card collections business; (b) customer management services for clients in the UK & USA; and (c) customer management services for clients in India. In the BFSI sector, the Company operates across cards, mortgages, general insurance and retail banking segments. The credit card collections business of the Company continues to face challenges as the overall charged-off debt in US continues to fall followed by volume of delinquent debt continuing to drop, which resulted a dip in revenues compared to fiscal 2012. On the customer management segment, there has been modest growth during fiscal 2013. The Company is facing industry specific headwinds in this vertical and this segment would show muted growth compared to other verticals.

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

(₹ in Million)

	Fiscal Year			
	2013	%	2012	%
Top client	4,752.4	16.7	2,949.1	13.1
5 largest clients	12,935.9	45.5	8,922.2	39.6
All clients	28,440.2	100.0	22,548.5	100.0

In fiscal 2013, the Company's top client accounted for 16.7 per cent of the income from services compared to 13.1 per cent in fiscal 2012.

The Company derives a significant portion of its income from a limited number of large clients. In fiscal 2013, the company had nine clients contributing over ₹ 500 million in annual revenues as compared to 8 clients in fiscal 2012. In fiscal 2013 and 2012, income from the Company's five largest clients amounted to ₹ 12,935.9 million and ₹ 8,922.2 million, respectively, accounting for 45.5 per cent and 39.6 per cent of its income from services, respectively. Although the Company continues to increase and diversify its client base, it expects that a significant portion of its income will continue to be contributed by a limited number of large clients in the near future.

Other operating income. Other operating income / (expense) of ₹ (254.8) million in fiscal 2013 pertains to operating income in the nature of grants received in relation to the Company's business in Northern Ireland of ₹ 43.4 million and exchange loss realised on debtors of ₹ 298.2 million. Other operating income of ₹ 1.4 million in fiscal 2012 pertains to operating income in the nature of grants received in relation to the Company's business in Northern Ireland of ₹ 34.7 million and exchange loss realised on debtors of ₹ 33.3 million..

Expenditure

Personnel costs. Personnel costs for fiscal 2013 amounted to 68.6 per cent of the Income for that period, as compared to 67.5 per cent of income in fiscal 2012. Personnel costs increased by 27.1 per cent to ₹ 19,348.72 million in fiscal 2013 from ₹ 15,255.0 million in fiscal 2012. Personnel costs in fiscal 2013 as a percentage of income were higher primarily due to increase in business delivery onshore in the UK and Europe. The number of employees increased to 31,872 as of March 31, 2013 from 30,086 as of March 31, 2012, principally to service its increased business volumes both Onshore in the UK and US as well as in India and the Philippines. As on March 31, 2013, 10,885 employees were employed outside India as compared to 8,485 employees as at end of fiscal 2012.

Operating costs. Operating costs for fiscal 2013 amounted to 21.4 per cent of the income for that period, as compared to 24.3 per cent of income in fiscal 2012. Operating costs increased to ₹ 6,041.0 million in fiscal 2013 from ₹ 5,474.1 million in fiscal 2012. Most expense items of operating costs increased at rates lower than, or generally in line with increase in revenues, with the exception of legal & professional fees, Information and communication expenses, electricity, water and power consumption & insurance which increased by 23.5 percent from ₹ 1,682.2 million to ₹ 2,077.3 million.

Operating EBITDA (Earnings before Interest, Tax and Depreciation)

Operating EBITDA. As a result of the foregoing, operating EBITDA increased by ₹ 944.9 million to ₹ 2,795.7 million in fiscal 2013 from ₹ 1,850.9 million in fiscal 2012. Operating EBITDA in fiscal 2013 was at 10 per cent of income compared to 8.2 per cent of income in fiscal 2012.

Depreciation. Depreciation costs for fiscal 2013 amounted to 3.1 per cent of the income for that period, as compared to 4.0 per cent of income for fiscal 2012. Depreciation decreased by 1 per cent to ₹ 884 million in fiscal 2013 from ₹ 892.6 million in fiscal 2012.

Operating EBIT (Earnings before Interest and Tax)

Operating EBIT. Operating Earnings before Interest and Tax (EBIT) increased by ₹ 953.5 million to ₹ 1911.7 million in fiscal 2013 from ₹ 958.2 million in fiscal 2012. Operating EBIT in fiscal 2012 amounted to 6.9 per cent compared to 4.2 per cent in fiscal 2012.

Finance charge. Finance charges for fiscal 2013 amounted to 2.8 per cent of income for that period, as compared to 2.6 per cent of income in fiscal 2012. Finance charges increased by 34 per cent to ₹ 783.7 millionin fiscal 2013 from ₹ 584.9 million in fiscal 2012. Amortised cost on fair value of FCCB for fiscal 2013 was ₹ 106.4 million as compared to ₹ 143.8 million in fiscal 2012. Excluding the impact of the above component, finance charges for fiscal 2013 amounted to ₹ 677.3 million as compared to ₹ 441.1 million in fiscal 2012, an increase of ₹ 236.2 million, primarily due to an increase of ₹ 236.7 million on account of Interest expense for External commercial borrowing, term loan and working capital demand loan, offset by lower bank guarantee commission of ₹ 0.5 million.

Other income. Other income increased to ₹ 464.0 million in fiscal 2013 from ₹ 386.5 million in fiscal 2012. The components of other income in fiscal 2013 were profit from the sale and redemption of non-trade investments of ₹ 70.3 million, Gain on sale of fixed assets of ₹ 4.4 million, Interest income of ₹ 408.9 million, other miscellaneous income of ₹ 9.4 million, offset by foreign exchange loss of ₹ 19.6 million and Loss on sale of investment in subsidiary of ₹ 9.4 million. Net foreign exchange loss included exchange loss of ₹ 21.8 million recognised on account of translation of financial statements of foreign subsidiaries for the purpose of preparation of consolidated financial statements. The components of other income in fiscal 2012 were profit from the sale and redemption of non-trade investments of ₹ 94.9 million, dividend income of ₹ 4.0 million, Interest income of ₹ 365.5 million, other miscellaneous income of ₹ 5.8 million, offset by foreign exchange loss of ₹ 16.1 million and loss on FCCB buyback of ₹ 67.6 million. Net foreign exchange loss included exchange loss of ₹ 43.3 million recognised on account of translation of financial statements of foreign subsidiaries for the purpose of preparation of consolidated financial statements

Profit before tax

Profit before tax. Profit before tax increased by 109.5 per cent to ₹ 1,592 million in fiscal 2013 from a profit before tax of ₹ 759.8 million in fiscal 2012. Profit before tax in fiscal 2013 was 5.7 per cent of the income, as compared to 3.4 per cent of the income in fiscal 2012.

Provision for taxation. Provision for taxation decreased by 6.1 per cent to ₹ 129.3 million in fiscal 2013 from ₹ 137.7 million in fiscal 2012. Income tax expense comprises of current tax, net change in the deferred tax assets and liabilities in the applicable fiscal period and minimum alternate tax credit entitlement.

Current tax expense comprises tax on income from operations in India and foreign tax jurisdictions. During the year, certain centers of the Company had the benefit of tax-holiday under Section 10AA under the Special Economic Zone scheme. Current tax expense amounted to ₹ 247.9 million in fiscal 2013 as compared to ₹ 259.9 million in fiscal 2012.

There was a deferred tax charge of ₹ 137.5 million in fiscal 2013 compared to a deferred tax credit of ₹ 9.5 million in fiscal 2012.

Minimum alternate tax for the ITeS industry became applicable effective fiscal 2009, resulting in the Company recording the same as part of the current tax expense and the credit entitlement has been disclosed separately. The Company has recorded minimum alternate tax credit entitlement of ₹ 256.1 million in fiscal 2013 as compared to ₹ 112.7 million in fiscal 2012.

Profit after tax before minority interest

Profit after tax before minority interest. As a result of the foregoing, profit after tax before minority interest increased to ₹ 1,462.7 million for fiscal 2013 from profit after tax before minority interest of ₹ 622.1 million in fiscal 2012.

Minority interest. Minority interest was ₹(3.2) million in fiscal 2013 as compared to ₹ 1.8 million in fiscal 2012. This was due to operating profits in consolidation of Firstsource Dialog Solutions (Private) Limited

Profit after tax

Profit after tax. As a result of the foregoing, profit after tax increased by 136.3 per cent to ₹ 1,465.9 million in fiscal 2013 from profit after tax of ₹ 620.3 million in fiscal 2012. Profit after tax in fiscal 2013 was 5.2 per cent of the income, as compared to 2.7 per cent of the income in fiscal 2012.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The Company needs cash primarily to fund the technology and infrastructure requirements in its delivery centers, to fund its working capital needs, to 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, 2013, the Company had cash and cash equivalents of ₹ 887.4 million. This primarily represents cash and balances with banks in India and abroad.

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

(₹ in Million)

	Fiscal year		
	2013	2012	2011
Net Cash flow from Operating activities	1,992.8	56.8	2,457.0
Net Cash flow from / (used in) Investing activities	5,830.4	(4,757.3)	(598.4)
Net Cash flow (used in) / from Financing activities	(8,810.6)	3,328.1	168.6
Cash and cash equivalents at the beginning of the year	1,871.8	3,244.2	1,216.9
Cash and cash equivalents at the end of the year	887.4	1,871.8	3,244.2

Operating Activities

Net cash generated from the Company's operating activities in fiscal 2013 amounted to ₹ 1,992.8 million. This consisted of net profit after tax of ₹ 1,465.9 million and a net upward adjustment of ₹ 1,311.5 million relating to various non-cash items and non-operating items including depreciation of ₹ 884 million; net increase in working capital of ₹ 720.2 million; and income taxes paid of ₹ 190.5 million. The working capital increase was due to increase in trade receivables of ₹ 408.3 million, increase in loans and advances by ₹ 274.9 million and decrease in liabilities and provisions by ₹ 37 million.

Net cash generated from the Company's operating activities in fiscal 2012 amounted to ₹ 56.8 million. This consisted of net profit after tax of ₹ 622.1 million and a net upward adjustment of ₹ 326.9 million relating to various non-cash items and non-operating items including depreciation of ₹ 892.6 million; net increase in working capital of ₹ 579.8 million; and income taxes paid of ₹ 450.1 million. The working capital increase was due to increase in trade and other receivables of ₹ 1,102.6 million, increase in loans and advances by ₹ 139.2 million and increase in liabilities and provisions by ₹ 662.0 million.

Investing Activities

In fiscal 2013, the Company generated ₹ 5,830.4 million of cash from investing activities. These investing activities primarily included capital expenditure payments of ₹ 395.9 million, including fixed assets purchased in connection with the Company's delivery centers in the UK, and India, and net sale of money and debt market mutual funds amounting to ₹ 845.3 million. During the year, the Company received interests and dividends amounting to ₹ 413.4 million and sold few fixed assets for ₹ 24.3 million. Also deposits having maturity more than three months but less than twelve months matured during the year amounting to ₹ 4,943.3 million.

In fiscal 2012, the Company used ₹ 4,757.3 million of cash from investing activities. These investing activities primarily included capital expenditure payments of ₹ 526.1 million, including fixed assets purchased in connection with the establishment of the Company's delivery centers in Sri Lanka, UK, Mumbai, Chennai and additional capacity in Bangalore and Philippines, The Company paid ₹ 231.1 million for Dialog stake purchase and payment for asset purchase in UK last year; and net sale of money and debt market mutual funds amounting to ₹ 625.5 million. During the year, the Company received interest and dividends amounting to ₹ 317.1 million and sold few fixed assets for ₹ 14.2 million. The Company also invested in deposits having maturity more than three months but less than twelve months amounting to ₹ 4,956.8 million.

Financing Activities

In fiscal 2013, net cash used in financing activities amounted to ₹ 8,810.6 million. This primarily comprised of proceeds from secured loans of ₹ 957.9 million, unsecured loan of ₹ 1,247.8 million and proceeds from issuance of equity shares of ₹ 2,662.4 million. The company repaid Foreign currency convertible bonds (FCCBs), (including expenses) worth ₹ 13,019.4 million, and paid interest of ₹ 659.2 million.

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

Cash position

The Company funds its short-term working capital requirements through cash flow from operations, working capital overdraft facilities with commercial banks, medium-term borrowings from banks and commercial financial institutions and others. As of March 31, 2013, the Company had cash and bank balances of ₹ 901.0 million as compared to ₹ 6,828.7 million as of March 31, 2012.

RISK MANAGEMENT REPORT

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

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

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

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

Governance Structure:

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

Key risk management practices

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

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

Internal control systems and its adequacy

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

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

- All operational and related activities are performed efficiently and effectively
- Significant financial, managerial and operating information that is relevant, accurate, and reliable is provided on time
- Review of identification and management of risks
- Resources are acquired economically, used efficiently and safeguarded adequately
- Employees' actions are in accordance with the Company's policies and procedures, Code of Conduct and applicable laws and regulations
- Significant legislative and regulatory provisions impacting the organisation are recognized and addressed appropriately
- Opportunities identified during audits, for improving management control, business targets and profitability, process efficiency and the organization's image, are communicated to the appropriate level of management

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

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

- The Company has a dedicated internal audit team to examine and evaluate the adequacy and effectiveness of the internal control systems. The Company has also appointed an external firm to conduct the periodic internal audits of a few critical areas and provide a fair independent assessment of the effectiveness of the internal controls

- The audits in 2013 included operations and key support functions such as Human Resources, Information Technology, Finance, Administration etc. in India and International locations. The key audit findings were reported to the audit committee on a quarterly basis

- The Company has a rigorous business planning system to set targets and parameters for operations, which are reviewed with actual performance to ensure timely initiation of corrective action if required

- Additionally, pursuant to clause 49 of the listing agreement with stock exchanges relating to corporate governance, the Company is required to comply with additional standards. These standards include a certification by the Company's CEO and CFO that they have evaluated the effectiveness of the Company's internal control systems and that they have disclosed to its auditors and its audit committee any deficiencies in the design or operation of the Company's internal controls of which they may become aware, as well as any steps taken or proposed to resolve the deficiencies

Key Business Risks & Mitigation

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

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

1. Country level risks

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

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

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

1. Fragile global economic recovery

The global economic conditions have been and continue to be somewhat challenging with tighter credit conditions and slower growth since the financial crisis of 2008. While, the recovery is strengthening, it still is uneven and downside risks remain. In the US, unemployment has started to fall, but quite slowly, and long-term unemployment remains alarmingly high. In Europe, sovereign debt problems continue to be a concern and may derail the recovery. Political turmoil in Middle East continues to threaten oil supply and there have been natural calamities in Japan, whose effects on growth are not yet fully known. Global economic conditions and confidence in recovery affect the clients' businesses and the markets they serve. The Company's business could be adversely affected by its clients' financial condition and the levels of business activity in the industries it operates in.

Anticipating, planning and responding to changes in an uncertain economic landscape continue to be a major challenge. The Company has no exposure to Middle East or Japan. In Europe, the Company's only exposure is to UK and Ireland which contributed 40.4 per cent of its income from services in fiscal 2013. The Company is also present in relatively stable industries such as Healthcare which tends to be less prone to recessionary cycles. To some extent, the Company's increasing focus on servicing emerging economies such as India which contributed 10.9 percent of income from services in fiscal 2013 also reduces its dependence on developed western economies. The Company believes that its diversified business model across industries, geographies, clients and currencies positions it well for challenges of an uncertain and volatile global economy. The Company also continues to focus on rigorous cost control and productivity improvement initiatives to protect operating margins in these challenging times.

2. Protectionist sentiments in the developed countries

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

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

The Company recognized early that to be a credible player in the global BPM industry, it would be imperative to have delivery capabilities across the globe. The Company is focused on establishing a delivery proposition that transcended offshoring benefits and provides the ability to manage operations and deliver process improvement and efficiency by deploying the Rightshore model. The Company has successfully transformed itself from an offshore BPM player in its early days to an international BPM player with significant local delivery presence in the US and UK. In a protectionist environment, well established onshore presence has helped in winning more business in the US and the UK and is proving to be a market advantage. The Company derives majority of its revenues from onshore services and its dependence on offshore revenues has considerably decreased:

% of revenue	Fiscal 2009	Fiscal 2011	Fiscal 2013	Trend
Offshore	30.5%	26.9%	21.1%	⬇
Onshore	58.8%	62.1%	67.7%	⬆

Among the Indian pure-play BPM companies, the Company was amongst the early movers to build strong onshore capabilities with the UK and US operations. Today, the Company has fourteen delivery centres in the US, six in Europe and employs over 3,500 employees in the US and over 5,000 employees in the UK and Republic of Ireland.

3. Long selling cycle

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

The Company has strategically focused on marketing and sales teams with clearly defined goals who at all times work on a variety of opportunities, along with an aggressive transition methodology that helps transition new wins fairly quickly into operational mode.

4. Currency volatility

The average Indian rupee/US dollar exchange rate was approximately 54.55 per $1.00 in fiscal 2013, which represented a depreciation of the Indian rupee of 12.4 per cent as compared with the average exchange rate of approximately 48.53 per $1.00 in fiscal 2012. The average Indian rupee/pound sterling exchange rate was approximately 86.23 per £1.00 in fiscal 2013, which represented an 11.4 per cent depreciation of the Indian rupee as compared with the average exchange rate of approximately 77.40 per £1.00 in fiscal 2012. There has been volatility in the exchange rate between INR and GBP and INR and USD in the recent years and these currencies may continue to fluctuate significantly in future as well. Hence, the Company's operating results have been and will continue to be impacted by fluctuations in the exchange rate between the Indian rupee and the British pound and the Indian rupee and the U.S. dollar, as well as exchange rates with other foreign currencies such as Euro, Philippine Peso, Canadian Dollar, Australian Dollar and Sri Lankan Rupee.

The Company has significant operations onshore (within North America and Europe) and over the years the Company has also expanded operations in India for service offerings to domestic clients, with no exposure to the currency exchange risk. The Company's cross currency exposure (revenues and cost being in different currencies) is limited to its offshore delivery spanning across India and Philippines catering to international customers. The Company has a dedicated treasury function which actively tracks the movements in foreign currencies and has an internal risk management policy of proactively hedging exposures as per guidelines defined by the Board. As per the internal guidelines, the Company has been judiciously hedging its net exposures on regular basis through forward cover contracts.

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

1. Revenue concentration risk

The Company relies on a small number of clients for a large proportion of its income, and loss/discontinuance of any of these clients could adversely affect its revenue and profitability. The Company's top client accounted for 16.7 per cent of its income from services and top 5 clients accounted for 45.5 per cent of its income from services in fiscal 2013. 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. Further, the Company's revenue is highly dependent on clients concentrated in a few industries, as well as clients located primarily in the North America and Europe. Economic slowdown or factors that affect these industries or the economic environment in these countries could adversely impact the Company's business.

The Company recognizes this aspect and constantly strives to rebalance its business portfolio in terms of clients as well as overall industry and geographical exposure. As a result of these ongoing efforts, the Company has managed to reduce the revenue concentration on few clients as well as the industry-specific exposure. During fiscal 2013, the Company derived 44.0 per cent income from services from Telecommunications and Media industry, 31.7 percent income from services from Healthcare and 23.7 per cent income from services from BFSI industry. North America contributed 46.2 percent of income from services, followed by the UK which contributed 34.2 per cent and India contributing 10.5 per cent income from services in fiscal 2013. 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.

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

1. Risks related to attrition

The BPM industry is a labour intensive industry and the Company's success depends on its ability to retain its key employees. Historically, high employee attrition has been common in the BPM industry and the Company has also experienced high level of attrition. In the quarter ending March 2013, the Company's attrition rate for all employees who were employed for more than 180 days was 49.2 percent for offshore delivery and 34.4 per cent for onshore delivery. Attrition rate for domestic delivery in Asia business unit was significantly higher at 87.9 per cent. Higher levels of attrition rate has an impact on the Company's operating efficiency and productivity and thus profitability.

The Company is taking several new initiatives to reduce employee attrition including engaging external consultants, driving better employee engagement, ongoing focus on first time supervisory training, using targeted compensation measures etc.

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

With signs of stabilisation and gradual recovery in the global economy, demand and competition for qualified employees continues to increase and is expected to remain high. Significant competition for employees could have an adverse effect on the Company's ability to recruit and thus expand its business and services to its clients, as well as cause it to incur greater personnel expenses and training costs. Personnel costs including salaries and related benefits, for fiscal 2013 amounted to 68.6 per cent of the Company's income. Considering salaries and related benefits of employees are most significant costs in the BPM industry, pressure on wages will reduce the Company's profit margins and competitive advantage in the long term.

The Company has developed innovative recruitment channels and practices to mitigate these risks. These include strong employee referral programs, which contributes to more than one third of the overall hiring requirements. The Company also invests considerable efforts in establishing Firstsource as a preferred employer of choice and participates in several career events to strengthen Firstsource brand and get access to talent.

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

1. Highly competitive environment

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

The Company understands that it needs to retain and grow its position in the industry by ensuring best in class operations and a focused marketing and sales team. To enable this, the Company makes significant investments in strengthening domain capabilities, process excellence, standardization and innovation, apart from adhering to global operating standards. The Company also constantly looks to strengthen its ability to attract, train and retain qualified people.

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

1. Expiry of certain tax benefits available in India

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

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

2. Regulatory & Compliance related Risk

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

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

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

Report on Corporate Governance

Corporate governance is not merely the compliance of 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 globally accepted best governance practices. 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'), adherence to Corporate Governance practices not only justifies the legal obedience of laws but dwells deeper conforming to ethical leadership and stability. It is the sense of good governance that our leaders portray which trickles down to the 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 updated on a timely basis about the development, plans and performance of the Company with a view to establish long-term affiliations. The Company keeps itself abreast with the contemporary best governance practices on the global front, at the same time conforming to the recent amendments.

The Board of Directors fully supports and endorses Corporate Governance practices in accordance with the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges and Voluntary Corporate Governance Guidelines 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 said clause 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 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 members distinguished in various fields such as management, finance, law, marketing, technology and strategic planning, who have a commendable position in the business world. This provides reliability to the Company's functioning and the Board ensures the same by 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 Clause 49 of the Listing Agreement. As on March 31, 2013, the Board comprised of 12 experts drawn from diverse fields/ professions of which 11 are Non-Executive Directors and 1 is Executive Director. 6 out of 12 Directors are Independent Directors.

Agenda papers of the Board and its Committee meetings are circulated to the Directors well in advance of the meeting, supported with significant information including that as enumerated in Annexure IA to Clause 49 of the Listing Agreement for an effective and well-informed decision making at the meetings.

The Board meets at regular intervals to discuss and decide on Company's business policy and strategy apart from other normal business. The Company uses tele-conferencing facility to encourage maximum participation of the Board Members. During the Financial Year 2012-13, 8 Board Meetings were held, i.e. on May 15, July 30, September 17, October 25, October 26, December 3 and December 5 in 2012, and on February 14 in 2013. Time gap between any two meetings was not more than 4 months.

Details of composition, category of Directors, their attendance at the Board Meetings held during the year and Annual General Meeting (AGM) held on July 31, 2012, Directorships and Committee Memberships are as under:

Name of the Director	Category	No. of Board Meetings Attended in Person	No. of Board Meetings Attended through Tele-conference/ Video conference	No. of Equity Shares held as on March 31, 2013	Attendance at previous AGM held on July 31, 2012 (Y-Yes, N-No)	Directorships in other Public Companies as on 31.03 2013*	Committee Chairmanships/ Memberships in other Public Companies as on 31.03.2013**	
							Chairmanships	Memberships
Mr. Sanjiv Goenka *Chairman#*	NI-NED	2	--	--	N.A.	12	2	2
Dr. Shailesh J. Mehta *Chairman#*	I-NED	7	1	170,000	Y	4	--	1
Mr. Ananda Mukerji *Vice-Chairman*	NI-NED	8	--	414,300	Y	2	--	--
Mr. Rajesh Subramaniam *Managing Director & CEO##* (w.e.f May 16, 2012)	ED	8	--	--	Y	1	--	--
Mr. Alexander Matthew Vallance *Managing Director & CEO##* (up to May 15, 2012)	ED	1	--	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Y. H. Malegam	I-NED	7	--	62,500	Y	6	3	--
Mr. K. P. Balaraj	I-NED	2	2	--	N	1	--	--
Mr. Charles Miller Smith	I-NED	5	2	--	Y	--	--	--
Mr. Donald W. Layden Jr.	I-NED	4	1	--	N	--	--	--
Mr. Pradip Roy$	I-NED	2	--	--	N.A.	5	--	3
Mr. Subrata Talukdar $$	NI-NED	2	--	--	N.A.	11	1	4
Mr. Haigreve Khaitan $$	NI-NED	2	--	--	N.A.	14	--	10
Mr. Shashwat Goenka $$	NI-NED	2	--	--	N.A.	1	--	--
Mr. Pravir Vohra @	NI-NED	6	1	--	N	N.A.	N.A.	N.A.
Mr. Mohit Bhandari @	NI-NED	3	1	--	N	N.A.	N.A.	N.A.
Mr. Ram V. Chary @	NI-NED	--	--	--	N	N.A.	N.A.	N.A.

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 25 Companies and Private Limited Companies have not been considered.*

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

 # Mr. Sanjiv Goenka was nominated by Spen Liq Private Limited and was appointed as Additional Director on the Board w.e.f. December 3, 2012. Dr. Shailesh J. Mehta resigned as Chairman at the same Board Meeting and Mr. Goenka was appointed as the Chairman in place of Dr. Mehta. Dr. Mehta continues as a Director of the Company.

Mr. Alexander Matthew Vallance resigned as Managing Director & CEO ("MD & CEO") w.e.f. May 15, 2012 and Mr. Rajesh Subramaniam, the then Deputy Managing Director and CFO was appointed as MD & CEO in his place w.e.f. May 16, 2012.

$ Mr. Pradip Roy was appointed as Additional Director w.e.f. December 3, 2012.

$$ Mr. Subrata Talukdar, Mr. Haigreve Khaitan and Mr. Shashwat Goenka were nominated by Spen Liq Private Limited and were appointed as Directors w.e.f. December 5, 2012 in the casual vacancies caused by resignations of Mr. Mohit Bhandari, Mr. Ram V. Chary and Mr. Pravir Vohra respectively.

@ Mr. Pravir Vohra representing, ICICI Bank Limited, erstwhile Promoter, Mr. Mohit Bhandari, representing Equity Investor, Aranda Investments (Mauritius) Pte. Limited and Mr. Ram V. Chary, representing Equity Investor, Metavante Investment (Mauritius) Limited, resigned as Directors w.e.f. December 5, 2012.

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 the Chairman of more than 5 Committees and Member of more than 10 Committees across all Companies in which they are Directors.

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

COMMITTEES OF BOARD OF DIRECTORS

AUDIT COMMITTEE

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

During the Financial Year 2012-13, 4 meetings of the Committee were held i.e. on May 15, July 30 and October 26 in 2012 and on February 14 in 2013. The time gap between any two meetings was not more than 4 months and the Company has complied with all the requirements as mentioned under Listing Agreement and Companies Act, 1956.

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

Name of the Director	Category	No. of Meetings Attended
Mr. Y. H. Malegam, Chairman	I-NED	4
Dr. Shailesh J. Mehta	I-NED	4
Mr. Ananda Mukerji *	I-NED	3
Mr. Charles Miller Smith	I-NED	3
Mr. Subrata Talukdar*	NI-NED	1

** Mr. Subrata Talukdar was appointed as a member of the Committee in place of Mr. Ananda Mukerji w.e.f. December 5, 2012.*

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

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

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

REMUNERATION COMMITTEE

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

During the Financial Year 2012-13, 3 meetings of the Committee were held i.e. on May 15 and July 30 in 2012 and on February 14 in 2013.

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

Name of the Director	Category	No. of Meetings Attended
Dr. Shailesh J. Mehta, Chairman	I-NED	3
Mr. Ananda Mukerji	NI-NED	3
Mr. Charles Miller Smith	I-NED	2
Mr. K. P. Balaraj*	I-NED	1
Mr. Y. H. Malegam#	I-NED	2
Mr. Subrata Talukdar@	NI-NED	1

** Also attended 1 meeting through tele-conferencing.*
 # Appointed as a member w.e.f. May 15, 2012.
@ Appointed as a member w.e.f. December 5, 2012.

Remuneration Policy:

The Company's remuneration policy is driven by the success and performance of the Company and the individual and industry benchmarks and is decided by the 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 Executive and Non-Executive Directors and deserving employees of the Company.

i. Executive Directors:

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

The details of remuneration of the Executive Directors for the year ended March 31, 2013 are as under:

(Amount in ₹)

Name	Salary & Allowances	Performance Bonus #	Retirals @	Perquisites	Total
Mr. Alexander Matthew Vallance*	2,405,908	2,570,550	138,906	-	5,115,364#
Mr. Rajesh Subramaniam*	14,762,285	13,522,261	663,223	48,764	28,996,533

** Mr. Alexander Matthew Vallance resigned as Managing Director & CEO ("MD & CEO") of the Company w.e.f. May 15, 2012 and Mr. Rajesh Subramaniam was appointed as MD & CEO in his place w.e.f. May 16, 2012.*

 # Exchange rate as on May 15, 2012 of 1 GBP = 86.02 INR has been considered for the purpose of Performance Bonus.

The remuneration of ₹ 5,115,364 paid to Mr. Alexander Matthew Vallance in the capacity as MD & CEO includes an amount of ₹ 1,209,557 paid by the Company and ₹ 3,905,807 paid by Firstsource Solutions UK Limited, wholly owned subsidiary of the Company.

@ Retirals include contribution to Provident Fund.

Mr. Alexander Matthew Vallance was paid non solicitation fees after cessation as MD & CEO, amounting to GBP 481,600 (equivalent to INR 41,829,970) in two equal tranches. First tranche of GBP 240,800 was paid on May 31, 2012 and balance amount was paid on September 30, 2012. This amount, being a contractual payment, does not form part of remuneration paid in the capacity as MD & CEO of the Company till May 15, 2012.

During the Financial Year 2012-13, Mr. Rajesh Subramaniam, MD & CEO, was granted 2,000,000 Stock Options under the Company's Stock Option Scheme. The said Stock Options were granted at the 'market price' as defined under the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. Further, upon change of control of the Company w.e.f. December 5, 2012, 3,000,000 unvested stock options held by MD & CEO have vested on that date.

The notice period of termination either by the Company or by MD & CEO is 3 months or salary in lieu thereof. If the Company terminates employment without cause, it shall pay to the MD & CEO 6 months' salary.

ii. Non-Executive Directors:

All the Non-Executive Directors are paid sitting fees of ₹ 20,000/- for attending each meeting of the Board of Directors and Committees thereof. The details of sitting fees paid during the Financial Year 2012-13 are as under:

(Amount in ₹)

Name of the Director	Sitting Fees		
	Board Meetings	Committee Meetings	Total
Mr. Sanjiv Goenka#	40,000	--	40,000
Mr. Ananda Mukerji	160,000	120,000	280,000
Mr. Y. H. Malegam	140,000	160,000	300,000
Mr. Charles Miller Smith	100,000	100,000	200,000
Mr. K. P. Balaraj	40,000	20,000	60,000
Mr. Donald W. Layden Jr.	80,000	--	80,000
Dr. Shailesh Mehta	140,000	220,000	360,000
Mr. Pradip Roy#	40,000	--	40,000
Mr. Shashwat Goenka*	40,000	--	40,000
Mr. Subrata Talukdar*	40,000	40,000	80,000
Mr. Haigreve Khaitan*	40,000	--	40,000
Mr. Mohit Bhandari@	60,000	--	60,000
Mr. Pravir Vohra@	120,000	--	120,000
Mr. Ram Chary@	--	--	--
TOTAL	**1,040,000**	**660,000**	**1,700,000**

 # Appointed as Directors w.e.f. December 3, 2012

** Appointed as Director w.e.f. December 5, 2012*

@ Resigned as Directors w.e.f. December 5, 2012

The Company, at the AGM held on September 16, 2010, had approved grant of Stock Options under Firstsource Solutions Employee Stock Option Scheme, 2003 ("ESOS 2003") to the Non-Executive Directors of the Company. During the Financial Year 2012-13, 200,000 stock options were granted to Mr. Charles Miller Smith, Non-Executive Director of the Company.

SHAREHOLDERS'/ INVESTORS' GRIEVANCE COMMITTEE

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

3 meetings of the Committee were held during the year 2012-13 i.e. on May 15, 2012, July 30, 2012 and December 5, 2012. The details of composition of the Committee and attendance during the year are as under:

Name of the Director	Category	No. of Meetings Attended
Dr. Shailesh J. Mehta, Chairman	I-NED	3
Mr. Rajesh Subramaniam	NI-ED	3
Mr. Mohit Bhandari *	NI-NED	-
Mr. Subrata Talukdar*	NI-NED	-
Mr. Alexander Matthew Vallance**	NI-ED	-

** Mr. Mohit Bhandari ceased to be a member consequent upon his resignation w.e.f. December 5, 2012 and Mr. Subrata Talukdar was appointed as a member in his place on the same date.*

*** Mr. Alexander Matthew Vallance ceased to be a member consequent upon his resignation as MD & CEO of the Company w.e.f. May 15, 2012.*

The total numbers of complaints received during the year were 35, all of which were resolved and there was no pending complaint as on March 31, 2013. The Company did not receive any transfer requests and hence no request was pending for approval as on March 31, 2013.

OTHER COMMITTEES OF THE BOARD

Financial Results Committee*#: The Committee comprises of Mr. Y. H. Malegam, Chairman, Dr. Shailesh J. Mehta (w.e.f. May 15, 2012), Mr. Rajesh Subramaniam and Mr. Subrata Talukdar**. It reviews and approves the quarterly financial statements.

Investment Committee*: The Committee comprises of Mr. Y. H. Malegam, Chairman, Mr. Rajesh Subramaniam, Mr. K. P. Balaraj and Mr. Subrata Talukdar**. It reviews the investment decisions made by the Management, ensures adherence to the 'Investment Policy' of the Company and approves modifications to the Investment Policy as may be required from time to time. 1 meeting of the Committee was held on July 30, 2012 which was attended by Mr. Y. H. Malegam and Mr. Rajesh Subramaniam.

Strategy Committee*: The Committee comprises of Mr. Ananda Mukerji, Chairman, Dr. Shailesh J. Mehta, Mr. Rajesh Subramaniam, Mr. Donald W. Layden Jr, Mr. Shashwat Goenka (w.e.f. December 5, 2012) and Mr. Subrata Talukdar**. It deliberates on various strategic options from time to time.

Committee of Independent Directors: Pursuant to Regulation 26(6) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, the Committee of Independent Directors of the Company comprising of Dr. Shailesh Mehta, Chairman, Mr. Y. H. Malegam and Mr. K. P. Balaraj was formed to give its written reasoned recommendations to the shareholders of the Company that the Open Offer made by Spen Liq Private Limited was fair and reasonable. One meeting of the Committee was held on December 3, 2012 which was attended by Dr. Shailesh Mehta and Mr. Y. H. Malegam.

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

#Mr. Mohit Bhandari ceased to be the member of Financial Results Committee consequent upon his resignation as Director of the Company w.e.f. December 5, 2012.

***Mr. Subrata Talukdar was inducted as member of aforesaid Committees w.e.f. December 5, 2012.*

GENERAL BODY MEETINGS

Venue, day, date and time of last 3 AGMs and Extra-Ordinary General Meeting (EGM):

Year	Meeting and Venue	Day & Date and Time
2012-13	Extra-Ordinary General Meeting: Ravindra Natya Mandir, 3rd Floor, Sayani Road, Prabhadevi, Mumbai - 400 025	Thursday, November 22, 2012 10.30 a.m.
2011-12	11th Annual General Meeting Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai - 400 025	Tuesday, July 31, 2012 10.30 a.m.
2010-11	10th Annual General Meeting Address same as above	Wednesday, August 3, 2011 3.00 p.m.
2009-10	9th Annual General Meeting Address same as above	Thursday, September 16, 2010 3.00 p.m.

Special Resolution passed at last EGM and 3 AGMs:

a) **EGM:**

Approved preferential allotment of shares under Section 81(1A) of the Companies Act, 1956 to Spen Liq Private Limited.

b) **AGM - 2011-12**

No special resolution was passed

c) **AGM - 2010-11**

No special resolution was passed

d) **AGM - 2009-10**

Approved payment of commission to Non-Executive Directors of the Company.

POSTAL BALLOT

During last Financial Year ended March 31, 2013, no resolution under Section 192A of the Companies Act, 1956 was passed through Postal Ballot.

DISCLOSURES

i. Related Party Transactions

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

ii. Disclosures from Senior Management

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

iii. Compliances by the Company

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

iv. Mandatory Requirements of Clause 49

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

v. Non-Mandatory Requirements of Clause 49

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

a) **Remuneration Committee**

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

b) **Shareholders' Rights**

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

c) **Audit Qualifications**

The Company adopts best practices to ensure unqualified financial statements. There are no audit qualifications in the Company's financial statements for the year ended March 31, 2013.

d) **Whistle Blower Policy**

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

e) **Corporate Social Responsibilities Activities:**

Corporate Governance is a wide terminology and the Company's philosophy does not restrict it to the Board and the Management of the Company. The Company believes economic independence of the underprivileged could be a significant underpinning towards socio-economic development. The social initiatives that the team undertakes involves employees volunteering to work with NGOs to train underprivileged youth, sharing know how, payroll giving, response to disasters, quarterly themes to build awareness, guiding clients on social initiatives in India and participating in various fund raising events.

f) **Global Ethics Compliance, Gift & Entertainment Policy and Anti Bribery Policy:**

The Company had implemented Global Ethics Compliance, 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"). The Company provided online training to all employees on Ethics Compliance and Gift & Entertainment Policy. A system of ongoing monitoring and review of bribery and corruption issues has been implemented. The Company observes 'zero tolerance' policy towards unethical behaviour and bribery.

vi. CEO/CFO Certification

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

vii. Code of Conduct for Directors and Senior Management

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

viii. Code for Prevention of Insider Trading

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

ix. Compliance Reports

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

x. Subsidiary Companies

As on March 31, 2013, the Company had 1 domestic subsidiary and 12 foreign subsidiaries. 1 domestic subsidiary and 10 out of 12 foreign subsidiaries are wholly owned by the Company or its subsidiary companies. However, the Company has no material non-listed Indian Subsidiary Company as defined in Clause 49(III) of the Listing Agreement. The minutes of the meetings of the subsidiary companies are placed at the Board Meetings of the Company every quarter. The consolidated financials of the Company and its subsidiaries are reviewed by the Audit Committee.

xi. Risk Management & Internal Control

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

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 resource, administration, legal and business development etc. across different geographies. The team presents their key audit findings for every quarter before the Audit Committee. The Management updates the members of the Audit Committee 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.

xii. Anti-Sexual Harassment Policy

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

xiii. Criteria for Selection of Independent Directors

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

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

The Company follows most of the recommendations of the Secretarial Standards issued by ICSI.

xv. Management Discussion and Analysis Report

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

xvi. Voluntary Guidelines on Corporate Governance

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

a) Separation of Offices of Chairman & Chief Executive Officer - There is a clear demarcation of the roles and responsibilities of the Chairman and the Managing Director & CEO of the Company.

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

xvii. 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 both 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 dematerialised form and in physical form.

MEANS OF COMMUNICATION

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

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

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

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

GENERAL SHAREHOLDER INFORMATION

I. Annual General Meeting

Day, Date, Time	Tuesday, August 6, 2013 at 3.30 p.m.
Venue	Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai - 400 025

II. Financial Year

April 1 to March 31

Financial Calendar (Tentative) – Financial Year 2013-14

First Quarter Ending June 30, 2013	First week of August, 2013
Second Quarter Ending September 30, 2013	First/ Second week of November, 2013
Third Quarter Ending December 31, 2013	First/ Second week of February, 2014
Fourth Quarter Ending March 31, 2014	First/ Second week of May, 2014
Annual General Meeting (Financial Year 2013-14)	July/ August, 2014

III. Dates of Book Closure (both days inclusive)

Tuesday, July 30, 2013 to Tuesday, August 6, 2013.

IV. Dividend

With a view to conserve cash reserves to meet current financial obligations of the Company, the Directors of your Company have not recommended any dividend for Financial Year 2012-13.

V. Listing on Stock Exchanges and Payment of Listing Fees

The equity shares of the Company are listed on National Stock Exchange of India Limited (NSE) and BSE Limited (BSE). The FCCBs were listed on Singapore Stock Exchange (SESTL) which have been redeemed in full on due date i.e. December 4, 2012. Annual Listing fees for the Financial year 2012-13 were paid by the Company to NSE, BSE and SESTL.

VI. Custodian Fees to Depositories

The Company has paid fees for Financial Year 2012-13 to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

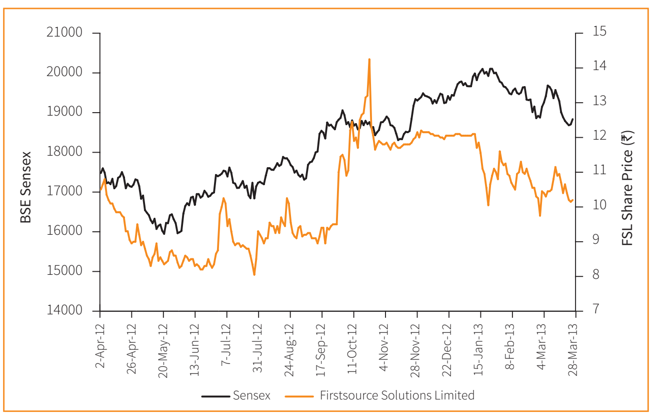
VII. (a) Stock Code/ Symbol

NSE	FSL
BSE	532809
ISIN in National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (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 for FY 2012-13 are given below:

Month	NSE			BSE		
	Share Price (₹)		No. of shares traded	Share Price (₹)		No. of shares traded
	High	Low		High	Low	
Apr – 2012	11.15	8.70	18,832,664	11.10	8.65	9,388,015
May – 2012	9.80	8.00	18,572,064	9.81	8.10	7,661,877
Jun - 2012	8.85	8.00	11,379,674	9.00	8.10	4,830,862
Jul – 2012	10.50	8.00	27,122,620	10.48	8.05	12,656,770
Aug – 2012	10.60	8.80	27,347,595	10.55	8.81	11,770,191
Sep – 2012	10.25	7.60	21,889,018	10.24	8.55	8,077,079
Oct – 2012	14.40	9.55	142,427,195	14.40	9.55	63,971,278
Nov – 2012	12.15	11.65	28,047,641	12.15	10.94	11,741,270
Dec – 2012	12.85	11.95	25,105,011	12.84	11.95	10,819,690
Jan – 2013	12.70	9.60	19,249,469	12.20	9.60	21,248,976
Feb – 2013	12.00	8.95	12,894,585	11.94	10.20	4,826,673
Mar – 2013	11.70	9.55	16,985,391	12.50	9.51	6,099,726

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

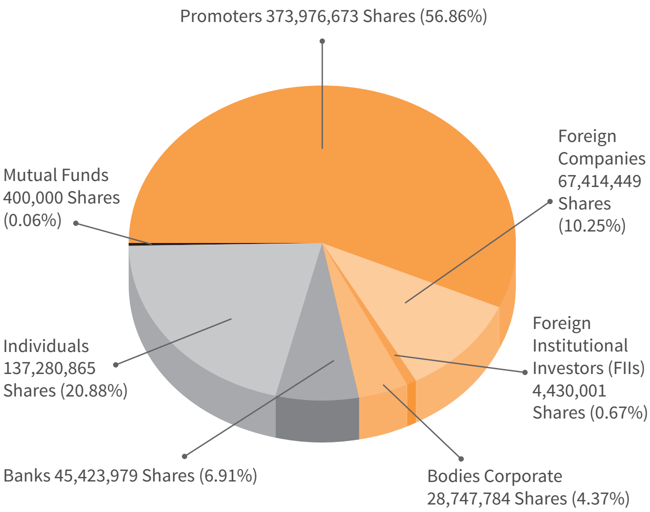
XI. Share Transfer System

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

XII. Distribution of shareholding as on March 31, 2013:

Share Holding (Nominal Value)	Shareholders		Nominal Capital	
₹	No.	%	₹	%
Up to 5,000	161,351	97.76	723,957,360	11.01
5,001-10,000	1,953	1.18	148,460,820	2.26
10,001-20,000	860	0.52	123,400,780	1.88
20,001-30,000	282	0.17	70,114,500	1.06
30,001-40,000	152	0.09	53,798,870	0.82
40,001-50,000	106	0.07	49,334,830	0.75
50,001-1,00,000	181	0.11	132,110,850	2.01
100,001 and above	159	0.10	5,275,559,500	80.21
Total	**165,044**	**100.00**	**6,576,737,510**	**100.00**

The Shareholding pattern as on March 31, 2013 is given as under:



Top 10 Shareholders as on March 31, 2013:

Sr. No.	Name of the Shareholders	Category of Shareholder	No. of Shares	%
1	Spen Liq Private Limited	Promoter	373,976,673	56.86
2	Metavante Investments Mauritius Limited	Foreign Company	45,382,175	6.90
3	ICICI Bank Limited	Bank	45,079,803	6.85
4	Aranda Investments (Mauritius) Pte Limited	Foreign Company	22,032,274	3.35
5	ARES Diversified	FII	2,200,000	0.34
6	Emerging India Focus Funds	FII	2,000,000	0.30
7	Nirmal Bang Securities Private Limited	Body Corporate	1,926,025	0.29
8	Nirmal Bang Financial Services Private Limited	Body Corporate	1,420,408	0.22
9	Netsoft India Limited	Body Corporate	1,100,000	0.17
10	Sujata Khanna	Resident Individual	800,000	0.12
Total			**495,917,358**	**75.40**

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 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, 2013:

	Shareholders		Share Capital	
	No. of Shareholders	% to Total Shareholders	No. of Shares	% to Total Share Capital
Dematerialised Form				
NSDL	110,269	66.81	607,424,982	92.36
CDSL	54,762	33.18	50,238,215	7.64
Total in dematerialised form	165,031	99.99	657,663,197	100.00
Physical Form	13	0.01	10,554	Negligible
Total	**165,044**	**100.00**	**657,673,751**	**100.00**

As on March 31, 2013, almost 100% of the paid up share capital constituting 99.99% of the number of shareholders, had been dematerialised.

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 Limited. The Company had sent 3 reminders to the Investors requesting them to furnish correct demat account details so that the shares lying in the said Escrow Account can be transferred to their demat account.

Pursuant to Clause 5A of the Listing Agreement notified by SEBI vide its circular dated April 24, 2009, the details of unclaimed shares as on March 31, 2013 are as under:

Particulars	No. of Shareholders	No. of Shares
Outstanding shares in the Escrow Account with ICICI Bank Limited as on April 1, 2012	50	5,621
Investors who have approached the Company for transfer of shares from Escrow Account during the year 2012-2013	0	0
Investors to whom shares were transferred from Escrow Account during the year 2012-2013	0	0
Outstanding shares in the Escrow Account as on March 31, 2013	50	5,621

Details of Unclaimed Refunds (IPO):

Post Initial Public Offer (IPO) of the Company in 2007, an amount of ₹ 4,681.24 Crores was transferred to the refund account. Refunds were made through ECS/ Direct credit/RTGS and issue of physical warrants. The Company has sent three reminders to the shareholders requesting them to furnish their correct bank account details to enable the Company to refund the unclaimed share application amount. The balance in the refund account as on March 31, 2013 was ₹ 11.67 Lacs pertaining to 59 investors.

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

The Company has no outstanding GDRs/ ADRs/ Warrants. The Company had issued Zero Coupon Foreign Currency Convertible Bonds ("FCCBs") of USD 275 Million in December 2007 which had a maturity period of five years and one day, and maturity date of December 4, 2012. The FCCBs were listed on Singapore Exchange Securities Trading Limited. The nominal amount of FCCBs outstanding was USD 169.8 Million with a maturity value of USD 236.65 Million, at the time of redemption.

The FCCBs of the Company were redeemed in full in cash on due date i.e., December 4, 2012 and repayment was funded by way of the Company's cash reserves augmented with the preferential allotment of shares made to Spen Liq Private Limited and external borrowings.

The Company has, thus, fully discharged its obligation towards the Bondholders.

XV. Delivery Centers

The Company along with its 13 subsidiaries has 47 global delivery centers of which 24 are located in India, 14 in USA, 6 in UK, 2 in Philippines and 1 in Sri Lanka as per the details below:

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

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

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

Philippines: Manila (2)

Sri Lanka: Colombo

XVI. Address for Correspondence

Mr. Sanjay Gupta
Company Secretary and Compliance Officer
Firstsource Solutions Limited
5th Floor, Paradigm 'B' wing,
Mindspace, Link Road,
Malad (West),
Mumbai - 400 064
Tel. No.: 91 (22) 6666 0888
Fax: 91 (22) 6666 0887
Dedicated e-mail Id for redressal of Investors grievances:
complianceofficer@firstsource.com

Mumbai
May 7, 2013

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

To the Members of
Firstsource Solutions Limited

We have examined the compliance of conditions of Corporate Governance by Firstsource Solutions Limited for the year ended March 31, 2013, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

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

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

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

Nilesh Trivedi
Practising Company Secretary
FCS: 2245 CP: 8970

Mumbai
May 6, 2013

CERTIFICATION FROM MANAGING DIRECTOR & CEO AND CFO

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

a) We have reviewed financial statements and the Cash Flow Statement for the year ended March 31, 2013 and that to the best of our knowledge and belief:

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

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

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

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

d) There have been no

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

   ii. Significant changes in accounting policies during the year;

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

For Firstsource Solutions Limited
Rajesh Subramaniam
Managing Director & CEO

For Firstsource Solutions Limited
Dinesh Jain
Chief Financial Officer

Mumbai
May 7, 2013

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

I hereby confirm that:

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

Rajesh Subramaniam
Managing Director & CEO

Mumbai
May 7, 2013

Independent Auditors' Report

To the Board of Directors of
Firstsource Solutions Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Firstsource Solutions Limited ("the Parent Company") and its subsidiaries (as per the list appearing in Note 1 to the consolidated financial statements) [collectively referred to as "the Company" or "the Group"], which comprise the consolidated Balance Sheet as at 31 March 2013, the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) Section 211 of the Companies Act, 1956 ("the Act") and has early adopted Accounting Standard (AS) 30, Financial Instruments: Recognition and Measurements, read with AS 31, Financial Instruments – Presentation along with prescribed limited revisions to other Accounting Standards prescribed under the Act. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

i. in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2013;

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

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 38 to the consolidated financial statements that describes the early adoption by the Group of AS 30, Financial Instruments: Recognition and Measurements, read with AS 31, Financial Instruments – Presentation along with prescribed limited revisions to other accounting standards issued by the Institute of Chartered Accountants of India, as in management's opinion, it more appropriately reflects the nature/substance of the related transactions. The Group has accounted for assets and liabilities as per requirements of AS-30 including prescribed limited revisions to other accounting standards. AS 30, along with limited revisions to the other accounting standards, has not currently been notified by the National Advisory Committee for Accounting Standards (NACAS) pursuant to the Companies (Accounting Standards) Rules, 2006 as per Section 211(3C) of the Companies Act, 1956. Consequent to early adoption of AS 30 and the related limited revisions, consolidated profit after taxation for the year ended 31 March 2013 is higher by ₹ 281 million and Reserves and Surplus is higher by ₹ 20 millions.

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

Vijay Bhatt
Partner
Membership No: 036647

Mumbai
7 May 2013

Consolidated Balance Sheet

as at 31 March 2013

(Currency: In millions of Indian rupees)

	Note	31 March 2013	31 March 2012
EQUITY AND LIABILITIES			
Shareholders funds			
Share capital	3	6,576.74	4,307.76
Reserves and surplus	4	10,559.64	9,991.07
		17,136.38	**14,298.83**
MINORITY INTEREST		11.36	13.26
Non-current liabilities			
Long-term borrowings	5	8,500.64	9,258.83
Deferred tax liabilities, net	6	282.90	110.16
Other long-term liabilities	7	328.92	651.66
Long-term provisions	8	223.07	189.43
		9,335.53	**10,210.08**
Current liabilities			
Short-term borrowings	9	1,628.60	366.74
Trade payables	10	1,412.10	1,312.26
Other current liabilities	11	3,905.14	12,997.10
Short-term provisions	12	87.62	116.60
		7,033.46	**14,792.70**
Total		**33,516.73**	**39,314.87**
ASSETS			
Non-current assets			
Goodwill on consolidation	13	23,601.03	23,108.58
Fixed assets	14		
- Tangible assets		1,091.90	1,181.98
- Intangible assets		451.45	688.55
- Capital work-in-progress		18.20	86.69
		1,561.55	**1,957.22**
Non-current investments	15	26.81	16.00
Long-term loans and advances	16	1,132.22	1,257.44
Other non-current assets	17	650.66	345.83
		26,972.27	**26,685.07**
Current assets			
Current investments	18	-	784.31
Trade receivables	19	3,865.84	3,514.70
Cash and bank balances	20	901.01	6,828.68
Short-term loans and advances	21	353.95	365.17
Other current assets	22	1,423.66	1,136.94
		6,544.46	**12,629.80**
Total		**33,516.73**	**39,314.87**
Significant accounting policies	2		

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

As per our report of even date attached.

For and on behalf of the Board of Directors

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

Vijay Bhatt
Partner
Membership No: 036647

Sanjiv Goenka
Chairman

Ananda Mukerji
Vice Chairman

Rajesh Subramaniam
Managing Director and CEO

Shashwat Goenka
Director

Haigreve Khaitan
Director

Charles Miller Smith
Director

Y. H. Malegam
Director

K.P. Balaraj
Director

Donald Layden Jr.
Director

Dr. Shailesh Mehta
Director

Pradip Roy
Director

Subrata Talukdar
Director

Mumbai
7 May 2013

Dinesh Jain
CFO

Sanjay Gupta
Company Secretary

Consolidated Statement of Profit and Loss

for the year ended 31 March 2013

(Currency: In millions of Indian rupees)

	Note	31 March 2013	31 March 2012
INCOME			
Revenue from operations	23	28,185.35	22,549.92
Other income	24	463.95	386.49
		28,649.30	**22,936.41**
EXPENSES			
Employee benefits expense	25	19,348.72	15,224.95
Finance costs	26	783.65	584.88
Depreciation and amortisation	14	883.98	892.63
Other expenses	27	6,041.01	5,474.11
		27,057.36	**22,176.57**
Profit before taxation and minority interest		1,591.94	759.84
Less : Provision for taxation			
- Current tax including MAT and net of excess provision written back		247.87	259.89
Less: MAT credit entitlement		(256.15)	(112.64)
Net current tax		**(8.28)**	**147.25**
- Deferred tax charge/(credit)		137.51	(9.52)
Profit after taxation before minority interest		**1,462.71**	**622.11**
Minority interest		(3.21)	1.80
Profit after taxation and minority interest		**1,465.92**	**620.31**
Earnings per share			
Weighted average number of equity shares outstanding during the year			
- Basic		503,507,816	430,739,898
- Diluted		558,295,301	512,646,644
Earnings per share (₹)			
- Basic		2.91	1.44
- Diluted		2.82	1.44
Nominal value per share (₹)		10	10
Significant accounting policies	2		

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

As per our report of even date attached.

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

Vijay Bhatt
Partner
Membership No: 036647

Mumbai
7 May 2013

For and on behalf of the Board of Directors

Sanjiv Goenka
Chairman

Ananda Mukerji
Vice Chairman

Rajesh Subramaniam
Managing Director and CEO

Shashwat Goenka
Director

Haigreve Khaitan
Director

Charles Miller Smith
Director

Y. H. Malegam
Director

K.P. Balaraj
Director

Donald Layden Jr.
Director

Dr. Shailesh Mehta
Director

Pradip Roy
Director

Subrata Talukdar
Director

Dinesh Jain
CFO

Sanjay Gupta
Company Secretary

Consolidated Cash Flow Statement

for the year ended 31 March 2013

(Currency: In millions of Indian rupees)

	31 March 2013	31 March 2012
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax and minority interest	1,591.94	759.84
Adjustments for		
Depreciation and amortisation	883.98	892.63
Provision for doubtful debts / (written back)	14.81	(2.13)
(Gain)/loss on sale of fixed assets, net	(4.38)	0.89
Foreign exchange loss/ (gain), net	81.54	(784.30)
Interest costs	783.65	584.88
Interest and dividend income	(408.88)	(369.52)
Profit on sale of investments / redemption	(60.84)	(94.88)
Loss on FCCB buyback	-	67.62
Rent expense on account of adoption of AS 30	21.64	31.70
Operating cash flow before changes in working capital	**2,903.46**	**1,086.73**
Changes in working capital		
Increase in trade receivables	(408.34)	(1,102.61)
Increase in loans and advances and other assets	(274.86)	(139.23)
(Decrease)/increase in liabilities and provisions	(36.98)	662.01
Net changes in working capital	**(720.18)**	**(579.83)**
Income taxes paid	(190.52)	(450.09)
Net cash generated from operating activities (A)	**1,992.76**	**56.81**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investment in mutual funds/government securities	(28.62)	(11,021.75)
Sale of investment in mutual funds/government securities	873.92	11,647.29
Interest and dividend income received	413.44	317.14
Capital expenditure	(395.85)	(526.14)
Sale of fixed assets	24.26	14.16
Business acquisition, net of cash acquired	-	(231.11)
Maturity/(Investment) in deposit having maturity more than three months but less than twelve months	4,943.27	(4,956.84)
Net cash generated from/(used in) investing activities (B)	**5,830.42**	**(4,757.25)**
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of unsecured loan – others	-	(435.10)
Proceeds from unsecured loan – others	1,247.83	364.95
Repayment of secured loan	-	(2,830.35)
Proceeds from secured loan	957.90	9,157.50
Repayment of unsecured loan – FCCB, including expenses	(13,019.41)	(2,558.32)
Proceeds from issuance of equity shares and share application money (net of share issue expenses)	2,662.36	2.51
Interest paid	(659.23)	(373.08)

firstsource

Consolidated Cash Flow Statement

for the year ended 31 March 2013

(Currency: In millions of Indian rupees)

	31 March 2013	31 March 2012
Net cash (used in) /generated from financing activities (C)	**(8,810.55)**	**3,328.11**
Net decrease in cash and cash equivalents (A+B+C)	(987.37)	(1,372.33)
Cash and cash equivalents at the beginning of the year	1,871.84	3,244.17
Cash and cash equivalent acquired from business acquisition	2.97	-
Cash and cash equivalents at the end of the year	**887.44**	**1,871.84**

Notes to the consolidated 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 2013	31 March 2012
Balance with bank		
- in current account	1,293.70	1,801.13
- in deposit accounts (with original maturity of three months or less)	0.13	406.83
Cash on hand	0.31	0.21
Remittances in transit	-	1.45
	1,294.14	**2,209.62**
Less: Current account balance held in trust for customers	406.70	337.78
	887.44	**1,871.84**

As per our report of even date attached.

For and on behalf of the Board of Directors

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

Vijay Bhatt
Partner
Membership No: 036647

Sanjiv Goenka
Chairman

Ananda Mukerji
Vice Chairman

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Dr. Shailesh Mehta
Director

Pradip Roy
Director

Subrata Talukdar
Director

Mumbai
7 May 2013

Dinesh Jain
CFO

Sanjay Gupta
Company Secretary

Notes to the Consolidated Financial Statements

for the year ended 31 March 2013

(Currency: In millions of Indian rupees)

1. BACKGROUND

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

During the year ended 31 March 2013, Firstsource Advantage LLC (FAL) acquired 100% stake in Twin Lakes Property LLC- II (Twinlakes-II) and 20% remaining stake in Twin Lake Property LLC-I (Twinlakes-I). Both Twinlakes-I and Twinlakes- II are incorporated under the laws of the State of New York, USA.

During the year ended 31 March 2013, Firstsource agreed to sell its investment in "Firstsource Solutions S.A" a subsidiary of Firstsource Solutions UK Limited, incorporated under the laws of Argentina.

The list of subsidiaries with percentage holding is summarised below:

Subsidiaries	Country of incorporation and other particulars	Percentage of holding by the immediate parent (%)	Year of consolidation
Firstsource Solutions UK Limited (FSL-UK)	A subsidiary of Firstsource Solutions Limited, organised under the laws of United Kingdom.	100%	2002-2003
RevIT Systems Private Limited (RevIT)*	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of India	100%	2004-2005 Till 2011-2012
Firstsource Solutions S.A. (FSL-Arg)	A subsidiary of FSL-UK, incorporated under the laws of Argentina (disinvested during the year)	99.98%	2006-2007 Till 2011-2012
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. (erstwhile FirstRing Inc, USA (FR-US) has been merged effective 31 December 2009))	100%	2009-2010
Firstsource Advantage LLC (FAL)	A subsidiary of FBPS , incorporated under the laws of the State of New York, USA	100%	2004-2005
Twin Lake Property LLC – I (Twinlakes-I)	A subsidiary of FAL incorporated under the laws of the State of New York, USA	100%	2010-2011
Twin Lake Property LLC – II (Twinlakes-II)	A subsidiary of FAL incorporated under the laws of the State of New York, USA	100%	2012-2013
MedAssist Holding, Inc. (MedAssist)	A Subsidiary of FG US, organised under the laws of the State of Delaware, USA	100%	2007-2008
Firstsource Solutions USA LLC (earlier known as MedAssist LLC)	A subsidiary of MedAssist, incorporated in the State of Delaware, USA.	100%	2009-2010
Anunta Tech Infrastructure Services Limited (Anunta)	A subsidiary of Firstsource Solutions Limited, incorporated on 1 November 2010 under the laws of India	100%	2010-2011
Firstsource Transaction Services LLC (FTS)	A subsidiary of Firstsource Solutions USA LLC, incorporated on 22 May 2011 in the state of Delaware, USA	100%	2011-2012
Firstsource Dialog Solutions (Private) Limited (earlier known as Dialog Business Services (Private) Limited) (FDS)	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of Srilanka	74%	2011-2012
Firstsource BPO Ireland Limited (FSL Ireland)	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of Ireland	100%	2011-2012

*RevIT merged with Firstsource Solutions Limited.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2013

(Currency: In millions of Indian rupees)

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements of Firstsource Solutions Limited and its subsidiaries (collectively the 'Company' or 'the Group' (as listed in Note 1 above)), have been prepared and presented under the historical cost convention (except for certain financial instruments which are measured on fair value basis), on accrual basis of accounting, in accordance with accounting principles generally accepted in India and compliance with the Accounting Standards prescribed by Institute of Chartered Accountants of India ('ICAI') and in accordance with the relevant provisions of the Companies Act, 1956, to the extent applicable. The Company early adopted Accounting Standard 30, 'Financial Instruments: Recognition and Measurement' ('AS 30') read with Accounting Standard 31 - 'Financial Instruments: Presentation' ('AS 31') issued by the Institute of Chartered Accountants of India, effective 1 April 2008. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the revised Schedule VI to the Act. The consolidated financial statements are presented in Indian rupees rounded off to the nearest millions except per share data.

2.2 Basis of consolidation

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

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

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

2.3 Use of estimates

The preparation of the consolidated financial statements in conformity with Generally Accepted Accounting Principles ('GAAP') in India requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities on the date of the consolidated financial statements and the reported amount of income and expenses for the 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.

2.4 Revenue recognition

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

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

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

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

2.5 Government grants

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

2.6 Goodwill on consolidation

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

Goodwill is reviewed for a decline other than temporary in its carrying value, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group assesses the recoverability of goodwill by reference to the valuation methodology adopted by it on the acquisition date, which included strategic and synergic factors that were

Notes to the Consolidated Financial Statements

for the year ended 31 March 2013

(Currency: In millions of Indian rupees)

expected to enhance the enterprise value. Accordingly, the Group would consider that there exists a decline other than temporary in the carrying value of goodwill when, in conjunction with its valuation methodology, its expectations with respect to the underlying acquisitions it has made deteriorate with adverse market conditions.

2.7 Fixed assets and depreciation

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

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

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

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

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

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

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

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 tangible fixed assets 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.

2.8. Impairment of assets

a. Financial assets

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

b. Non-financial assets

The Group assesses at each balance sheet date whether there is any indication that a non-financial asset including goodwill may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is

Notes to the Consolidated Financial Statements

for the year ended 31 March 2013

(Currency: In millions of Indian rupees)

recognised in the consolidated statement of profit and loss. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

2.9 Employee Benefits

Gratuity

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

Compensated absences

Provision for compensated absences cost has been made based on actuarial valuation by an independent actuary at the balance sheet date.

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.

Provident fund

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 Sates of America. This is a defined contribution plan. Contributions made under the plan are charged to the consolidated statement of profit and loss in the period in which they accrue. Other retirement benefits are accrued based on the amounts payable as per local regulations.

2.10 Investments

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

2.11 Taxation

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

Current taxes

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

Deferred taxes

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

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

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

2.12 Leases

Finance lease

Assets acquired on finance leases, including assets acquired under sale and lease back transactions, have been recognised as an asset and a liability at the inception of the lease and have been recorded at an amount equal to the lower of the fair value of the leased asset or the present value of the future minimum lease payments. Such leased assets are depreciated over the lease term or its estimated useful life, whichever is shorter. Further, the installments 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 charge / (income) and principal amount using the implicit rate of return. The finance charge / (income) are recognised as income, and principal received is reduced from the amount receivable. All initial direct costs incurred are included in the cost of the asset.

Operating lease

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

2.13 Foreign currency transactions, derivative instruments and hedge accounting

a. Foreign currency transactions

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

b. Derivative instruments and hedge accounting

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

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

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

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

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the consolidated statement of profit and loss as they arise. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time for forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in shareholder's funds is retained there until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in shareholders' funds is transferred to the consolidated statement of profit and loss for the period.

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

c. Non-derivative financial instruments and hedge accounting

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

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

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

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

2.14 Foreign currency translation

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

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

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

2.15 Earnings per share

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

2.16 Provisions and contingencies

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 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.

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2.17 Onerous contracts

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

2.18 Foreign Currency Convertible Bonds (FCCB)

a. Foreign Currency Convertible Bonds are considered monetary in nature where these are designated as hedging instrument to hedge the net investment in non-integral foreign operation. Any gain or loss arising on account of exchange fluctuation to the extent related to such hedging, are accounted in exchange difference on consolidation of non-integral subsidiaries (refer Notes 37 and 38).

b. Premium payable on redemption of FCCB is amortised on pro-rata basis at implicit rate of return over the period of the bonds and charged to the securities premium account periodically (refer Note 37).

	31 March 2013	31 March 2012
3. SHARE CAPITAL		
Authorised		
872,000,000 (31 March 2012: 850,000,000) equity shares of ₹ 10 each*	8,720.00	8,500.00
	8,720.00	**8,500.00**
Issued, subscribed and paid-up		
657,673,751 (31 March 2012: 430,776,307) equity shares of ₹ 10 each, fully paid-up	6,576.74	4,307.76
	6,576.74	**4,307.76**

a. Reconciliation of shares outstanding at the beginning and at the end of the year

	31 March 2013		31 March 2012	
	Number of shares	Amount	Number of shares	Amount
At the commencement of the year	430,776,307	4,307.76	430,638,182	4,306.38
Additional shares issued during the year - Preferential allotment	226,897,444	2,268.98	-	-
Shares issued during the year - Stock options	-	-	138,125	1.38
At the end of the year	657,673,751	6,576.74	430,776,307	4,307.76

The Company has allotted 226,897,444 equity shares to Spen Liq Private Limited upon receipt of ₹ 2,745.36. The same amount has been used for the purpose of redemption of outstanding FCCB.

b. Particulars of shareholders holding more than 5% equity shares

	31 March 2013		31 March 2012	
	Number of shares	% of total shares	Number of shares	% of total shares
Spen Liq Private Limited	373,976,673	56.86	-	-
Aranda Investments (Mauritius) Pte Limited	**	**	**	**
Metavante Invetments Mauritius Limited	45,382,175	6.90	78,265,863	18.17
ICICI Bank Limited	45,266,823	6.88	77,963,491	18.10

**Aranda Investments (Mauritius) Pte Limited holds 3.35%, 22,032,274 shares (31 March 2012: 18.83%, 81,073,488 shares)

c. Employees stock options

Terms attached to the stock options granted to employees are described in Note 30.

d. Shares reserved for issue under options

48,008,532 (31 March 2012: 54,046,595) number of shares are reserved for issue under the employee stock options plan (ESOP) amounting to ₹ 480.20 (31 March 2012: ₹ 540.47) (refer Note 30).

* In accordance with the scheme of amalgamation of RevIT (refer Note 28), the authorized share capital of company stands increased to ₹ 8,720 divided into 872,000,000 equity shares.

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e. 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 shares 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 the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

	31 March 2013	31 March 2012
4. RESERVES AND SURPLUS		
Securities premium account		
At the commencement of the year*	1,788.24	2,307.67
Add: Premium on shares issued during the year	476.38	1.13
Writeback of amortised premium on buyback of FCCB (refer Note 37)	-	99.12
Less: Amortisation of premium payable on redemption of outstanding FCCB (refer Notes 2.18b and 37)	(557.37)	(619.68)
Share issue expenses	(82.99)	-
At the end of the year	**1,624.26**	**1,788.24**
General reserve		
At the commencement of the year	667.94	667.94
Less: Adjustment of amalgamation deficit pursuant to the scheme of amalgamation of RevIT (refer Note 28)	(637.53)	-
At the end of the year	**30.41**	**667.94**
Hedging reserve (refer Notes 2.18a and 38)		
At the commencement of the year	(285.94)	96.08
Movement during the year	295.75	(382.02)
At the end of the year	**9.81**	**(285.94)**
Foreign currency translation reserve		
At the commencement of the year	1,535.70	1,184.31
Exchange difference on FCCB and ECB translation (refer Note 37)	(886.51)	(1,437.38)
Exchange difference on consolidation of non-integral subsidiaries	828.16	1,788.77
At the end of the year	**1,477.35**	**1,535.70**
Balance in consolidated statement of profit and loss		
At the commencement of the year	6,285.13	5,664.82
Add: Net profit for the year	1,465.92	620.31
Less: Adjustment of amalgamation deficit pursuant to the scheme of amalgamation of RevIT (refer Note 28)	(333.24)	-
At the end of the year	7,417.81	6,285.13
Total reserve and surplus	**10,559.64**	**9,991.07**

* Includes ₹ 39.27 (31 March 2012: ₹ 39.27) from acquisition of Customer Assets India Limited merged with the Company effective 1 April 2004.

	31 March 2013	31 March 2012
5. LONG-TERM BORROWINGS		
Secured		
Term loans – from banks		
External commercial borrowings (ECB)	1,080.27	-
Term loan	7,328.48	9,157.50
Long-term maturities of finance lease obligations (refer Note 29)	71.12	43.09
Unsecured		
Loan from non-banking financing companies	20.77	58.24
	8,500.64	**9,258.83**

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a. External commercial borrowing carries interest at the rate of LIBOR + 471 bps and is repayable after 1 year from the date of its origination in 23 quarterly instalments. The loan is secured against *pari passu* charge on all current assets, non-current assets and fixed assets of the Firstsource and its Subsidiaries, except assets of Anunta, FDS, and Twinlakes-I and Twinlakes-II.

b. The term loan carries interest at an average rate of LIBOR + 475 bps. The loan is repayable in 16 quarterly installments commencing 2 years from the date of its origination. The loan is secured against *pari passu* charge on all current assets, non-current assets and fixed assets of the Group except assets of Anunta, FDS and Twinlakes-I and Twinlakes-II. Further, the loan has been guaranteed by Firstsource.

c. Finance lease obligation carries interest in the range of 6% - 12.5% for the period of 3 - 5 years from the date of its origination, repayable in quarterly installments. This is secured by way of hypothecation of underlying fixed assets taken on lease- refer Note 14.

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

	31 March 2013	31 March 2012
6. DEFERRED TAX LIABILITIES, NET		
Deferred tax asset on account of:		
Business losses carried forward	818.37	635.30
Difference between tax and book value of fixed assets	411.14	423.51
Gratuity and compensated absences	57.43	67.18
Accrued expenses / allowance for doubtful debts	14.45	12.64
	1,301.39	**1,138.63**
Deferred tax liability on account of:		
Depreciation and amortization	1,584.29	1,248.79
	282.90	**110.16**
7. OTHER LONG-TERM LIABILITIES		
Payable on asset purchase	328.92	651.66
	328.92	**651.66**
8. LONG-TERM PROVISIONS		
Provision for employee benefits		
Gratuity	66.58	49.22
Compensated absences	156.49	140.21
	223.07	**189.43**
9. SHORT-TERM BORROWINGS		
Secured		
Working capital demand loan (refer Note a below)	1,628.60	-
Unsecured		
Working capital demand loan (refer Note b below)	-	150.00
Export finance from banks (refer Note c below)	-	216.74
	1,628.60	**366.74**

a. The working capital demand loan carries interest at an average rate of LIBOR + 400 bps. The loan is a revolving facility to be renewed every year. The loan is secured against charge on all current assets, non-current assets and fixed assets of FSL-UK. Further, the loan has been guaranteed by Firstsource.

b. Working capital demand loan carries interest rate in the range of 12.75% - 13% p.a. The same has been repaid during the year.

c. Export finance from banks carried interest @ LIBOR + 265 bps. The same has been repaid during the year.

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	31 March 2013	31 March 2012
10. TRADE PAYABLES		
Trade payables for services and goods	1,412.10	1,312.26
	1,412.10	**1,312.26**
11. OTHER CURRENT LIABILITIES		
Current maturities of long-term borrowings		
External commercial borrowing refer Note 5(a)	5.43	-
Term loan – refer Note 5(b)	2,442.83	-
Finance lease obligation - refer Note 5(c)	41.52	22.46
Foreign currency convertible bonds *	-	11,421.37
Loan from non-banking financing companies – refer Note 5(d)	37.47	48.31
Interest accrued but not due	107.52	89.50
Others		
Payable on asset purchase	164.46	-
Book credit in bank account	244.05	132.49
Creditors for capital goods	33.92	19.42
Value added tax	262.81	154.45
Tax deducted at source	29.70	30.89
Employee benefits payable	535.43	624.39
Advance from customers	-	150.60
Exchange loss on derivative contracts	-	303.22
	3,905.14	**12,997.10**
* 31 March 2012: pro-rata premium payable on redemption of FCCB amounting to ₹ 2,881.89. For terms of FCCB, refer Note 37.		
12. SHORT-TERM PROVISIONS		
Provision for employee benefits		
Gratuity	0.52	2.22
Compensated absences	81.38	89.63
Other provision		
Provision for taxation (net of advance tax ₹ 9.10 (31 March 2012: ₹ 112.59))	5.72	24.75
	87.62	116.60

13. GOODWILL ON CONSOLIDATION

Entity name	Date of acquisition	31 March 2013	31 March 2012
MedAssist*	20 September 2007	20,050.99	18,791.45
FAL	22 September 2004	1,939.61	1,790.90
RevIT (refer Note 28)	31 March 2005	-	970.77
FDS	13 May 2011	15.00	14.17
FR-US	3 September 2003	861.82	807.68
Customer Asset India Limited	22 April 2002	733.61	733.61
		23,601.03	**23,108.58**

*Pursuant to restructuring, goodwill on acquisition of Business Process Management, Inc. of ₹ 1,859.52 (31 March 2012: ₹ 1,742.71) has been merged with MedAssist.

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Acquisition of MedAssist Holding, Inc (MedAssist)

Pursuant to 'Share Purchase agreement' ('SPA') dated 28 August 2007 entered into between Firstsource, FSL-USA and the erstwhile shareholders' of MedAssist, on 20 September 2007, Firstsource through its wholly owned subsidiary FSL-USA acquired 100% of the common stock of MedAssist, a Delaware corporation, including its 100% owned US based subsidiaries MedAssist Intermediate Holding, Inc., MedAssist, Incorporated, Twin Medical Transaction Services, Inc and Argent Healthcare Financial Services, Inc. for a cash consideration of ₹ 13,406.93 (equivalent to USD 332.79 million). MedAssist, together with its subsidiary companies, is a leading provider of revenue cycle management services, in healthcare industry in the U.S. Direct expenses related to the acquisition aggregated to ₹ 557.51 which were included in the cost of investment in MedAssist.

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

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

Total goodwill on MedAssist acquisition restated at exchange rates at balance sheet date amounts to ₹ 18,191.47 (31 March 2012: ₹ 17,048.74).

Acquisition of Business Process Management, Inc. (BPM)

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

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

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

Total goodwill of BPM restated at exchange rate on balance sheet date is ₹ 1,859.52 (31 March 2012: ₹ 1,742.71).

Acquisition of Firstsource Advantage LLC (FAL)

On 22 September 2004, Firstsource through its subsidiary, FR-US acquired 100% voting right in FAL, a limited liability company in New York, USA. ₹ 1,333.21 (equivalent of USD 29.08 million) was paid upfront on that date. Excess of cost of investment over the value of net assets acquired was ₹ 1,260.59 including direct expenses relating to the acquisition aggregated to ₹ 68.11.

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

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

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

Total goodwill of FAL restated at exchange rate on balance sheet date is ₹ 1,939.61 (31 March 2012: ₹ 1,790.90)

Acquisition of RevIT Systems Private Limited (RevIT)

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

₹ 970.77 being the excess of cost of investment over the value of net assets acquired, was recorded as goodwill.

RevIT has been amalgamated with Firstsource refer Note 28.

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

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

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₹ 15 (31 March 2012: ₹ 14.17) being the excess of cost of investment over the value of net assets acquired, has been recorded as goodwill in these consolidated financial statements. Total goodwill of FDS has been restated at exchange rate on balance sheet date.

Acquisition of Firstring Inc, USA (FR-US)

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

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

Acquisition of Customer Asset India Limited (CAST India)

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

Equity of CAST India on the date of acquisition representing the residual interest in the assets of CAST India after deducting its liabilities aggregated to ₹ 225.92. Firstsource's cost of investment in CAST India in excess of CAST India's equity on the date of investment aggregating ₹ 733.62 has been recorded as goodwill in the consolidated financial statements.

Total goodwill on consolidation resulting due to the above acquisitions aggregating to ₹ 23,601.03 (31 March 2012: ₹ 23,108.58).

14. FIXED ASSETS

	Tangible assets								Intangible assets				
	Land	Building	Leasehold improvements	Computers	Service equipment	Furniture, fixture and office equipment	Vehicles	Total	Goodwill	Domain name	Software	Total	Grand total
Gross block (at cost)													
As at 1 April 2012	22.10	120.14	1,599.00	1,273.54	1,106.00	1,721.57	23.78	5,866.13	887.09	6.72	982.50	1,876.31	7,742.44
Additions on account of business acquisition	27.20	102.25	-	-	-	-	-	129.45	-	-	-	-	129.45
Additions during the year	-	-	163.76	63.49	81.76	91.24	-	400.25	-	-	79.30	79.30	479.55
Deletions during the year	-	-	(97.98)	(57.57)	(0.84)	(55.62)	(6.55)	(218.56)	-	-	(1.48)	(1. 48)	(220.04)
As at 31 March 2013	**49.30**	**222.39**	**1,664.78**	**1,279.46**	**1,186.92**	**1,757.19**	**17.23**	**6,177.27**	**887.09**	**6.72**	**1,060.32**	**1,954.13**	**8,131.40**
Accumulated depreciation / amortization													
As at 1 April 2012	-	38.89	1,229.60	1,152.54	946.81	1,307.19	9.12	4,684.15	344.80	6.72	836.24	1,187.76	5,871.91
Accumulated depreciation on business acquisition	-	32. 32	-	-	-	-	-	32.32	-	-	-	-	32. 32
Charge for the year	-	7.17	197.33	83.21	89.87	188.60	1.75	567.93	219.86	-	96.19	316.05	883.98
On deletions during the year	-	-	(90.18)	(56.43)	(0.42)	(50.49)	(1.51)	(199.03)	-	-	(1.13)	(1.13)	(200.16)
As at 31 March 2013	**-**	**78.38**	**1,336.75**	**1,179.32**	**1,036.26**	**1,445.30**	**9.36**	**5,085.37**	**564.66**	**6.72**	**931.30**	**1,502.68**	**6,588.05**
Net block as at 31 March 2013	**49.30**	**144.01**	**328.03**	**100.14**	**150.66**	**311.89**	**7.87**	**1,091.90**	**322.43**	**-**	**129.02**	**451.45**	**1,543.35**
As at 31 March 2012	22.10	81.25	369.40	121.00	159.19	414.38	14.66	1181.98	542.29	-	146.26	688.55	1,870.53

The above assets include assets taken on lease as follows:

	Tangible assets				Intangible assets	Total
	Leasehold improvements	Computers	Service equipment	Furniture fixtures and office equipment	Software	
Gross block (at cost)						
As at 1 April 2012	21.98	61.38	106.03	32.43	2.54	224.36
As at 31 March 2013	**105.70**	**64.75**	**106.03**	**32.43**	**5.34**	**314.25**
Accumulated depreciation / amortization						
As at 1 April 2012	5.09	60.35	82.82	8.16	1.78	158.20
As at 31 March 2013	**24.57**	**62.58**	**99.93**	**10.33**	**2.88**	**200.29**
Net block						
As at 31 March 2013	**81.13**	**2.17**	**6.10**	**22.10**	**2.46**	**113.96**
As at 31 March 2012	16.89	1.03	23.21	24.27	0.76	66.16

Notes to the Consolidated Financial Statements
as at 31 March 2013

(Currency: In millions of Indian rupees)

	31 March 2013	31 March 2012
15. NON-CURRENT INVESTMENTS		
Non-trade (Unquoted)		
In mutual fund (Philippines Treasury bills)*	26.81	16.00
	26.81	**16.00**
* These securities have been earmarked in favor of SEC, Philippines in compliance with corporation code of Philippines.		
16. LONG-TERM LOANS AND ADVANCES		
(Unsecured, considered good)		
To parties other than related parties		
Capital advances	0.29	8.29
Deposits (refer Note 38)	374.83	474.70
Other loans and advances		
Prepaid expenses	251.54	201.67
Lease rentals receivable, net	29.87	20.71
Advance tax and tax deducted at source (net of provision for tax ₹ 798.47 (31 March 2012: ₹ 465.09))	475.69	552.07
	1,132.22	**1,257.44**
17. OTHER NON-CURRENT ASSETS		
(Unsecured, considered good unless otherwise stated)		
Bank deposits - Due to mature after twelve months from the reporting date, (refer Note 20)*	2.48	2.00
Unamortised costs (refer Note 38)	51.89	3.39
Accrued interest	-	0.30
Minimum alternate tax credit carried forward	596.29	340.14
	650.66	**345.83**
* Under lien for bank guarantees to the Customs authorities.		
18. CURRENT INVESTMENTS (at lower of cost and fair value)		
Non-trade (Unquoted)		
Super Ahorro Pesos (Mutual fund in Argentina)	-	9.60
Nil (31 March 2012: 331,979) units of Birla Sun Life Cash Plus - Institutional Premium Plan - Growth Option	-	57.00
Nil (31 March 2012: 2,804,703) units of Birla Sun Life Dynamic Bond Fund - Ret – Growth	-	50.00
Nil (31 March 2012: 4,001,102) units of Birla Sun Life Short Term FMP Series 29 Growth	-	40.01
Nil (31 March 2012: 351,238) units of Birla Sun Life Floating Rate Fund - STP - IP – Growth	-	50.00
Nil (31 March 2012: 681,160) units of ICICI Prudential Money Market Fund - Cash Option - Growth	-	101.00
Nil (31 March 2012: 2,933,317) units of Reliance Liquid Fund- Treasury Plan- Institutional Option - Growth Option	-	55.00
Nil (31 March 2012: 50,135) units of DWS Treasury Fund Cash - Institutional Plan - Growth	-	6.00
Nil (31 March 2012: 3,988,149) units of Kotak Floater Short-Term Plan Growth Option	-	70.00
Nil (31 March 2012: 98,306) units of SBI Premier Liquid Fund - Super Institutional Plan - Growth Option	-	165.70
Nil (31 March 2012: 3,015,809) units of SBI Magnum Income Fund FR Savings Plus Bond Plan - Growth	-	50.00
Nil (31 March 2012: 11,015,660) units of Religare Credit Opportunities Fund - IP Plan - Growth Option	-	130.00
	-	**784.31**
(Net assets value of unquoted investments nil (31 March 2012 : ₹ 788.62))		

Notes to the Consolidated Financial Statements

as at 31 March 2013

(Currency: In millions of Indian rupees)

	31 March 2013	31 March 2012
19. TRADE RECEIVABLES		
(Unsecured)		
Receivables outstanding for a period exceeding six months from the date they become due for payment		
- considered good	-	-
- considered doubtful	49.49	44.03
	49.49	**44.03**
Less: Provision for doubtful debts	49.49	44.03
	-	**-**
Others receivables		
- considered good	3,865.84	3,514.70
	3,865.84	**3,514.70**
	3,865.84	**3,514.70**
20. CASH AND BANK BALANCES		
Cash and cash equivalents		
Balances with banks		
- in current accounts	1,293.70	1,801.13
- in deposit accounts (with original maturity of three months or less)	0.13	406.83
Cash on hand	0.31	0.21
Remittances in transit	-	1.45
	1,294.14	**2,209.62**
Other bank balances		
- Bank deposits due to mature after twelve months from the reporting date	2.48	2.00
- Bank deposits due to mature after three months but before twelve months of the reporting date *	13.57	4,956.84
	1,310.19	**7,168.46**
Less: Current account balance held in trust for customers	406.70	337.78
Less: Bank deposits due to mature after twelve months from the reporting date (refer Note 17)	2.48	2.00
	901.01	**6,828.68**
* Includes ₹ 13.57 (31 March 2012: ₹ 38.16) towards line of credit for FAL.		
21. SHORT-TERM LOANS AND ADVANCES		
(Unsecured, considered good)		
To parties other than related parties		
Prepaid expenses	245.97	219.91
Lease rentals receivable, net	20.13	34.55
Exchange gain on derivative contracts	34.22	-
Other advances	53.63	110.71
	353.95	**365.17**
22. OTHER CURRENT ASSETS		
(Unsecured, considered good unless otherwise stated)		
Unbilled receivables	1,364.43	1,041.57
Accrued interest	0.44	28.10
Unamortised costs (refer Note 38)	25.45	33.93
Recoverable on sale of subsidiary – Pipal	33.34	33.34
	1,423.66	**1,136.94**

Notes to the Consolidated Financial Statements

for the year ended 31 March 2013

(Currency: In millions of Indian rupees)

	31 March 2013	31 March 2012
23. REVENUE FROM OPERATIONS		
Sale of services	28,440.18	22,548.51
Other operating income (refer Note 34)	(254.83)	1.41
	28,185.35	**22,549.92**
24. OTHER INCOME		
Profit on sale/redemption of current investments, net	70.27	94.88
Loss on sale of investment in subsidiary	(9.43)	-
Interest income	408.88	365.51
Foreign exchange loss, net*	(19.57)	(16.12)
Dividend on investments	-	4.01
Loss on FCCB buyback, net (refer Note 37.2)	-	(67.62)
Gain on sale of fixed assets, net	4.38	-
Miscellaneous income	9.42	5.83
	463.95	**386.49**
* includes loss of ₹ 21.81 (31 March 2012: ₹ 43.41) recognised on account of translation of financial statements of foreign subsidiaries for the purpose of preparation of these consolidated financial statements.		
25. EMPLOYEE BENEFITS EXPENSE		
Salaries and wages	17,826.81	14,036.18
Contribution to provident and other funds	870.83	576.03
Staff welfare expenses	651.08	612.74
	19,348.72	**15,224.95**

Notes to the Consolidated Financial Statements

for the year ended 31 March 2013

(Currency: In millions of Indian rupees)

	31 March 2013	31 March 2012
26. FINANCE COSTS		
Interest expense		
- on external commercial borrowings and term loan	624.30	414.06
- on working capital demand loan and others	47.66	21.20
Amortised cost on fair value of FCCB (refer Note 38)	106.40	143.75
Bank guarantee commission	5.29	5.87
	783.65	**584.88**
27. OTHER EXPENSES		
Rent	1,221.80	1,157.38
Rates and taxes	72.49	53.80
Services rendered by business associates and others	89.19	108.27
Legal and professional fees	641.21	549.99
Car and other hire charges	459.02	403.52
Connectivity charges	336.70	347.57
Information and communication expenses	842.63	685.01
Maintenance and upkeep	500.22	560.63
Recruitment and training expenses	216.08	181.99
Electricity, water and power consumption	412.64	330.32
Travel and conveyance	455.57	437.81
Computer expenses	196.97	167.18
Insurance	180.53	116.92
Printing and stationery	114.78	96.64
Marketing and support fees	88.38	92.39
Payment to auditors		
- Statutory audit	14.44	12.10
- Other services	0.25	1.39
- Reimbursement of expenses	0.10	0.23
Meeting and seminar expenses	4.38	9.07
Advertisement and publicity	1.02	1.27
Loss on sale / write-off of fixed assets, net	-	0.90
Directors' sitting fees	1.72	1.24
Provision for doubtful debts / written-off / (written-back), net	14.54	(2.13)
Bad debts written-off	0.27	-
Bank administration charges	136.37	106.13
Miscellaneous expenses	39.71	54.49
	6,041.01	**5,474.11**

Notes to the Consolidated Financial Statements

for the year ended 31 March 2013

(Currency: In millions of Indian rupees)

28. AMALGAMATION OF REV IT

The Board of Directors of Firstsource at their meeting held on 28 April 2012 approved the Scheme of amalgamation and arrangement ('the Scheme') between Firstsource and Rev IT Systems Private Limited (RevIT), a wholly owned subsidiary of Firstsource, engaged in the business of providing Information Technology Enabled Services (ITES) and Business Process Outsourcing (BPO) Services. The Scheme was approved by the Honorable High Court of Judicature at Bombay vide its order dated 5 November 2012. The Scheme inter-alia provided for the amalgamation of RevIT with Firstsource effective 1 April 2011 (the appointed date).

The certified copy of order passed by Honorable High Court of Judicature at Bombay was filed with the Registrar of Companies (ROC), Maharashtra on 30 November 2012.

As a result of the merger, excess value of investment over the net worth of the company which was accounted as Goodwill on consolidation of ₹ 970.77 has been adjusted against General reserve up to ₹ 637.53 and against Profit and loss balance to the extent of ₹ 333.24.

29. 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. Rental expenses under non-cancellable operating leases for the year ended 31 March 2013 aggregated to ₹ 801.66 (31 March 2012: ₹ 678.22). Of these expenses ₹ Nil (31 March 2012: 0.90) and ₹ 15.23 (31 March 2012: Nil) has been attributed to expenses prior to the related asset being ready to use and, accordingly, has been included as part of the related fixed assets and capital work in progress respectively.

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

	As at 31 March 2013	As at 31 March 2012
Amount due within one year from the balance sheet date	737.53	749.60
Amount due in the period between one year and five years	1,445.28	1,425.84
Amount due in the period beyond five years	269.86	230.84
	2,452.67	**2,406.28**

The Company also leases office facilities and residential facilities under cancellable operating leases that are renewable on a periodic basis at the option of both the lessor and lessee. Rental expenses under cancellable operating leases for the year ended 31 March 2013 is ₹ 544.85 (31 March 2012: ₹ 578.32).

Finance lease

The Company has acquired certain capital assets under finance lease. Future minimum lease payments under finance lease as at 31 March 2013 are as follows:

	Minimum lease payments	Finance charges	Present value of minimum lease payments
As at 31 March 2013			
Amount payable within one year from the balance sheet date	47.24	5.72	41.52
Amount payable in the period between one year and five years	75.61	4.47	71.12
	122.85	**10.19**	**112.64**
As at 31 March 2012			
Amount payable within one year from the balance sheet date	26.22	3.76	22.46
Amount payable in the period between one year and five years	47.04	3.95	43.09
	73.26	**7.72**	**65.55**

Notes to the Consolidated Financial Statements

for the year ended 31 March 2013

(Currency: In millions of Indian rupees)

The Company has given vehicles on finance lease to its employees as per policy. As at 31 March 2013, the future minimum lease rentals receivables are as follows:

	Minimum lease payments	Finance charges	Present value of minimum lease payments
As at 31 March 2013			
Amount receivable within one year from the balance sheet date	24.64	4.51	20.13
Amount receivable in the period between one year and five years	33.66	3.79	29.87
	58.30	**8.30**	**50.00**
As at 31 March 2012			
Amount receivable within one year from the balance sheet date	25.66	4.94	20.72
Amount receivable in the period between one year and five years	39.01	4.47	34.54
	64.67	**9.41**	**55.26**

30. EMPLOYEE STOCK OPTION PLAN

Stock option scheme 2002 ('Scheme 2002')

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

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

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

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

Employee stock option activity under Scheme 2002 is as follows:

Description	31 March 2013		31 March 2012	
	Shares arising out of options	Weighted average remaining contractual term (in months)	Shares arising out of options	Weighted average remaining contractual term (in months)
Exercise Range(in ₹) : 00.00 - 30.00				
Outstanding at the beginning of the year	86,875	10	90,625	22
Granted during the year	-	-	-	-
Forfeited during the year	(26,875)	-	(3,750)	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	60,000	9	86,875	10
Exercisable at the end of the year	60,000	9	86,875	7.14

Notes to the Consolidated Financial Statements

for the year ended 31 March 2013

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Employee stock option scheme 2003 ('Scheme 2003')

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

- The Scheme would be administered and supervised by the members of the Compensation committee.
- Exercise price to be determined based on a fair valuation carried out at the beginning of every six months for options granted during those respective periods After Firstsource has been listed on any stock-exchange, the Exercise Price shall be determined by the Committee on the date the Option is granted in accordance with, and subject to, the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (as amended from time to time);
- The Compensation Cum Board Governance Committee of Firstsource, at its meeting held on 27 April 2006, amended the vesting schedule for stock options granted on 1 May 2006 to General Managers and above grade employees and to non-executive directors.

  The vesting schedule for 15,980,000 stock options granted pursuant to the above is set forth below:

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

- At the Extra-Ordinary General Meeting held on 22 November 2007, the scheme was amended to include 'Executive Options'. 50% of the vesting for 'Executive Options' is time linked and the balance 50% is performance linked. The vesting schedule for time linked 'Executive Options' is set forth below:

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

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

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

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

Notes to the Consolidated Financial Statements

for the year ended 31 March 2013

(Currency: In millions of Indian rupees)

- Employee stock option activity under Scheme 2003 is as follows:

Description	31 March 2013			31 March 2012	
	Exercise Range (in ₹)	Shares arising out of options	Weighted average remaining contractual term (in months)	Shares arising out of options	Weighted average remaining contractual term (in months)
Outstanding at the beginning of the year	00.00 - 30.00	28,924,274	95.24	25,325,524	101.59
	30.01 - 60.00	21,056,184	61.69	23,539,934	73.59
	60.01 - 90.00	3,979,262	67.52	4,133,012	79.61
		53,959,720		**52,998,470**	
Granted during the year	00.00 - 30.00	12,675,000	-	7,200,000	-
	30.01 - 60.00	-	-	-	-
	60.01 - 90.00	-	-	-	-
Forfeited during the year	00.00 - 30.00	10,174,625		3,463,125	
	30.01 - 60.00	7,611,563	-	2,483,750	
	60.01 - 90.00	900,000	-	153,750	
		18,686,188		**6,100,625**	
Exercised during the year	00.00 - 30.00	-	-	138,125	-
	30.01 - 60.00	-	-	-	-
	60.01 - 90.00	-	-	-	-
Outstanding at the end of the year	00.00 - 30.00	31,424,649	95.83	28,924,274	95.24
	30.01 - 60.00	13,444,621	49.61	21,056,184	61.69
	60.01 - 90.00	3,079,262	55.99	3,979,262	67.52
		47,948,532		**53,959,720**	
Exercisable at the end of the year	00.00 - 30.00	14,502,774	80.88	10,752,399	98.44
	30.01 - 60.00	13,357,121	49.38	19,109,309	52.54
	60.01 - 90.00	3,079,262	55.99	3,979,262	59.67
		30,939,157		**33,840,970**	

Outstanding options as at 31 March 2013 out of Scheme 2002 is 60,000 and Scheme 2003 is 47,948,532 i.e. total outstanding is 48,008,532.

1 The aggregate stock option pool under Employee Stock Option Scheme 2002 and Employee Stock Option Scheme 2003 is 20% fully diluted equity shares as of 31 March 2013.

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

Particulars	31 March 2013	31 March 2012
Net income as reported	1,465.92	620.31
Less: Stock-based employee compensation expense (fair value method)	(32.35)	25.81
Proforma net income	1,498.27	594.50
Basic earnings per share as reported (₹)	2.91	1.44
Proforma basic earnings per share (₹)	2.98	1.38
Diluted earnings per share as reported (₹)	2.82	1.44
Proforma diluted earnings per share (₹)	2.68	1.38

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

Dividend yield	0%
Expected Life	5.5-7 years
Risk free interest rate	6.50% to 9.06%
Volatility	0% to 75%

31. RELATED PARTY TRANSACTIONS

Details of related parties including summary of transactions entered into during the year ended 31 March 2013 are summarized below:

Ultimate Holding Company	• CESC Limited (w.e.f. 5th December, 2012)
Holding Company	• Spen Liq Private limited (w.e.f. 5th December, 2012)
Subsidiaries wherein control exists	• The related parties where control exists are subsidiaries as referred to in Note 1 to the consolidated financial statements.
Key Managerial Personnel	• Rajesh Subramaniam • Dinesh Jain • Deep Babur (up to December 2012) • Alexander Matthew Vallance*
Non Executive Directors	• Sanjiv Goenka** • Ananda Mukerji • Charles Miller Smith • Shailesh Mehta • K.P. Balaraj • Mohit Bhandari * • Y.H. Malegam • Pradip Roy ** • Subrata Talukdar** • Shashwat Goenka** • Haigreve Khaitan** • Donald Layden, Jr. • Pravir Vohra * • Ram Chary *

* Resigned during the year

** Joined during the year

Particulars of related party transactions:

Name of the related party	Description	Transaction value during the year ended		Receivable / (Payable) as at	
		31 March 2013	31 March 2012	31 March 2013	31 March 2012
Non-executive directors	Sitting fees paid	1.72	1.24	-	-
Key Managerial Personnel and relatives	Remuneration*	47.34	90.62	-	-
Holding Company	Issue of shares (Including premium)	2,745.36	-	-	-

*Excludes ESOP, gratuity and compensated absences.

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

Description	31 March 2013	31 March 2012
Alexander Matthew Vallance*	5.11	68.97
Rajesh Subramaniam	28.99	15.32
Carl Saldanha	-	6.33
Dinesh Jain	8.49	-
Deep Babur	4.78	-

*Includes ₹ Nil (31 March 2012: ₹ 19.61) payable on retirement pursuant to non-compete contract in addition to managerial remuneration.

32. SEGMENTAL REPORTING

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

Geographic segments

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

Segment revenues and expenses

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

Un-allocable expenses

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

Capital employed

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

	31 March 2013	31 March 2012
Primary segment		
Segment revenue excluding other operating income		
UK	9,724.53	7,071.98
USA and Canada	13,133.47	11,687.33
India	2,993.17	2,700.61
Rest of the world	2,589.01	1,088.59
	28,440.18	**22,548.51**

	31 March 2013	31 March 2012
Segment result		
UK	1,007.35	1,161.71
USA and Canada	1,772.66	1,187.21
India	119.63	209.03
Rest of the world	293.14	108.79
	3,192.78	**2,666.74**
Finance cost	(783.65)	(584.88)
Other un-allocable expenditure, net of un-allocable income	(817.19)	(1,322.02)
Profit before taxation and minority interest	**1,591.94**	**759.84**
Taxation	(129.23)	(137.73)
Minority interest	3.21	(1.80)
Profit after taxation and minority interest	**1,465.92**	**620.31**

	31 March 2013	31 March 2012
Capital employed		
UK	1,911.96	1,460.90
USA and Canada	25,145.84	23,710.59
India	578.63	334.80
Rest of the world	628.01	454.53
Unallocated	1,804.97	9,579.14
	30,069.41	**35,539.96**

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for the year ended 31 March 2013

(Currency: In millions of Indian rupees)

Secondary segment	Revenue excluding other operating income for the year ended		Capital employed as at	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Banking, Financial Services and Insurance	6,736.23	6,293.01	2,864.50	2,999.69
Non-Banking, Financial Services and Insurance	21,703.95	16,255.50	25,399.94	22,961.13
Unallocated	-	-	1,804.97	9,579.14
	28,440.18	**22,548.51**	**30,069.41**	**35,539.96**

33. EMPLOYEE BENEFITS

a) *Gratuity plan*

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

Particulars	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Change in present value of obligations					
Obligations at beginning of the year	119.88	99.14	87.96	74.66	53.74
Service cost	34.70	41.48	27.55	55.70	24.01
Interest cost	9.02	8.08	6.55	5.77	4.56
Actuarial (gain)/loss	(17.83)	(8.62)	(7.28)	(41.47)	(3.19)
Benefits paid	(27.98)	(20.20)	(15.64)	(6.69)	(4.46)
Obligations at the end of the year	**117.79**	**119.88**	**99.14**	**87.97**	**74.66**
Change in plan assets					
Fair value of plan assets at beginning of the year	68.43	70.88	44.44	46.11	2.08
Expected return on plan assets	5.13	5.99	5.02	3.87	1.36
Actuarial gain/(loss)	0.02	0.75	(1.22)	0.66	1.57
Contributions	0.82	10.03	36.98	-	45.00
Benefits paid	(23.71)	(19.22)	(14.34)	(6.20)	(3.90)
Fair value of plan assets at end of the year,	**50.69**	**68.43**	**70.88**	**44.44**	**46.11**
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	117.79	119.88	99.14	87.97	74.66
Fair value of plan assets at the end of year	(50.69)	(68.43)	(70.88)	(44.44)	(46.11)
Funded status being amount of liability recognised in the consolidated balance sheet	**67.10**	**51.45**	**28.26**	**43.53**	**28.55**
Gratuity cost for the year					
Service cost	34.70	38.38	27.55	55.70	24.01
Interest cost	9.02	8.08	6.55	5.76	4.57
Expected return on plan assets	(5.13)	(4.99)	(6.07)	(42.13)	(1.62)
Actuarial (gain)/loss	(17.85)	(9.36)	(5.02)	(3.87)	(1.36)
Net gratuity cost	**20.74**	**32.11**	**23.01**	**15.46**	**25.60**
Actual return on plan assets	5.15	6.74	3.80	4.53	2.93
Assumptions					
Interest rate	8.05%	8.60%	8.30%	8.00%	7.86%
Estimated rate of return on plan assets	9.00%	9.00%	9.00%	8.00%	8.00%
Rate of growth in salary levels	8.00%	10.00%	10.00%	10.00%	10.00%
Withdrawal rate	25% reducing to 2% for over 20 year of service	25% reducing to 2% for over 20 year of service	25% reducing to 2% for over 20 year of service	25% reducing to 2% for over 20 year of service	25% reducing to 2% for over 20 years of service

Notes to the Consolidated Financial Statements

for the year ended 31 March 2013

(Currency: In millions of Indian rupees)

Experience adjustments	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
On plan liabilities (gain)/loss	(14.17)	(8.93)	(13.23)	(12.51)	(12.20)
On plan assets (gain)/loss	(0.20)	(0.15)	1.22	(0.66)	(1.57)

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 'Salaries, bonus and other allowances'.

b) Contribution to Provident Fund

The provident fund charge during the year amounts to ₹ 183.84 (31 March 2012: ₹ 137.69).

c) Compensated absences

Actuarial assumptions	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Interest rate	8.05%	8.60%	8.30%	8.00%	7.86%
Rate of growth in salary levels	8.00%	10.00%	10.00%	10.00%	10.00%

34. OTHER OPERATING INCOME

Other operating revenues of ₹ 463.95 (31 March 2012: ₹ 386.49) includes net loss of ₹ 298.22 (31 March 2012: ₹ 33.30) on restatement and settlement of debtor balances and related gain/loss on forward/option contracts and income of ₹ 43.49 for the year ended 31 March 2013 (31 March 2012: ₹ 34.71) on account of grant income earned by FSL-UK.

35. COMPUTATION OF NUMBER OF SHARES FOR CALCULATING DILUTED EARNINGS PER SHARE

	31 March 2013	31 March 2012
Number of shares considered as basic weighted average shares outstanding	503,507,816	430,739,898
Add: Effect of potential issue of shares/stock options	8,073,425	-*
Add: Adjustment relating to Foreign currency convertible bonds	46,714,060	81,906,746
Number of shares considered as weighted average shares and potential shares outstanding	558,295,301	512,646,644
Net profit after tax attributable to shareholders	1,465.92	620.31
Add: Interest on FCCB	106.40	143.75
Net profit after tax for diluted earnings per share	1,572.32	764.06

* Not considered when anti-dilutive

36. CAPITAL AND OTHER COMMITMENTS AND CONTINGENT LIABILITIES

	31 March 2013	31 March 2012
The estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	85.40	118.07
Claims not acknowledged as debts	1.35	-
Guarantees and letters of credit given	-	25.00

Direct tax matters

Income tax demands amounting to ₹ 442.39 (31 March 2012: ₹ 113.70) for the various assessment years are disputed in appeal by the Company in respect of which the Company 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 ₹ 10.38 (31 March 2012: ₹ 10.38) tax under protest against the demand raised for the assessment year 2004-05.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2013

(Currency: In millions of Indian rupees)

Indirect tax matters

The Service tax demands amounting to ₹ 125.52 (31 March 2012: ₹ 116.85) 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.

37. FOREIGN CURRENCY CONVERTIBLE BONDS (FCCB)

37.1 Issue of FCCB:

On 3 December 2007, Firstsource issued USD 275,000,000 Zero Coupon FCCB. The terms were as under:

Issue	0% FCCB due 2012
Issued on	3 December 2007
Issue amount	USD 275,000,000
Amount outstanding as on 31 March 2013	Nil
Face value	USD 100,000
Conversion price per share and fixed exchange rate	₹ 92.2933 ₹ 39.27 = USD 1
Number of shares to be issued if converted	72,248,439
Exercise period	On or after 14 January 2008 upto 4 December 2012
Early conversion at the option of the Company subject to certain conditions	On or after 4 December 2009 and prior to 24 November 2012
Redeemed on	4 December 2012
Redemption percentage of the principal amount	139.37%
Bonds outstanding as on 31 March 2013	Nil

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

37.1 Buyback of FCCB:

During the year ended 31 March 2012, pursuant to RBI notification, Firstsource bought back and cancelled 426 FCCBs of the face value of USD 100,000 each at a discount on accreted book value under the Automatic route. Due to adverse foreign currency movement, Firstsource recognised net loss of ₹ 67.62 for the year ended 31 March 2012 on the said buyback.

37.2 Redemption of FCCB:

In accordance with the terms of issue of respective FCCBs, Firstsource, on due date, redeemed all outstanding 1,698 FCCBs aggregating USD 169.80 million on 4 December 2012.

38. ADOPTION OF AS 30

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

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

On 1 October, 2008, the Company had early adopted AS 30 in its entirety, read with AS 31, effective 1 April, 2008 and the limited revisions to other Accounting Standards.

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

Pursuant to the early adoption of AS 30, the Company has discounted interest-free deposits to their present value and the difference between original amount of deposit and the discounted present value has been disclosed as "Unamortised cost" under other current and non-current assets. This unamortised cost is charged to the statement of profit and loss over the period of related lease. Correspondingly, interest income is accrued on these interest-free deposits using the implicit rate of return over the period of lease and is recognised under "Interest income".

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

As permitted by AS 30, the Company designated its FCCB along with premium payable on redemption as a hedging instrument to hedge its net investment in the non-integral foreign operations effective 1 July 2008. On 1 August 2012, the Company redesignated its FCCB along with premium on redemption as a hedging instrument to hedge the forward exchange contract taken of USD 103 million and balance continued to be designated as a hedge against its net investment in the non-integral foreign operations till the repayment of the FCCB. Further, the Company accounted for embedded derivative option included in FCCB. Accordingly,

Notes to the Consolidated Financial Statements
for the year ended 31 March 2013

(Currency: In millions of Indian rupees)

translation gain on FCCB has been adjusted in foreign currency translation reserve account. The amount recognized in foreign currency translation reserve would be transferred to the consolidated statement of profit and loss upon sale or disposal of non-integral foreign operations. The Company has charged ₹ 106.40 for the year ended 31 March 2013 as amortised cost on the fair value of FCCB under "Finance cost" towards accretion of FCCB liability using implicit rate of return method over the repayment tenor of FCCB.

The Company has also designated forward contracts to hedge highly probable forecasted transactions on the principles as set out in AS-30 (also refer Note 39).

Consequent to the early adoption of AS 30 as stated above, the profit after taxation for the year and Reserves and Surplus as at the Balance sheet date is higher by ₹ 281 (31 March 2012: ₹ 1,027) and ₹ 20 (31 March 2012: ₹ 297) respectively.

The increase in reserve and surplus includes translation gain on the investment in non-integral foreign operation used as hedging against translation loss on FCCB, which is currently credited to reserve and surplus, would be transferred to consolidated statement of profit and loss upon disposal of non-integral foreign operation.

39. DERIVATIVES

As at 31 March 2013, the Company has derivative financial instruments to sell USD 20,673,912 (31 March 2012: USD 38,777,958) having fair value loss of ₹ 9.61 (31 March 2012: loss of ₹ 63.64), GBP 22,827,009 (31 March 2012: GBP 43,503,845) having fair value gain of ₹ 57.24 (31 March 2012: gain of ₹ 180.81) and AUD 7,950,000 (31 March 2012: 16,586,223) having fair value loss of ₹ 23.95 (31 March 2012: loss of ₹ 50.81) relating to highly probable forecasted transactions.

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

	31 March 2013	31 March 2012
Principal amount and the interest due thereon remaining unpaid to any supplier as at the year end	Nil	Nil
Amount of interest paid by the Company in terms of section 16 of the MSMED, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year	Nil	Nil
Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED	Nil	Nil
Amount of interest accrued and remaining unpaid at the end of the accounting year	Nil	Nil
Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible	Nil	Nil

41. Other matters specified in Revised Schedule VI to the Companies Act, 1956 are either Nil or not applicable to the Company for the year.

As per our report of even date attached.

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

Vijay Bhatt
Partner
Membership No: 036647

For and on behalf of the Board of Directors

Sanjiv Goenka
Chairman

Ananda Mukerji
Vice Chairman

Rajesh Subramaniam
Managing Director and CEO

Shashwat Goenka
Director

Haigreve Khaitan
Director

Charles Miller Smith
Director

Y. H. Malegam
Director

K.P. Balaraj
Director

Donald Layden Jr.
Director

Dr. Shailesh Mehta
Director

Pradip Roy
Director

Subrata Talukdar
Director

Mumbai
7 May 2013

Dinesh Jain
CFO

Sanjay Gupta
Company Secretary

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO COMPANY'S INTEREST IN SUBSIDIARY COMPANIES

for the year ended 31 March 2013

(Currency: In millions of Indian rupees)

S No	Sub Sno.	Particulars	Anunta Tech Infrastructure Services Limited	Firstsource Group USA, Inc $	Firstsource Business Process Services, LLC $	Firstsource Advantage LLC $	Twin Lakes Property LLC-I $	Twin Lakes Property LLC-II $	Firstsource Solutions UK Limited £	MedAssist Holding, Inc. $	Firstsource Solutions USA LLC $	Firstsource Transaction Services, LLC $	Firstsource BPO Ireland Ltd €	Firstsource Dialog Solutions (Private) Limited LKR
1		The Financial Year of the Subsidiary Companies ended on	31.03.2013	31.03.2013	31.03.2013	31.03.2013	31.03.2013	31.03.2013	31.03.2013	31.03.2013	31.03.2013	31.03.2013	31.03.2013	31.03.2013
2		Date from which they became subsidiary Companies	01.11.2010	25.11.2009	25.11.2009	22.09.2004	01.04.2010	01.04.2012	27.05.2002	20.09.2007	31.03.2010	31.05.2011	16.09.2011	13.05.2011
3		Country of Incorporation	India	USA	USA	USA	USA	USA	UK	USA	USA	USA	Ireland	Srilanka
4	a	Number of shares held by Firstsource Solutions Ltd and/ or its nominees in the subsidiaries as on 31.03.2013	1,050,000 equity shares of Rs 10 each	218,483 common stock with par value of USD 1 each	NA	@ 10,000 Units of USD 1 each	NA	NA	2,834,672 equity shares of GBP 1 each	◊991.90773 Common Stock with par value USD 0.01 each	NA	NA	1 equity shares of EUR 1 each	6,823,570 equity shares of LKR 10 each
	b	Extent of Interest of Firstsource Solutions Ltd (holding Company) in the Subsidiaries as on 31.3.2013	100%	100%	100%	@ 100%	^ 100%	^ 100%	100%	◊100%	+ 100%	Δ 100%	100%	74%
5		The net aggregate amount of the profits /(losses) of the subsidiaries so far as it concerns the members of Firstsource Solutions Limited and is not dealt with in the accounts of Firstsource Solutions Limited .												
	a	For the financial year ended 31st March, 2013	-	-	-	-	-	-	-	-	-	-	-	(3.28)
	b	For the previous financial years of the Subsidiary since it became a Subsidiary	-	-	-	-	-	-	-	-	-	-	-	2.47
6		The net aggregate amount of the profits /(losses) of the subsidiaries so far as it concerns the members of Firstsource Solutions Limited dealt with or provided for in the accounts of Firstsource Solutions Limited .												
	a	For the financial year ended 31st March, 2013(PAT)	7.25	(110.79)	(1.25)	(16.18)	4.31	27.08	(18.63)	-	162.49	218.84	49.41	(9.35)
	b	For the previous financial years of the Subsidiary since it became a Subsidiary	(76.77)	596.33	326.60	397.00	3.57	-	613.40	-	1,174.88	86.73	43.39	7.83

FINANCIAL INFORMATION

Particulars	Anunta Tech Infrastructure Services Limited	Firstsource Group USA, Inc $	Firstsource Business Process Services, LLC $	Firstsource Advantage LLC $	Twin Lakes Property LLC-I $	Twin Lakes Property LLC-II $	Firstsource Solutions UK Limited £	MedAssist Holding, Inc. $	Firstsource Solutions USA LLC $	Firstsource Transaction Services, LLC $	Firstsource BPO Ireland Ltd €	Firstsource Dialog Solutions (Private) Limited LKR
Paid-up Share Capital	10.50	11.86	-	0.54	-	-	233.09	0	-	-	*	46.04
Reserves & Surplus	20.47	11,451.50	1,203.56	820.89	0.48	22.24	696.87	3,825.44	1,921.02	437.64	111.22	(1.72)
Total Assets	74.28	22,086.90	2,156.95	1,026.76	126.25	99.09	3,828.86	5,331.94	2,881.01	589.27	577.89	68.40
Total Liabilities (excluding Capital and Reserves)	43.30	10,623.54	953.39	205.32	125.77	76.85	2,898.90	1,506.51	959.98	151.63	466.68	24.08
Investments (excluding Investments in Subsidiaries)	-	-	-	-	-	-	-	-	-	-	-	-
Total Income	62.29	2,140.15	-	2,831.67	25.11	40.63	8,283.70	-	5,609.24	2,614.59	1,734.79	201.98
Profit / (Loss) Before Tax	7.25	57.14	(1.25)	(16.18)	4.31	27.08	(20.15)	-	164.40	218.84	56.57	(13.07)
Provision for Tax	-	167.94	-	-	-	-	(1.53)	-	1.91	-	7.16	(0.43)
Profit / (Loss) After Tax	7.25	(110.79)	(1.25)	(16.18)	4.31	27.08	(18.63)	-	162.49	218.84	49.41	(12.63)
Proposed Dividend (including Tax thereon)	-	-	-	-	-	-	-	-	-	-	-	-

Notes:

$ Converted to Indian Rupees at the Exchange Rate, 1 USD = INR 54.2850
# Converted to Indian Rupees at the Exchange Rate, 1 ARS = INR 10.7271
£ Converted to Indian Rupees at the Exchange Rate, 1 GBP = INR 82.2275
€ Converted to Indian Rupees at the Exchange Rate, 1 EUR = INR 69.4950
Converted to Indian Rupees at the Exchange Rate, 1 LKR = INR 0.4315

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

Firstsource Solutions S.A., Argentina, a subsidiary of Firstsource Solutions UK Limited, has been sold during the first quarter of financial year ended March 31, 2013, pending transfer of shares to buyer.

Independent Auditors' Report

To the Members of
Firstsource Solutions Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Firstsource Solutions Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act") and has early adopted Accounting Standard (AS) 30, Financial Instruments: Recognition and Measurements, read with AS 31, Financial Instruments – Presentation along with prescribed limited revisions to other Accounting Standards prescribed under the Act. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the 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 accounting principles generally accepted in India:

i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2013;

ii. in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 37 to the financial statements that describes the early adoption by the Company of AS 30, Financial Instruments: Recognition and Measurements, read with AS 31, Financial Instruments – Presentation along with prescribed limited revisions to other accounting standards issued by the Institute of Chartered Accountants of India, as in management's opinion, it more appropriately reflects the nature/substance of the related transactions. The Company has accounted for assets and liabilities as per requirements of AS-30 including prescribed limited revisions to other accounting standards. AS 30, along with limited revisions to the other accounting standards, has not currently been notified by the National Advisory Committee for Accounting Standards (NACAS) pursuant to the Companies (Accounting Standards) Rules, 2006 as per Section 211(3C) of the Companies Act, 1956. Consequent to early adoption of AS 30 and the related limited revisions, profit after taxation for the year ended 31 March 2013 is higher by ₹ 199 million and Reserves and Surplus is higher by ₹ 2,642 millions.

Report on Other Legal and Regulatory Requirements

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

As required by Section 227(3) of the Act, we report that:

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

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

c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

d. in our opinion, the Balance Sheet, Statement of Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956. Additionally, the Company has early adopted AS 30,

   Financial Instruments: Recognition and Measurements, read with AS 31, Financial Instruments – Presentation along with prescribed limited revisions to other accounting standards, issued by the Institute of Chartered Accountants of India as stated in emphasis of matter above; and

e. on the basis of written representations received from directors of the Company as at 31 March 2013 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

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

Vijay Bhatt
Partner
Membership No: 036647

Mumbai
7 May 2013

Annexure to the Independent Auditors' Report – 31 March 2013

(Referred to in our report of even date)

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

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

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

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

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

Name of Party	Relationship with Company	Amount ₹ (mn)	Year end balance ₹ (mn)	Maximum balance outstanding ₹ (mn)
Firstsource BPO Ireland Limited	Subsidiary	-	-	251.11

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

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

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

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

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

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

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

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

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

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

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

   According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Wealth tax, Service tax, Customs duty, Cess and other material statutory dues were in arrears as at 31 March 2013 for a period of more than six months from the date they became payable.

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

Annexure to the Independent Auditors' Report – 31 March 2013

(Referred to in our report of even date)

Name of the Statute	Nature of the Dues	Amount ₹ (mn)	Period to which the amount relates	Forum where dispute is pending
Income-tax Act, 1961	Transfer pricing demand	41	2002-03	Commissioner of Income Tax - Appeals
Income-tax Act, 1961	Assessment under Section 143 (3)	27	2003-04	Commissioner of Income Tax - Appeals
Income-tax Act, 1961	Assessment under Section 143 (3)	24	2006-07	Income tax Appellate Tribunal
Income-tax Act, 1961	Assessment under Section 143 (3)	1	2006-07	Deputy Commissioner of Income Tax
Income-tax Act, 1961	Assessment under Section 145 (3)	339	2007-08	Commissioner of Income Tax - Appeals
Service Tax Rules, 1994	Demand notice	126	2006 to 2012	Commissioner of Service Tax

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

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

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

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

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

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

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

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

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

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

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

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

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

Vijay Bhatt
Partner
Membership No: 036647

Mumbai
7 May 2013

Balance Sheet

as at 31 March 2013

(Currency: In millions of Indian rupees)

	Note	31 March 2013	31 March 2012
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	6,576.74	4,307.76
Reserves and surplus	4	5,748.17	4,493.22
		12,324.91	**8,800.98**
Non-current liabilities			
Long-term borrowings	5	1,127.64	101.33
Long-term provisions	6	95.59	46.75
		1,223.23	**148.08**
Current liabilities			
Short-term borrowings	7	-	366.74
Trade payables	8	443.61	526.94
Other current liabilities	9	2,162.31	13,029.18
Short-term provisions	10	49.92	54.47
		2,655.84	**13,977.33**
TOTAL		**16,203.98**	**22,926.39**
ASSETS			
Non-current assets			
Fixed assets	11		
- Tangible assets		538.96	758.43
- Intangible assets		425.17	606.80
- Capital work-in-progress		17.60	18.73
		981.73	1,383.96
Non-current investments	12	11,686.07	11,608.39
Deferred tax assets	13	406.64	392.84
Long-term loans and advances	14	868.79	975.38
Other non-current assets	15	650.23	312.26
		14,593.46	**14,672.83**
Current assets			
Current investments	16	-	307.00
Trade receivables	17	827.18	1,551.99
Cash and bank balances	18	253.32	5,563.29
Short-term loans and advances	19	265.85	599.76
Other current assets	20	264.17	231.52
		1,610.52	**8,253.56**
TOTAL		**16,203.98**	**22,926.39**
Significant accounting policies	2		

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

As per our report of even date attached.

For and on behalf of the Board of Directors

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

Vijay Bhatt
Partner
Membership No: 036647

Sanjiv Goenka
Chairman

Ananda Mukerji
Vice Chairman

Rajesh Subramaniam
Managing Director and CEO

Shashwat Goenka
Director

Haigreve Khaitan
Director

Charles Miller Smith
Director

Y. H. Malegam
Director

K.P. Balaraj
Director

Donald Layden Jr.
Director

Dr. Shailesh Mehta
Director

Pradip Roy
Director

Subrata Talukdar
Director

Mumbai
7 May 2013

Dinesh Jain
CFO

Sanjay Gupta
Company Secretary

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Statement of Profit and Loss

for the year ended 31 March 2013

(Currency: In millions of Indian rupees)

	Note	31 March 2013	31 March 2012
INCOME			
Revenue from operations	21	8,808.15	7,542.56
Other income	22	925.76	1,019.23
		9,733.91	**8,561.79**
EXPENSES			
Employee benefits expense	23	4,715.57	4,264.82
Finance cost	24	527.98	655.65
Depreciation and amortisation	11	576.58	598.79
Other expenses	25	2,739.89	2,623.95
		8,560.02	**8,143.21**
Profit before taxation		**1,173.89**	**418.58**
Less: Provision for taxation			
- Current tax including MAT		256.15	112.71
Less: MAT credit entitlement (Refer note 26)		**(256.15)**	**(112.64)**
Net current tax		-	0.07
- Deferred tax credit		-	(35.08)
Profit after taxation before adjustment for results of RevIT Systems Private Limited 'RevIT' for the year ended 31 March 2012		**1,173.89**	**453.59**
Profit after tax for the year ended 31 March 2012 of RevIT (including reversal of excess provision) incorporated pursuant to the scheme of amalgamation (Refer Note 26)		185.76	-
Profit after taxation		**1,359.65**	**453.59**
Earnings per share			
Weighted average number of equity shares outstanding during the year			
- Basic		503,507,816	430,739,898
- Diluted		511,581,241	512,646,644
Earnings per share (₹) - Basic		2.70	1.05
- Diluted		2.66	1.05
Nominal value per share (₹)		10	10
Significant accounting policies	2		

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

As per our report of even date attached.

For and on behalf of the Board of Directors

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

Vijay Bhatt
Partner
Membership No: 036647

Sanjiv Goenka
Chairman

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Managing Director and CEO

Shashwat Goenka
Director

Haigreve Khaitan
Director

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Y. H. Malegam
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K.P. Balaraj
Director

Donald Layden Jr.
Director

Dr. Shailesh Mehta
Director

Pradip Roy
Director

Subrata Talukdar
Director

Mumbai
7 May 2013

Dinesh Jain
CFO

Sanjay Gupta
Company Secretary

Cash Flow Statement

for the year ended 31 March 2013

(Currency: In millions of Indian rupees)

	31 March 2013	31 March 2012
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax and before adjustment for results of RevIT for the year ended 31 March 2012	1,173.89	418.58
Adjustments for		
Depreciation and amortisation	576.58	598.79
Provision for doubtful debts/(written back)	(4.41)	(6.10)
(Gain)/Loss on sale of fixed assets, net	(3.35)	0.93
Foreign exchange loss, net	423.89	12.98
Interest costs	159.91	199.23
Interest and dividend income	(411.19)	(470.30)
Profit on sale on investments/redemption	(69.15)	(74.56)
Loss on FCCB buyback	-	67.62
Rent expense on account of adoption of AS 30	22.17	28.69
Operating cash flow before changes in working capital	**1,868.34**	**775.86**
Changes in working capital		
Decrease/(Increase) in trade receivables	844.37	(13.32)
Decrease in loans and advances and other assets	262.64	260.96
Increase in liabilities and provisions	536.77	217.34
Net changes in working capital	1,643.78	464.98
Income taxes paid	(212.47)	(325.29)
Net cash generated from operating activities (A)	**3,299.65**	**915.55**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investment in mutual funds/government securities	(9,076.61)	(8,808.49)
Sale of investment in mutual funds/government securities	9,899.20	9,556.86
Interest and dividend income received	419.97	419.88
Capital expenditure	(162.24)	(391.01)
Sale of fixed assets	-	13.64
Investment in subsidiary	-	(359.69)
Loan repaid by subsidiary	-	6,689.25
Maturity/(Investment) in deposit having maturity more than three months but less than twelve months	4,903.86	(4,903.86)
Net cash generated from investing activities (B)	**5,984.18**	**2,216.58**
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of unsecured loan – others	-	(435.10)
Proceeds/(Repayment) from unsecured loan – others	(380.76)	364.95
Repayment of secured loan	-	(1,256.15)
Proceeds from secured loan	1,085.70	-
Repayment of unsecured loan – FCCB, including expenses	(13,019.41)	(2,558.32)
Proceeds from issuance of equity shares and share application money (net of share issue expenses)	2,662.36	2.51
Interest paid	(49.60)	(66.22)

Cash Flow Statement

for the year ended 31 March 2013

(Currency: In millions of Indian rupees)

	31 March 2013	31 March 2012
Net cash used in financing activities (C)	**(9,701.71)**	**(3,948.33)**
Net decrease in Cash and cash equivalents at the end of the year (A+B+C)	(417.88)	(816.20)
Cash and cash equivalents at the beginning of the year	659.43	1,475.63
Balance of RevIT brought forward as of 31 March 2012, incorporated pursuant to the scheme of amalgamation (refer note 26)	11.77	-
Cash and cash equivalents at the end of the year	**253.32**	**659.43**

Notes to the cash flow statement

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

	31 March 2013	31 March 2012
Balances with banks		
- in current accounts	253.10	293.88
- in deposit accounts (with original maturity of three months or less)	0.13	365.50
Cash on hand	0.09	0.05
	253.32	**659.43**

As per our report of even date attached.

For and on behalf of the Board of Directors

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

Vijay Bhatt
Partner
Membership No: 036647

Sanjiv Goenka
Chairman

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Pradip Roy
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Subrata Talukdar
Director

Mumbai
7 May 2013

Dinesh Jain
CFO

Sanjay Gupta
Company Secretary

Notes to the Financial Statements

for the year ended 31 March 2013

(Currency: In millions of Indian rupees)

1. BACKGROUND

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

The list of subsidiaries with percentage holding is summarised below:

Subsidiaries	Country of incorporation and other particulars	Percentage of holding by the immediate parent (%)
Firstsource Solutions UK Limited (FSL-UK)	A subsidiary of Firstsource Solutions Limited, organized under the laws of United Kingdom.	100%
Firstsource Solutions S.A. (FSL-Arg)	A subsidiary of Firstsource Solutions Limited UK, incorporated under the laws of Argentina. (disinvested during the year).	99.98%
Firstsource Group USA, Inc. (FG-US)	A subsidiary of Firstsource Solutions Limited, incorporated in the state of Delaware, USA.	100%
Firstsource Business Process Services, LLC. (FBPS)	A subsidiary of FG-US incorporated in the state of Delaware, USA. (erstwhile Firstring Inc USA (FR-US) has been merged effective 31 December 2009)	100%
Firstsource Advantage LLC(FAL)	A subsidiary of FBPS incorporated under the laws of the State of New York, USA	100%
Twin Lakes Property LLC – I (Twinlakes – I)	A subsidiary of FAL incorporated under the laws of the State of New York, USA	100%
Twin Lake Property LLC – II (Twinlakes-II)	A subsidiary of FAL incorporated under the laws of the State of New York, USA	100%
MedAssist Holding, Inc. (MedAssist)	A subsidiary of FG US, organized under the laws of State of Delaware, USA	100%
Firstsource Solutions USA LLC (earlier known as MedAssist LLC)	A subsidiary of MedAssist incorporated in the state of Delaware, USA.	100%
Anunta Tech Infrastructure Services Limited (Anunta)	A subsidiary of Firstsource Solutions Limited, incorporated on 1 November 2010 under the laws of India.	100%
Firstsource Transaction Services LLC (FTS)	A subsidiary of Firstsource Solutions USA LLC, incorporated on 22 May 2011 in the state of Delaware, USA	100%
Firstsource Dialog Solutions (Private) Limited (earlier known as Dialog Business Services Private Limited) (FDS)	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of Srilanka	74%
Firstsource BPO Ireland Limited (FSL Ireland)	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of Ireland	100%

Notes to the Financial Statements

for the year ended 31 March 2013

(Currency: In millions of Indian rupees)

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared and presented under the historical cost convention (except for certain financial instruments, which are measured on fair value basis) on accrual basis of accounting, in accordance with accounting principles generally accepted in India, in compliance with the Accounting Standards notified in the Companies (Accounting Standard) Rules, 2006 issued by the Central Government in consultation with the National Advisory Committee on Accounting Standards and with the relevant provisions of the Companies Act, 1956, to the extent applicable and Accounting Standard 30, 'Financial Instruments: Recognition and Measurement' ('AS 30') read with Accounting Standard 31 – 'Financial Instruments: Presentation' (AS 31) issued by the Institute of Chartered Accountants of India, effective 1 April 2008. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the revised Schedule VI to the Act. The financial statements are presented in Indian rupees rounded off to the nearest millions except per share data.

2.2 Use of estimates

The preparation of the financial statements in conformity with Generally Accepted Accounting Principles ('GAAP') in India requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and the reported amount of income and expenses for the 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.

2.3 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.

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

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

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

2.4 Fixed assets and depreciation

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 31 March 2013

(Currency: In millions of Indian rupees)

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.

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 tangible fixed assets 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.

2.5 Impairment of assets

a. Financial assets

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

b. Non-financial assets

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

2.6 Employee Benefits

Gratuity

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

Compensated absences

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

Where employees of the Company are entitled to compensated absences, the employees can carry-forward a portion of the unutilized 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.

Provident fund

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

2.7 Investments

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

2.8 Taxation

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

Notes to the Financial Statements

for the year ended 31 March 2013

(Currency: In millions of Indian rupees)

Current taxes

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

Deferred taxes

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

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

2.9 Leases

Finance lease

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

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

Operating lease

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

2.10 Foreign currency transactions, derivative instruments and hedge accounting

a. Foreign currency transactions

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

b. Derivative instruments and hedge accounting

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

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

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

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

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

Notes to the Financial Statements

for the year ended 31 March 2013

(Currency: In millions of Indian rupees)

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

The impact of adoption of AS 30 has been described in Note 37 to the financial statements.

c. ***Non-derivative financial instruments and hedge accounting***

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

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

The Company also designates financial instruments as hedges of net investments in non-integral foreign operations. The portion of changes in fair value of financial instrument that is determined to be an effective hedge is recognised in statement of profit and loss together with the translation of the related investment. Changes in fair value relating to the ineffective portion of hedges are recognised in the statement of profit and loss as they arise.

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

2.11 Earnings per share

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

2.12 Provisions and contingencies

The Company creates a provision when there is a 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.

2.13 Onerous contracts

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

2.14 Foreign Currency Convertible Bonds (FCCB)

a) Foreign Currency Convertible Bonds are considered monetary in nature where these are designated as hedging instrument to hedge forward exchange contract and net investment in non-integral foreign operation. Any gain or loss resulting from restatement of this liability at period end rates is accounted through statement of profit and loss (refer Notes 35 and 37).

b) Premium payable on redemption of FCCB is amortised on pro-rata basis at implicit rate of return over the period of the bonds and charged to the securities premium account periodically (refer Note 35).

Notes to the Financial Statements

as at 31 March 2013

(Currency: In millions of Indian rupees)

	31 March 2013	31 March 2012
3. SHARE CAPITAL		
Authorised		
872,000,000 (31 March 2012: 850,000,000) equity shares of ₹ 10 each*	8,720.00	8,500.00
	8,720.00	**8,500.00**
Issued, subscribed and paid-up		
657,673,751 (31 March 2012: 430,776,307) equity shares of ₹ 10 each, fully paid-up	6,576.74	4,307.76
	6,576.74	**4,307.76**

a. Reconciliation of shares outstanding at the beginning and at the end of the year

	31 March 2013		31 March 2012	
	Number of shares	Amount	Number of shares	Amount
At the commencement of the year	430,776,307	4,307.76	430,638,182	4,306.38
Additional shares issued during the year-Preferential allotment	226,897,444	2,268.98	-	-
Shares issued during the year – Stock options	-	-	138,125	1.38
At the end of the year	657,673,751	6,576.74	430,776,307	4,307.76

The Company has allotted 226,897,444 equity shares to Spen Liq Private Limited upon receipt of ₹ 2,745.36. The same amount has been used for the purpose of redemption of outstanding FCCB.

b. Particulars of shareholders holding more than 5% equity shares

	31 March 2013		31 March 2012	
	Number of shares	% of total shares	Number of shares	% of total shares
Spen Liq Private Limited	373,976,673	56.86	-	-
Aranda Investments (Mauritius) Private Limited	**	**	**	**
Metavante Investments (Mauritius) Limited	45,382,175	6.90	78,265,863	18.17
ICICI Bank Limited	45,266,823	6.88	77,963,471	18.10

**Aranda Investments (Mauritius) Pte Limited holds 3.35%, 22,032,274 shares (31 March 2012: 18.83%, 81,073,488 shares).

c. Employees stock options

Terms attached to the stock options granted to employees are described in Note 28.

d. Shares reserved for issue under options

48,008,532 (31 March 2012: 54,046,595) number of shares are reserved for issue under the employee stock options plan (ESOP) amounting to ₹ 480.20 (31 March 2012: ₹ 540.47) (refer Note 28)

e. 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 shares 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 the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

*In accordance with the scheme of amalgamation of RevIT (refer Note 26), the authorized share capital of company stands increased to ₹ 8,720 divided into 872,000,000 equity shares.

Notes to the Financial Statements
as at 31 March 2013

(Currency: In millions of Indian rupees)

	31 March 2013	31 March 2012
4. RESERVES AND SURPLUS		
Securities premium account		
At the commencement of the year*	1,827.50	2,346.94
Add : Premium on shares issued during the year	476.38	1.13
Writeback of amortised premium on buyback of FCCB (refer Note 35)	-	99.12
Less: Amortisation during the year of premium payable on redemption of FCCB (refer Notes 2.14b and 35)	(557.37)	(619.69)
Share issue expenses	(82.99)	-
At the end of the year	**1,663.52**	**1,827.50**
Amalgamation deficit adjustment account	(1,136.72)	(1,136.72)
General reserve		
At the commencement of the year	668.21	668.21
Add: Accumulated balance of RevIT brought forward, incorporated pursuant to the scheme of amalgamation (refer Note 26)	2.70	-
Less: Adjustment of amalgamation deficit pursuant to the scheme of amalgamation (refer Note 26)	(640.23)	-
At the end of the year	**30.68**	**668.21**
Capital redemption reserve		
At the commencement of the year	-	-
Add: Accumulated balance of RevIT brought forward, incorporated pursuant to the scheme of amalgamation (refer Note 26)	24.98	-
Less: Adjustment of amalgamation deficit pursuant to the scheme of amalgamation of RevIT (refer Note 26)	(24.98)	-
At the end of the year	-	-
Hedging reserve (refer Notes 2.14a and 38)		
At the commencement of the year	(267.29)	90.99
Add: Accumulated balance of RevIT brought forward and for 2012, incorporated pursuant to the scheme of amalgamation of RevIT (refer Note 26)	(18.64)	-
Movement during the year	278.04	(358.28)
At the end of the year	(7.89)	(267.29)
Balance in the statement of profit and loss		
At the commencement of the year	3,401.52	2,947.93
Add: Accumulated balance of RevIT brought forward, incorporated pursuant to the scheme of amalgamation of RevIT (refer Note 26)	437.41	-
Add: Net profit for the year	1,359.65	453.59
At the end of the year	**5,198.58**	**3,401.52**
Total reserves and surplus	**5,748.17**	**4,493.22**

* Includes ₹ 39.27 (31 March 2012: ₹ 39.27) from acquisition of Customer Assets India Limited merged with the Company effective 1 April 2004.

Notes to the Financial Statements

as at 31 March 2013

(Currency: In millions of Indian rupees)

	31 March 2013	31 March 2012
5. LONG-TERM BORROWINGS		
Secured		
Term loan - from banks		
External commercial borrowings (ECB)	1,080.27	-
Long-term maturities of finance lease obligations (refer Note 27)	26.60	43.09
Unsecured		
Loan from non-banking financing companies	20.77	58.24
	1,127.64	**101.33**
a. External commercial borrowing carries interest at the rate of LIBOR + 471 bps and is repayable in 23 quarterly installments commencing 1 year from the date of its origination. The loan is secured against pari passu charge on all current assets, non-current assets and fixed assets of the Firstsource and its Subsidiaries, except assets of Anunta, FDS, and Twinlakes-I and Twinlakes-II.		
b. Finance lease obligation carries interest in the range of 6%-12.5% for the period of 3 - 5 years from the date of its origination, repayable in quarterly installments. This is secured by way of hypothecation of underlying fixed assets taken on lease - refer Note 11.		
c. Loan from non-banking financing companies carries interest in the range of 7.5%-12.5% for the period of 3 - 4 years from the date of its origination, repayable in quarterly installments from the date of its origination.		
6. LONG-TERM PROVISIONS		
Provision for employee benefits	63.87	28.29
Gratuity	31.72	18.46
Compensated absences	**95.59**	**46.75**
7. SHORT-TERM BORROWINGS		
Unsecured		
Working capital demand loan (refer note a below)	-	150.00
Export finance from banks (refer note b below)	-	216.74
	-	**366.74**
a. Working capital demand loan carries interest rate of 12.75%-13% p.a. The same has been repaid during the year.		
b. Export finance from banks carried interest @ LIBOR + 265 bps. The same has been repaid during the year.		

Notes to the Financial Statements
as at 31 March 2013

(Currency: In millions of Indian rupees)

	31 March 2013	31 March 2012
8. TRADE PAYABLES		
Trade payables for services and goods	443.61	526.94
	443.61	**526.94**
9. OTHER CURRENT LIABILITIES		
Current maturities of long-term borrowings		
External commercial borrowings - refer Note 5(a)	5.43	-
Finance lease obligation - refer Note 5(b)	20.74	21.85
Foreign currency convertible bonds*	-	11,421.37
Loan from non-banking financing companies - refer Note 5(c)	37.47	47.89
Interest accrued but not due	4.76	0.84
Others		
Amount payable to subsidiary, including advance received for future services	1,515.81	857.98
Book credit in bank account	244.05	61.90
Creditors for capital goods	33.22	13.78
Tax deducted at source	29.67	29.14
Employee benefits payable	271.16	140.98
Advance from customers	-	150.60
Exchange loss on derivative contracts	-	282.85
	2,162.31	**13,029.18**
* 31 March 2012 pro-rata premium payable on redemption of FCCB amounting to ₹ 2,881.89 for the year for terms of FCCB, refer Note 35.		
10. SHORT-TERM PROVISIONS		
Provision for employee benefits		
Compensated absences	49.92	54.47
	49.92	**54.47**

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Notes to the Financial Statements

as at 31 March 2013

(Currency: In millions of Indian rupees)

11. FIXED ASSETS

	Tangible assets						Intangible assets				
	Leasehold improvements	Computers	Service equipment	Furniture, fixture and office equipment	Vehicles	Total	Goodwill	Domain name	Software	Total	Grand total
Gross block (at cost)											
As at 1 April 2012	1,190.13	699.23	545.58	1,277.19	2.97	3,715.10	759.97	6.72	371.75	1,138.44	4,853.54
On merger of RevIT pursuant to scheme (refer Note 26)	20.42	97.72	6.40	28.90	-	153.44	-	-	85.12	85.12	238.56
Additions during the year	26.87	18.13	15.36	38.59	-	98.95	-	-	42.40	42.40	141.35
Deletions during the year	(93.62)	(55.79)	-	(50.04)	(2.56)	(202.01)	-	-	(0.82)	(0.82)	(202.83)
As at 31 March 2013	**1,143.80**	**759.29**	**567.34**	**1,294.64**	**0.41**	**3,765.48**	**759.97**	**6.72**	**498.45**	**1,265.14**	**5,030.62**
Accumulated depreciation / amortization											
As at 1 April 2012	896.62	640.09	459.01	960.06	0.89	2,956.67	223.93	6.72	300.99	531.64	3,488.31
On merger of RevIT pursuant to scheme (refer Note 26)	7.50	88.78	4.15	21.98	-	122.41	-	-	74.71	74.71	197.12
Charge for the year	126.01	40.15	36.08	139.13	0.77	342.14	189.09	-	45.35	234.44	576.58
On deletions during the year	(89.69)	(54.34)	-	(49.18)	(1.49)	(194.70)	-	-	(0.82)	(0.82)	(195.52)
As at 31 March 2013	**940.44**	**714.68**	**499.24**	**1,071.99**	**0.17**	**3,226.52**	**413.02**	**6.72**	**420.23**	**839.97**	**4,066.49**
Net block as at 31 March 2013	**203.36**	**44.61**	**68.10**	**222.65**	**0.24**	**538.96**	**346.95**	**-**	**78.22**	**425.17**	**964.13**
As at 31 March 2012	293.51	59.14	86.57	317.13	2.08	758.43	536.04	-	70.76	606.80	1,365.23

The above assets include assets taken on lease as follows:

	Tangible assets				Intangible assets	
	Leasehold improvements	Computers	Service equipment	Furniture and fixture and office equipment	Software	Total
Gross block (at cost)						
As at 1 April 2012	21.98	60.34	103.20	32.43	2.54	220.49
Taken over from RevIT pursuant to scheme (refer Note 26)	-	4.41	2.83	-	-	7.24
As at 31 March 2013	**21.98**	**64.75**	**106.03**	**32.43**	**5.34**	**230.53**
Accumulated depreciation/amortization						
As at 1 April 2012	5.09	59.45	80.38	8.16	1.78	154.86
Taken over from RevIT pursuant to scheme of amalgamation (refer Note 26)	-	0.99	2.69	-	-	3.68
As at 31 March 2013	**7.06**	**62.59**	**99.92**	**10.34**	**2.88**	**182.79**
Net block						
As at 31 March 2013	**14.92**	**2.17**	**6.11**	**22.09**	**2.46**	**47.75**
As at 31 March 2012	16.89	0.89	22.82	24.27	0.76	65.63

Notes to the Financial Statements
as at 31 March 2013

(Currency: In millions of Indian rupees)

	31 March 2013	31 March 2012
12. NON-CURRENT INVESTMENTS		
Trade (Unquoted)		
Investments in subsidiaries		
2,834,672 (31 March 2012: 2,834,672) fully paid up equity shares of GBP 1 each of Firstsource Solutions UK Limited	18.35	18.35
Nil (31 March 2012: 7,107,422) fully paid up equity shares of ₹ 10 each of RevIT Systems Private Limited*	-	736.28
218,483 (31 March 2012: 218,483) fully paid-up common stock of USD 1 each of Firstsource Group USA Inc.	11,476.87	10,673.72
1,050,000 (31 March 2012: 1,050,000) fully paid-up common stock of ₹ 10 each of Anunta Tech Infrastructure Services Limited	100.50	100.50
6,823,570 (31 March 2012: 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 2012: 1) fully paid-up common stock of EUR 1 each of Firstsource BPO Ireland Limited	17.36	17.36
Non-trade (Unquoted)		
In mutual fund (Philippines Treasury bills) **	26.81	16.00
	11,686.07	**11,608.39**
* Pursuant to the scheme of amalgamation RevIT Systems Private Limited has been merged with Firstsource Solution Limited. (refer note 26) ** These securities have been earmarked in favour of SEC, Philippines in compliance with corporation code of Philippines.		
13. DEFERRED TAX ASSETS		
Difference between tax and book value of fixed assets	339.46	332.38
Gratuity and compensated absences	67.18	60.46
	406.64	**392.84**
14. LONG-TERM LOANS AND ADVANCES		
(Unsecured, considered good)		
To parties other than related parties		
Capital advances	0.29	8.29
Deposits (refer Note 37)	350.47	428.46
Other loans and advances		
Prepaid expenses	22.60	1.04
Lease rentals receivable, net	29.87	34.55
Advance tax and tax deducted at source (net of provision for tax ₹ 785.95 (31 March 2012: ₹ 447.34))	465.56	503.04
	868.79	**975.38**
15. OTHER NON-CURRENT ASSETS		
(Unsecured, considered good unless otherwise stated)		
Bank deposits - Due to mature after twelve months from reporting date*(refer Note 18)	2.48	2.00
Accrued interest	-	0.30
Unamortised cost (refer Note 37)	51.46	7.50
Minimum alternate tax credit carried forward	596.29	302.46
	650.23	**312.26**
* Under lien for bank guarantees to the Customs authorities.		

Notes to the Financial Statements

as at 31 March 2013

(Currency: In millions of Indian rupees)

	31 March 2013	31 March 2012
16. CURRENT INVESTMENTS (AT LOWER OF COST AND FAIR VALUE)		
Non-trade (Unquoted)		
Nil (31 March 2012: 331,979) units of Birla Sun Life Cash Plus - Institutional Premium Plan - Growth option	-	57.00
Nil (31 March 2012: 438,370) units of ICICI Prudential Money Market Fund - Cash Option - Growth option	-	65.00
Nil (31 March 2012: 2,167,183) units of Reliance Liquidity Fund - Institutional Plan - Growth Option	-	35.00
Nil (31 March 2012: 2,848,678) units of Kotak Floater Short-term Plan Growth Option	-	50.00
Nil (31 March 2012: 59,328) units of SBI Premier Liquid Fund - Super Institutional Plan - Growth Option	-	100.00
	-	**307.00**
Net assets value of unquoted investments Nil (31 March 2012: ₹ 307.00)		
17. TRADE RECEIVABLES		
(Unsecured)		
Receivables outstanding for a period exceeding six months from the date they became due for payment		
- considered good	-	-
- considered doubtful	2.40	5.29
	2.40	5.29
Less: Provision for doubtful debts	2.40	5.29
	-	-
Others receivables		
- considered good	827.18	1,551.99
	827.18	**1,551.99**
18. CASH AND BANK BALANCES		
Cash and cash equivalents		
Balances with banks		
- in current accounts	253.10	293.88
- in deposit accounts (with original maturity of three months or less)	0.13	365.50
Cash on hand	0.09	0.05
	253.32	659.43
Other bank balances		
- Bank deposits due to mature after twelve months from the reporting date	2.48	2.00
- Bank deposits due to mature after three months but before twelve months from the reporting date	-	4,903.86
	255.80	5,565.29
Less: Bank deposits due to mature after twelve months from the reporting date (refer Note 15)	(2.48)	(2.00)
	253.32	**5,563.29**

Notes to the Financial Statements

as at 31 March 2013

(Currency: In millions of Indian rupees)

	31 March 2013	31 March 2012
19. SHORT-TERM LOANS AND ADVANCES		
(Unsecured, considered good)		
To related parties		
Loans to subsidiaries		
FSL Ireland	-	251.11
Advances to subsidiaries	127.34	223.19
To parties other than related parties		
Prepaid expenses	73.16	55.54
Lease rentals receivable, net	20.13	20.71
Others		
Other advances	45.22	49.21
	265.85	**599.76**
20. OTHER CURRENT ASSETS		
(Unsecured, considered good, unless otherwise stated)		
Unbilled receivables	204.94	138.02
Accrued interest	0.44	29.46
Unamortised costs (refer Note 37)	25.45	30.70
Recoverable on sale of subsidiary – Pipal	33.34	33.34
	264.17	**231.52**

Notes to the Financial Statements

for the year ended 31 March 2013

(Currency: In millions of Indian rupees)

	31 March 2013	31 March 2012
21. REVENUE FROM OPERATIONS		
Sale of services	9,106.37	7,596.70
Other operating income (refer Note 31)	(298.22)	(54.14)
	8,808.15	**7,542.56**
22. OTHER INCOME		
Profit on sale/redemption of current investments, net	69.15	74.56
Interest income	411.19	470.30
Foreign exchange gain, net		
- Translation loss on FCCB and ECB	(518.04)	(980.96)
- Exchange gain on translation of investments (refer Note 37)	802.75	1,419.44
- Loss on FCCB buy back, net (refer Note 35.2)	-	(67.62)
- Others	28.84	23.25
Gain on sale of fixed assets, net	3.35	-
Miscellaneous income	128.52	80.26
	925.76	**1,019.23**
23. EMPLOYEE BENEFITS EXPENSE		
Salaries and wages	4,307.16	3,877.96
Contribution to provident and other funds	351.34	293.56
Staff welfare expenses	57.07	93.30
	4,715.57	**4,264.82**

Notes to the Financial Statements

for the year ended 31 March 2013

(Currency: In millions of Indian rupees)

	31 March 2013	31 March 2012
24. FINANCE COSTS		
Interest expense		
- on external commercial borrowings	32.92	39.52
- on working capital demand loan and others	11.58	4.37
Finance charges on leased assets	3.72	5.72
Bank guarantee commission	5.29	5.87
Amortised cost on fair value of FCCB (refer Note 37)	106.39	143.75
Net loss on foreign currency transactions and translation to the extent regarded as borrowing cost	368.08	456.42
	527.98	**655.65**
25. OTHER EXPENSES		
Rent	687.09	648.52
Rates and taxes	4.39	10.81
Legal and professional fees	187.98	134.61
Car and other hire charges	407.89	360.07
Connectivity charges	234.42	259.66
Maintenance and upkeep	338.63	413.85
Recruitment and training expenses	101.30	120.15
Electricity, water and power consumption	332.24	242.76
Travel and conveyance	150.61	182.27
Computer expenses	79.54	76.88
Information and communication expenses	74.08	64.21
Insurance	62.49	41.57
Printing and stationery	20.18	16.70
Payment to auditors		
- Statutory audit	14.44	11.50
- Other services	0.25	1.53
- Reimbursement of expenses	0.10	0.23
Meeting and seminar expenses	3.46	-
Directors’ sitting fees	1.72	1.24
Provision for doubtful debts/(written-back)/written-off, net	(4.41)	(6.10)
Bank administration charges	3.92	3.99
Loss on sale/write off of fixed assets, net	-	0.93
Miscellaneous expenses	39.57	38.57
	2,739.89	**2,623.95**

Notes to the Financial Statements

for the year ended 31 March 2013

(Currency: In millions of Indian rupees)

26. AMALGAMATION OF REVIT

The Board of Directors of the Company at their meeting held on 28 April 2012 approved the Scheme of amalgamation and arrangement ('the Scheme') between the Company and Rev IT Systems Private Limited (RevIT), a wholly owned subsidiary of the Company, engaged in the business of providing Information Technology Enabled Services (ITES) and Business Process Outsourcing (BPO) services. The Scheme was approved by the Honorable High Court of Judicature at Bombay vide its order dated 5 November 2012. The Scheme inter-alia provided for the amalgamation of RevIT with the Company effective 1 April 2011 (the appointed date).

The certified copy of order passed by Honorable High Court of Judicature at Bombay was filed with the Registrar of Companies (ROC), Maharashtra on 30 November 2012.

In line with the Scheme, the merger of RevIT has been accounted for under the 'Pooling of interest' method as follows:

a) All the assets and liabilities recorded in the books of the RevIT have been transferred to and vested in the books of the Company pursuant to the Scheme at their book values as appearing in the books of RevIT;

b) All reserves and surplus of RevIT have been transferred to and vested in the books of the Company in the same form in which they appear in the books of RevIT;

c) Since RevIT is a wholly owned subsidiary of the Company, the investment by the Company in the shares of RevIT has been cancelled and the excess of the cost of investment in RevIT over the value of net assets taken over (at respective carrying amounts) amounting to ₹ 665.21 has been debited to the Capital Redemption Reserve and General Reserve by ₹ 24.98 and ₹ 640.23 respectively.

d) The financial results for the year ended 31 March 2013 include the income and expenses of RevIT.

e) The financial results of RevIT for the year ended 31 March 2012 showing a net profit after tax of ₹ 185.76 (net of MAT credit entitlement), is added to the balance brought forward of the profit and loss account.

During the year, as RevIT carried on its existing business in trust for and on behalf of the Company, all vouchers, documents etc. for the year are in the name of RevIT. The title deeds, licenses, agreements, loan documents etc., are being transferred in the name of the Company.

Assets, Liabilities and Reserves of RevIT as at 31 March 2011 comprise:

	31 March 2011
LIABILITIES	
Reserves and surplus	470.19
Non-current liabilities	
Long-term borrowings	1.02
Long-term provisions	11.41
Current liabilities	
Trade payables	29.08
Other current liabilities	29.98
Short term provisions	14.26
	555.94
ASSETS	
Non-current assets	
Fixed assets	53.88
Deferred tax assets	12.96
Long-term loans and advances	19.10
Other non-current assets	62.40
Current assets	
Current investments	328.97
Trade receivables	96.93
Cash and bank balances	5.84
Short-term loans and advances	25.64
Other current assets	21.30
	627.02

Notes to the Financial Statements

for the year ended 31 March 2013

(Currency: In millions of Indian rupees)

27. 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. Rental expenses under non-cancellable operating leases for the year ended 31 March 2013 aggregated ₹ 428.90 (31 March 2012: ₹ 326.30). Of these expenses ₹ Nil (31 March 2012: ₹ 0.90) and ₹ 15.23 (31 March 2012: ₹ Nil) has been attributed to expenses prior to the related asset being ready to use and, accordingly, has been included as part of the related fixed assets and capital work in progress respectively.

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

	As at 31 March 2013	As at 31 March 2012
Amount due within one year from the balance sheet date	335.46	373.98
Amount due in the period between one year and five years	398.28	741.28
	733.74	**1,115.26**

The Company also leases office facilities and residential facilities under cancellable operating leases that are renewable on a periodic basis at the option of both the lessor and lessee. Rental expenses under cancellable operating leases for the year ended 31 March 2013 is ₹ 324.47 (31 March 2012: ₹ 409.33)

Finance lease

The Company has acquired certain capital assets under finance lease. Future minimum lease payments under finance lease as at 31 March 2013 are as follows:

	Minimum lease payments	Finance charges	Present value of minimum lease payments
As at 31 March 2013			
Amount due within one year from the balance sheet date	23.79	3.05	20.74
Amount due between one year and five years	28.72	2.12	26.60
	52.51	**5.17**	**47.34**
As at 31 March 2012			
Amount due within one year from the balance sheet date	25.58	3.73	21.85
Amount due between one year and five years	47.05	3.96	43.09
	72.63	**7.69**	**64.94**

The Company has given vehicles on finance lease to its employees as per policy. As at 31 March 2013, the future minimum lease rentals receivable are as follows:

	Minimum lease payments	Finance charges	Present value of minimum lease payments
As at 31 March 2013			
Amount receivable within one year from the balance sheet date	24.65	4.51	20.13
Amount receivable in the period between one year and five years	33.66	3.79	29.87
	58.31	**8.30**	**50.00**
As at 31 March 2012			
Amount receivable within one year from the balance sheet date	25.66	4.94	20.72
Amount receivable in the period between one year and five years	39.01	4.47	34.54
	64.67	**9.41**	**55.26**

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(Currency: In millions of Indian rupees)

28. EMPLOYEE STOCK OPTION PLAN

Stock option scheme 2002 ('Scheme 2002')

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

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

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

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

Employee stock option activity under Scheme 2002 is as follows:

Description	31 March 2013		31 March 2012	
	Shares arising out of options	Weighted average remaining contractual term (in months)	Shares arising out of options	Weighted average remaining contractual term (in months)
Exercise Range (in ₹): 00.00 - 30.00				
Outstanding at the beginning of the year	86,875	10	90,625	22
Granted during the year	-	-	-	-
Forfeited during the year	(26,875)	-	(3,750)	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	60,000	9	86,875	10
Exercisable at the end of the year	60,000	9	86,875	7.14

Employee stock option scheme 2003 ('Scheme 2003')

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

- The Scheme would be administered and supervised by the members of the Compensation committee.
- Exercise price to be determined based on a fair valuation carried out at the beginning of every six months for options granted during those respective periods.

  After the Company has been listed on any stock-exchange, the Exercise Price shall be determined by the Committee on the date the Option is granted in accordance with, and subject to, the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (as amended from time to time);

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- The Compensation Cum Board Governance Committee of Firstsource, at its meeting held on 27 April 2006, amended the vesting schedule for stock options granted on 1 May 2006 to General Managers and above grade employees and to non-executive directors.

  The vesting schedule for 15,980,000 stock options granted pursuant to the above is set forth below:

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

- At the Extra-Ordinary General Meeting held on 22 November 2007, the scheme was amended to include 'Executive Options'. 50% of the vesting for 'Executive Options' is time linked and the balance 50% is performance linked. The vesting schedule for time linked 'Executive Options' is set forth below:

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

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

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

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

Description	31 March 2013			31 March 2012	
	Exercise Range (in ₹)	Shares arising out of options	Weighted average remaining contractual term (in months)	Shares arising out of options	Weighted average remaining contractual term (in months)
Outstanding at the beginning of the year	00.00 - 30.00	28,924,274	95.24	25,325,524	101.59
	30.01 - 60.00	21,056,184	61.69	23,539,934	73.59
	60.01 - 90.00	3,979,262	67.52	4,133,012	79.61
		53,959,720		**52,998,470**	
Granted during the year	00.00 - 30.00	**12,675,000**	-	**7,200,000**	-
	30.01 - 60.00	-	-	-	-
	60.01 - 90.00	-	-	-	-
Forfeited during the year	00.00 - 30.00	10,174,625	-	3,463,125	-
	30.01 - 60.00	7,611,563	-	2,483,750	-
	60.01 - 90.00	900,000	-	153,750	-
		18,686,188		**6,100,625**	
Exercised during the year	00.00 - 30.00	-	-	138,125	-
	30.01 - 60.00	-	-	-	-
	60.01 - 90.00	-	-	-	-
Outstanding at the end of the year	00.00 - 30.00	31,424,649	95.83	28,924,274	95.24
	30.01 - 60.00	13,444,621	49.61	21,056,184	61.69
	60.01 - 90.00	3,079,262	55.99	3,979,262	67.52
		47,948,532		**53,959,720**	
Exercisable at the end of the year	00.00 - 30.00	14,502,774	80.88	10,752,399	98.44
	30.01 - 60.00	13,357,121	49.38	19,109,309	52.54
	60.01 - 90.00	3,079,262	55.99	3,979,262	59.67
		30,939,157		**33,840,970**	

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Outstanding options as at 31 March 2013 out of Scheme 2002 is 60,000 and Scheme 2003 is 47,948,532 i.e. total outstanding is 48,008,532.

1. The aggregate stock option pool under Employee Stock Option Scheme 2002 and Employee Stock Option Scheme 2003 is 20% fully diluted equity shares as of 31 March 2013.

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

Particulars	31 March 2013	31 March 2012
Net income as reported	1,359.65	453.59
Less: Stock-based employee compensation expense (fair value method)	(32.35)	25.81
Proforma net income	1,392.00	427.78
Basic earnings per share as reported (₹)	2.70	1.05
Proforma basic earnings per share (₹)	2.76	0.99
Diluted earnings per share as reported (₹)	2.66	1.05
Proforma diluted earnings per share (₹)	2.72	0.83

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

Dividend yield	0%
Expected Life	5.5-7 years
Risk free interest rate	6.50% to 9.06%
Volatility	0% to 75%

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29. RELATED PARTY TRANSACTIONS

Details of related parties including summary of transactions entered into during the year ended 31 March 2013 are summarized below:

Ultimate Holding Company	• CESC Limited (w.e.f. 5th December, 2012) • Spen Liq Private limited (w.e.f. 5th December, 2012)
Holding Company	The related parties where control exists are subsidiaries as referred below :-
Subsidiaries wherein control exists	• Firstsource Solutions UK Limited (FSL-UK) • Rev IT Systems Private Limited (Rev IT) (Refer Note 26) • Firstsource Group USA, Inc. (FG US) • Firstsource Business Process Services, LLC. (FBPS) • Firstsource Advantage LLC (FAL) • Twin Lake Property LLC – I (Twinlakes-I) • Twin Lake Property LLC – II (Twinlakes-II) • MedAssist Holding, Inc. (MedAssist) • Firstsource Solutions USA LLC (earlier known as MedAssist LLC) • Anunta Tech Infrastructure Services Limited (Anunta) • Firstsource Transaction Services LLC (FTS) • Firstsource Dialog Solutions (Private) Limited (earlier known as Dialog Business Services Private Limited) (FDS) • Firstsource BPO Ireland Limited
Key Managerial Personnel	• Rajesh Subramaniam • Dinesh Jain • Deep Babur (up to December 2012) • Alexander Matthew Vallance*
Non-Executive Directors	• Sanjiv Goenka** • Ananda Mukerji • Charles Miller Smith • Shailesh Mehta • K.P. Balaraj • Mohit Bhandari * • Y.H. Malegam • Pradip Roy** • Subrata Talukdar** • Shashwat Goenka** • Haigreve Khaitan** • Donald Layden, Jr. • Pravir Vohra * • Ram Chary *

* Resigned during the year
** Joined during the year

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Name of the related party	Description	Transaction value during the year ended		Receivable / (Payable) at	
		31 March 2013	31 March 2012	31 March 2013	31 March 2012
FSL-UK	Income from services	2,551.58	2,003.09	308.78	351.15
	Reimbursement of expenses	162.19	32.74	-	-
	Recovery of expense	89.68	63.72	885.52	55.14
	Investment in equity	-	-	18.35	18.35
	Goodwill on Asset Purchase	-	-	(515.45)	(627.34)
	Receipt of services	1,769.30	1,531.32	(349.81)	(284.04)
	Parental Guarantee	27.94	-	27.94	-
	Advance received	581.96	-	581.96	-
FAL	Income from services	427.83	400.91	42.09	79.62
	Reimbursement of expenses	3.44	4.94	-	-
	Recovery of expense	36.38	44.78	33.19	44.09
Med assist	Income from services	-	44.59	52.84	44.59
	Reimbursement of expenses	(5.31)	0.66	-	-
	Recovery of expense	6.35	24.31	24.43	23.60
FG US	Income from services	1,174.85	879.89	3.99	332.04
	Reimbursement of expenses	14.32	5.01	-	-
	Recovery of expense	14.24	70.64	11.49	87.12
	Investment in equity	-	-	11,476.87	10,673.72
	Interest income	-	112.43	-	-
	Loan Repaid	-	6,689.25	-	-
	Parental Guarantee	78.02	-	78.02	-
	Advance received	(147.39)	-	(147.39)	-
Anunta Tech	Recovery of expenses	17.06	25.32	-	-
	Reimbursement of expenses	2.30	11.37	(62.87)	(1.07)
	Investment in equity	-	100.00	100.50	100.50
FDS	Recovery of expenses	4.62	7.48	0.60	1.59
	Investment in equity	-	46.18	46.18	46.18
FTS	Income from services	558.29	18.92	(42.66)	13.90
	Reimbursement of expenses	1.09	-	-	-
	Recovery of expenses	3.18	22.68	25.52	22.68
FSL BPO Ireland	Investment in equity	-	17.36	17.36	17.36
	Loan to Ireland	-	251.11#	-	251.11
	Interest Income	7.40	1.80	-	1.82
	Recovery of expense	-	5.43	0.11	6.57
	Parental Guarantee	16.68	-	16.68	-
Spen Liq	Issue of shares (including premium)	(2,745.36)	-	(2,745.36)	-
Non-executive directors	Sitting fees paid	1.72	1.24	-	-
Key Managerial Personnel	Remuneration*	43.48	53.75	-	-

*Excluding ESOP, gratuity and compensated absences.
Maximum balance outstanding during the year.

Notes to the Financial Statements

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(Currency: In millions of Indian rupees)

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

Description	31 March 2013	31 March 2012
Alexander Matthew Vallance *	-	32.10
Rajesh Subramaniam	28.99	15.32
Carl Saldanha	-	6.33
Dinesh Jain	8.49	-
Deep Babur	4.78	-

*Includes nil (31 March 2012: ₹ 19.61) payable on retirement pursuant to non-compete contract in addition to managerial remuneration.

30. EMPLOYEE BENEFITS

a) *Gratuity plan*

The following table sets out the status of the gratuity plan as required under AS 15:

Reconciliation of opening and closing balances of the present value of the defined benefit obligation and fair value of plan assets:

Particulars	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Change in present value of obligations					
Obligations at beginning of the year *	110.58	86.84	78.22	66.10	46.87
Service cost	33.37	31.65	23.85	53.73	22.61
Interest cost	8.49	6.41	5.68	4.95	3.93
Actuarial gain	(14.17)	(8.99)	(6.58)	(40.36)	(3.42)
Benefits paid	(23.71)	(19.19)	(14.33)	(6.20)	(3.89)
Obligations at the end of the year	**114.56**	96.72	86.84	78.22	66.10
Change in plan assets					
Fair value of plan assets at beginning of the year,	68.43	70.88	44.44	46.11	2.08
Expected return on plan assets	5.13	5.99	5.02	3.87	1.36
Actuarial gain	0.02	0.75	(1.22)	0.66	1.57
Contributions	0.82	10.00	36.98	0.00	45.00
Benefits paid	(23.71)	(19.19)	(14.34)	(6.20)	(3.90)
Fair value of plan assets at end of the year	**50.69**	68.43	70.88	44.44	46.11
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	114.56	96.72	86.84	78.22	66.10
Fair value of plan assets at the end of year	(50.69)	(68.43)	(70.88)	(44.44)	(46.11)
Funded status being amount of liability recognised in the balance sheet	**63.87**	28.29	15.96	33.78	19.99

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Particulars	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Gratuity cost for the year					
Service cost	33.37	31.65	23.85	53.73	22.61
Interest cost	8.49	6.41	5.68	4.95	3.93
Expected return on plan assets	(5.13)	(5.99)	(5.02)	(3.87)	(1.36)
Actuarial (gain)/loss	(14.19)	(9.74)	(5.36)	(41.02)	(4.98)
Net gratuity cost	**22.54**	22.33	19.15	13.79	20.20
Actual return on plan assets	5.15	6.74	3.80	4.53	2.93
Assumptions					
Interest rate	8.05%	8.60%	8.30%	8.00%	7.86%
Estimated rate of return on plan assets	9.00%	9.00%	9.00%	8.00%	8.00%
Rate of growth in salary levels	8.00%	10.00%	10.00%	10.00%	10.00%
Withdrawal rate	25% reducing to 2% for over 20 year of service	25% reducing to 2% for over 20 year of service	25% reducing to 2% for over 20 year of service	25% reducing to 2% for over 20 year of service	25% reducing to 2% for over 20 years of service

* Inclusive of Rev IT

Experience Adjustments	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
On plan liabilities (gain)/loss	0.89	(8.99)	(5.45)	(10.64)	(10.66)
On plan assets (gain)/loss	0.02	(0.46)	1.22	(0.66)	(1.57)

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 'Salaries, bonus and other allowances'.

b) *Contribution to Provident Fund*

The provident fund charge during the year amounts to ₹ 183.12 (31 March 2012: ₹ 129.86).

c) *Compensated absences*

Actuarial assumptions	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Interest rate	8.05%	8.60%	8.30%	8.00%	7.86%
Rate of growth in salary levels	8.00%	10.00%	10.00%	10.00%	10.00%

31. OTHER OPERATING INCOME

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

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32. COMPUTATION OF NUMBER OF SHARES FOR CALCULATING DILUTED EARNINGS PER SHARE

	31 March 2013	31 March 2012
Number of shares considered as basic weighted average shares outstanding	503,507,816	430,739,898
Add: Effect of potential issue of shares/ stock options*	8,073,425	-*
Add: Adjustment relating to foreign currency convertible bonds	-*	81,906,746
Number of shares considered as weighted average shares and potential shares outstanding	511,581,241	512,646,644
Net profit after tax attributable to shareholders	1,359.65	453.59
Add: Interest on FCCB	-*	143.75
Add: Exchange loss/(gain) on FCCB	-*	17.94
Net profit after tax for diluted earnings per share	1,359.65	615.28

*Not considered when anti-dilutive

33. CAPITAL AND OTHER COMMITMENTS AND CONTINGENT LIABILITIES

	31 March 2013	31 March 2012
The estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	62.74	56.92
Guarantees and letters of credit given	14,155.52	11,649.40

Direct tax matters

Income tax demands amounting to ₹ 442.39 (31 March 2012: ₹ 113.70) for the various assessment years are disputed in appeal by the Company in respect of which the Company 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 ₹ 10.38 (31 March 2012: ₹ 10.38) tax under protest against the demand raised for the assessment year 2004-05.

Indirect tax matters

The Service tax demands amounting to ₹ 125.52 (31 March 2012: ₹ 116.85) in respect of service tax input credit and FCCB issue expense is disputed in appeal by the Company. The Company expects favourable appellate decision in this regard.

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34. SUPPLEMENTARY STATUTORY INFORMATION (ACCRUAL BASIS)

	31 March 2013	31 March 2012
(i) Value of imports calculated on CIF basis		
Capital goods	156.77	83.90
(ii) Earnings in foreign exchange		
Income from services	5,722.31	4,929.98
Interest income	7.40	114.23
Other income	122.65	73.67
(iii) Expenditure in foreign currency		
Marketing and support services	0.21	0.16
Travel and conveyance	24.67	34.85
Repairs and maintenance	2.21	15.89
Interest	126.72	138.68
Connectivity charges	53.22	82.39
Legal and professional fees	19.67	5.69
Other expenses (including expenses on FCCB buy back)	0.51	0.44

35. FOREIGN CURRENCY CONVERTIBLE BONDS (FCCB)

35.1 Issue of FCCB:

On 3 December 2007, the Company issued USD 275,000,000 Zero Coupon FCCB. The terms were as under:

Issue	0% FCCB due 2012
Issued on	3 December 2007
Issue amount	USD 275,000,000
Amount outstanding as on 31 March 2013	NIL
Face value	USD 100,000
Conversion price per share and fixed exchange rate	₹ 92.2933 , ₹ 39.27 = USD 1
Number of shares to be issued if converted	72,248,439
Exercise period	On or after 14 January 2008 upto 4 December 2012
Early conversion at the option of the Company subject to certain conditions	On or after 4 December 2009 and prior to 24 November 2012
Redeemed on	4 December 2012
Redemption percentage of the principal amount	139.37%
Bonds outstanding as on 31 March 2013	NIL

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

35.2 Buyback of FCCB

During the year ended 31 March 2012, pursuant to RBI notification, the Company bought back and cancelled 426 FCCBs of the face value of USD 100,000 each at a discount on accreted book value under the Automatic route. Due to adverse foreign currency movement, the Company recognised net loss of ₹ 67.62 for the year ended 31 March 2012 on the said buyback.

35.3 Redemption of FCCB

In accordance with the terms of issue of respective FCCBs, the Company redeemed all outstanding 1,698 FCCBs aggregating USD 169.80 million on 4 December 2012.

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36. SEGMENTAL REPORTING

In accordance with paragraph 4 of Accounting Standard 17 "Segment Reporting" prescribed in the Companies (Accounting Standards) Rules, 2006, issued by the Central Government, the Company has presented segmental information only on the basis of the consolidated financial statements (refer note 32 of the consolidated financial statements).

37. ADOPTION OF AS 30

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

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

On 1 October, 2008, the Company had early adopted AS 30 in its entirety, read with AS 31, effective 1 April, 2008 and the limited revisions to other Accounting Standards.

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

Pursuant to the early adoption of AS 30, the Company has discounted Non-interest-bearing deposits to their present value and the difference between original amount of deposit and the discounted present value has been disclosed as "Unamortised cost" under other current and non-current assets. This unamortised cost is charged to the statement of profit and loss over the period of related lease. Correspondingly, interest income is accrued on these Non-interest bearing deposits using the implicit rate of return over the period of lease and is recognised under "Interest income".

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

As permitted by AS 30, the Company designated its FCCB along with premium payable on redemption as a hedging instrument to hedge its net investment in the non-integral foreign operations effective 1 July 2008. On 1 August 2012, the Company redesignated its FCCB along with premium on redemption as a hedging instrument to hedge the forward exchange contract taken of USD 103 million and balance continued to be designated as a hedge against its net investment in the non-integral foreign operations till the repayment of the FCCB. Further, the Company accounted for embedded derivative option included in FCCB. The Company has charged ₹ 106.40 for the year ended 31 March 2013 as amortised cost on the fair value of FCCB under "Finance cost" towards accretion of FCCB liability using implicit rate of return method over the repayment tenor of FCCB.

The Company has also designated forward contracts to hedge highly probable forecasted transactions on the principles as set out in AS-30 (also refer Note 38).

Consequent to the early adoption of AS 30 as stated above, the profit after taxation for the year and Reserves and Surplus as at the Balance sheet date is higher by ₹ 199 (31 March 2012: higher by ₹ 1,099) and ₹ 2,642 (31 March 2012: higher by ₹ 2,134) respectively The increase in reserve and surplus includes translation gain on the investment in non-integral foreign operation used as hedging against translation loss on FCCB, which is currently credited to reserve and surplus, would be realized upon disposal of non-integral foreign operation.

38. DERIVATIVES

As at 31 March 2013, the Comp any has derivative financial instruments to sell USD 20,673,912 (31 March 2012: USD 38,777,958) having fair value loss of ₹ 9.61 (31 March 2012: loss of ₹ 63.64), GBP 22,827,009 (31 March 2012: GBP 43,503,845) having fair value gain of ₹ 57.24 (31 March 2012: gain of ₹ 180.81) and AUD 8,589,187 (31 March 2012: AUD 16,586,223) having fair value loss of ₹ 27.27 (31 March 2012: ₹.50.81) relating to highly probable forecasted transactions.

Foreign currency exposures on loans and receivables that are not hedged by derivative instruments or otherwise are ₹ 346.04 (equivalent to USD 2.73 million, EUR 0.24 million and LKR 1.40 million) (31 March 2012: ₹ 397.50 (equivalent to USD 7.52 million, AUD 0.13 million, EUR 0.01 million and LKR 3.90 million)).

Notes to the Financial Statements

for the year ended 31 March 2013

(Currency: In millions of Indian rupees)

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

	31 March 2013	31 March 2012
Principal amount and the interest due thereon remaining unpaid to any supplier as at the year end	Nil	Nil
Amount of interest paid by the Company in terms of Section 16 of the MSMED, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year	Nil	Nil
Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED	Nil	Nil
Amount of interest accrued and remaining unpaid at the end of the accounting year	Nil	Nil
Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible	Nil	Nil

40. Other matters specified in Revised Schedule VI to the Companies Act, 1956 are either Nil or not applicable to the Company for the year.

41. PRIOR PERIOD COMPARATIVES

Figures for the previous period are not strictly comparable to those of current period, which comprises effect of scheme of amalgamation (refer note 26).

As per our report of even date attached.

For and on behalf of the Board of Directors

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

Vijay Bhatt
Partner
Membership No: 036647

Sanjiv Goenka
Chairman

Ananda Mukerji
Vice Chairman

Rajesh Subramaniam
Managing Director and CEO

Shashwat Goenka
Director

Haigreve Khaitan
Director

Charles Miller Smith
Director

Y. H. Malegam
Director

K.P. Balaraj
Director

Donald Layden Jr.
Director

Dr. Shailesh Mehta
Director

Pradip Roy
Director

Subrata Talukdar
Director

Mumbai
7 May 2013

Dinesh Jain
CFO

Sanjay Gupta
Company Secretary

Notice

NOTICE is hereby given that the Twelfth Annual General Meeting of the Members of Firstsource Solutions Limited will be held at Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai - 400 025 on Tuesday, August 6, 2013 at 3.30 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2013, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.

2. To appoint **Mr. Y. H. Malegam**, as a Director of the Company, who retires by rotation and being eligible, offers himself for re-appointment.

3. To appoint **Mr. Charles Miller Smith**, as a Director of the Company, who retires by rotation and being eligible, offers himself for re-appointment.

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

   "RESOLVED THAT M/s. B S R and Co., Chartered Accountants, bearing Registration Number: 101248W, be and are hereby re-appointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, at a remuneration to be fixed by the Board of Directors or Audit Committee of the Board of Directors of the Company."

SPECIAL BUSINESS

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

   "RESOLVED THAT Mr. Pradip Roy, who was appointed as an Additional Director by the Board of Directors on December 3, 2012 and who holds office upto the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 ("the Act") and in respect of whom a notice has been received from a member under Section 257 of the Act, proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

   "RESOLVED THAT Mr. Sanjiv Goenka, who was appointed as an Additional Director by the Board of Directors on December 3, 2012 and who holds office upto the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 ("the Act") and in respect of whom a notice has been received from a member under Section 257 of the Act, proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, not liable to retire by rotation."

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

   "RESOLVED THAT Mr. Shashwat Goenka, who was appointed as a Director by the Board of Directors on December 5, 2012 in the casual vacancy and in respect of whom a notice has been received from a member under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

   "RESOLVED THAT Mr. Haigreve Khaitan, who was appointed as a Director by the Board of Directors on December 5, 2012 in the casual vacancy and in respect of whom a notice has been received from a member under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

   "RESOLVED THAT Mr. Subrata Talukdar, who was appointed as a Director by the Board of Directors on December 5, 2012 in the casual vacancy and in respect of whom a notice has been received from a member under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

Registered Office:
5th Floor, Paradigm 'B' Wing,
Mindspace, Link Road,
Malad (West)
Mumbai - 400 064

By Order of the Board of Directors

Sanjay Gupta
Vice President – Corporate Affairs and
Company Secretary

June 18, 2013

NOTES:

1. **A member entitled to attend and vote at the Annual General Meeting (AGM) is entitled to appoint a proxy to attend, and on a poll, to vote instead of himself. Such a proxy need not be a member of the Company. Proxies, in order to be valid and effective, must be delivered at the Registered Office of the Company not later than forty-eight hours before the commencement of the AGM**. Proxies submitted on behalf of companies, bodies corporate, societies etc. must be supported by certified copy of appropriate resolution/ authority as applicable.
2. Corporate members intending to send their authorised representatives to attend the AGM are requested to send a certified copy of the appropriate resolution/ authority, as applicable, authorising their representatives to attend and vote on their behalf at the AGM.
3. The Explanatory Statement pursuant to Section 173(2) of the Act relating to Special Business under Item Nos. 5 to 9 set out in the Notice is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will be closed from Tuesday, July 30, 2013 to Tuesday, August 6, 2013 (both days inclusive).
5. All the documents referred to in the Notice and Explanatory Statement will be available for inspection by the Members at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on all working days upto the date of the AGM.
6. Members are requested to bring their duly filled Attendance Slip along with the copy of Annual Report at the AGM.
7. In case of joint holders attending the AGM, only such joint holder who is higher in the order of names will be entitled to vote.
8. Members holding shares in electronic (dematerialised) form are advised to send the requests for change of address, bank particulars, bank mandate, residential status or requests for transmission of shares etc. to their Depository Participants. The Company or its Registrars can not act on any such requests received directly from the members holding shares in electronic form.
9. Pursuant to the requirement of Corporate Governance Code under the Listing Agreement with the Stock Exchanges, the information about the Directors proposed to be appointed/ re-appointed at the AGM is given in the Annexure to this Notice.
10. Members desirous of getting any information about the accounts and operations of the Company are requested to write to the Company atleast 7 days before the AGM to enable the Company to keep the information ready at the AGM.
11. The Ministry of Corporate Affairs had taken a “Green Initiative in the Corporate Governance” by allowing paperless compliances by the companies and had issued circulars stating that service of notice/ documents including Annual Report can be sent by e-mail to its members. To continue to support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to register their e-mail address with Registrar and Transfer Agent of the Company.

EXPLANATORY STATEMENT

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

Item No. 5

Mr. Pradip Roy was appointed as Additional Director of the Company on December 3, 2012 by the Board of Directors of the Company. According to the provisions of Section 260 of the Companies Act, 1956 (“the Act”), he holds office as a Director upto the date of the forthcoming Annual General Meeting. As required by Section 257 of the Act, notice has been received from a member signifying his intention to propose the appointment of Mr. Pradip Roy as a Director of the Company, along with prescribed deposit of ₹ 500.

Brief resume of Mr. Pradip Roy is given in the Annexure to this Notice. Keeping in view the wide experience, expertise and knowledge of Mr. Pradip Roy, the Board recommends the Resolution for appointment of Mr. Pradip Roy as a Director of the Company as set out at Item No. 5 of the Notice for the approval of the Members.

None of the Directors, except Mr. Pradip Roy, is in any way concerned or interested in the said Resolution.

Item Nos. 6, 7, 8 and 9

With the successful consummation of both the preferential allotment of 34.50% of the post preferential issue equity share capital of the Company and secondary purchase of 15% in aggregate of the post issue capital from 3 major shareholders, Spen Liq held 49.50% of the post issue capital of the Company. Accordingly, Mr. Sanjiv Goenka was appointed as an Additional Director on the Board on December 3, 2012 and Mr. Shashwat Goenka, Mr. Haigreve Khaitan and Mr. Subrata Talukdar were appointed in the casual vacancies caused by resignation of Mr. Pravir Vohra, Mr. Ram V. Chary and Mr. Mohit Bhandari respectively, effective December 5, 2012. Mr. Pradip Roy was also appointed as an Additional Director effective December 3, 2012.

According to the provisions of Section 260 of the Companies Act, 1956 (“the Act”), Mr. Sanjiv Goenka holds office as a Director upto the date of the ensuing Annual General Meeting. Notice has been received from a member of the Company pursuant to Section 257 of the Act, signifying his intention to propose the appointment of Mr. Sanjiv Goenka as a Director of the Company, along with prescribed deposit of ₹ 500 with notice. He will not be liable to retire by rotation.

Notices also have been received from members of the Company pursuant to Section 257 of the Act, signifying their intention to propose the appointment of Mr. Shashwat Goenka, Mr. Haigreve

Khaitan and Mr. Subrata Talukdar as Directors of the Company, alongwith prescribed deposit of ₹ 500 with each notice.

Brief resume of above Directors are given in the Annexure to this Notice. The Board recommends the appointment of Mr. Sanjiv Goenka, Mr. Shashwat Goenka, Mr. Haigreve Khaitan and Mr. Subrata Talukdar as Directors of the Company as set out at Item Nos. 6, 7, 8 and 9 respectively of the Notice for approval by the Members.

Mr. Sanjiv Goenka, Mr. Shashwat Goenka, Mr. Haigreve Khaitan and Mr. Subrata Talukdar may be deemed to be concerned or interested in the respective resolutions for their appointments. None of the other Directors has concern or interest in the said resolutions.

Registered Office:
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Mumbai - 400 064

By Order of the Board of Directors

Sanjay Gupta
Vice President – Corporate Affairs and
Company Secretary

June 18 , 2013

ANNEXURE TO THE NOTICE

Mr. Y. H. Malegam, 79 years, is a Chartered Accountant from India and from England and Wales. He has been a Managing Partner of S.B. Billimoria & Co., Chartered Accountants and Co-Chairman of Deloitte Haskins & Sells, Chartered Accountants. He has also been the President of the Institute of Chartered Accountants of India.

Mr. Malegam is currently a member of Central Board of Directors of the Reserve Bank of India.

Mr. Malegam holds Directorships in several Companies namely ABC Bearings Limited, The Clearing Corporation of India Limited, Hindustan Construction Company Limited, National Stock Exchange of India Limited, Siemens Limited, Western India Plywoods Limited and Bhartiya Reserve Bank - Note Mudran (P) Limited.

Mr. Malegam is Chairman of the Audit Committee of the Company and also of Bhartiya Reserve Bank - Note Mudran (P) Limited, Siemens Limited, National Stock Exchange of India Limited and The Clearing Corporation of India Limited. He is also a member of the Shareholders' Grievance Committee of National Stock Exchange of India Limited and a member of the Compensation cum Board Governance Committee of the Company. He holds 62,500 shares and 412,500 Stock Options in the Company.

Mr. Charles Miller Smith, 73 years, has M.A. (Hons.) Degree in Medieval and Modern History from St. Andrews in Scotland and he was awarded Honorary Doctorate in 1995. He has also been the former Chairman of Scottish Power. He was appointed as Chairman of the Scottish Power Advisory Board in 2007, following the integration with Iberdrola. He has also been Chairman of Imperial Chemical Industries, where he joined as Chief Executive in 1994. Prior to that, he was a Director at Unilever, where he held financial and general management positions in UK, Netherlands and its Indian branches. He has served as a Non-Executive Director of Midland Bank Plc. and HSBC Holdings Plc. and has been an International Advisor to Goldman Sachs International.

He is Chairman of Firstsource Solutions UK Limited, wholly-owned subsidiary of the Company and a Director of Premier Foods, U.K. He holds membership of Audit Committee and Compensation cum Board Governance Committee of the Company. He does not hold any shares in the Company. He holds 695,000 Stock Options in the Company.

Mr. Pradip Roy, 64 years, is a CAIIB, a Management graduate from Faculty of Management Studies, Delhi University and also holds a B.Sc. (Hons.) degree in Petroleum Engineering. He has undergone training in investment appraisal and management from Harvard University, Cambridge, USA. Mr. Pradip Roy joined IDBI in 1979 and after working in various capacities over a span of 29 years, he retired as the Executive Director in 2008. He has also worked with UTI AMC Limited in an advisory role. Presently, Mr. Roy is a Senior Advisor with the American investment advisory firm, Lincoln International Advisors Private Limited and Pipavav Defense and Offshore Engineering Company Limited. Mr. Roy was appointed by the Government of India as a representative of the financial sector on the Working Group on Ports & Shipping under the Chairmanship of Secretary, Ministry of Shipping in August 2010. His paper on power sector was selected for personal presentation by the World Energy Congress held in Beunos Aires in October, 2001.

Mr. Roy is on the Board of Directors of various companies namely Phillips Carbon Black Limited, Precision Wires India Limited, Noida Power Company Limited, GVK Industries Limited and IL&FS Infra Asset Management Limited. He is also member of Audit Committee of Precision Wires India Limited, GVK Industries Limited and IL&FS Infra Asset Management Limited. Mr. Roy does not hold any shares or Stock Options in the Company.

Mr. Sanjiv Goenka, 52 years, is Bachelor of Commerce (Hons.) from St. Xavier's College, Kolkata. As the Chairman of the RP-Sanjiv Goenka Group, he spearheads one of the country's leading business conglomerates. RP-Sanjiv Goenka's group companies are involved in power generation, distribution, coal mining, retailing, carbon black, plantation, music, media, entertainment, infrastructure, BPO and others.

In April 2001, he took over as the youngest-ever president of the Confederation of Indian Industry (CII). A former President of All India Management Association (AIMA), he served as Chairman of the Board of Governors of the Indian Institute of Technology, Kharagpur for a number of years and currently is a Member of Board of Governors of International Management Institute – Kolkata, Delhi and Bhubaneswar.

Mr. Sanjiv Goenka is the Chairman of the Board of Directors of the Company and also of Woodlands Multispeciality Hospitals Limited. Mr. Goenka is also Chairman of various companies of RP-Sanjiv Goenka Group namely CESC Limited, Phillips Carbon Black Limited, Harrisons Malayalam Limited, Spencer International Hotels Limited and Spencer and Company Limited. He is Vice-Chairman of RPG Enterprises Limited.

Mr. Goenka also holds directorships in Saregama India Limited, STEL Holdings Limited, Graphite India Limited, Noida Power Company Limited and Eveready Industries India Limited.

Mr. Goenka is Chairman of Shareholder/ Investor Grievance Committee of CESC Limited and Saregama India Limited. He is also member of Audit Committee of CESC Limited and Eveready Industries Limited. Mr. Goenka does not hold any shares or Stock Options in the Company.

Mr. Shashwat Goenka, 23 years, graduated from the Wharton School, University of Pennsylvania with a Bachelor of Science in Economics, specializing in Finance, Marketing and Management. His work experiences include a stint in brand management at Nestle and corporate finance at KPMG. Currently, he is General Manager - Planning & Strategy in RP-Sanjiv Goenka Group and also Sector Head in Spencer's Retail Limited.

Mr. Shashwat Goenka is also Director on the Board of Spencer International Hotels Limited. He does not hold any shares or Stock Options in the Company.

Mr. Haigreve Khaitan, 43 years, is a lawyer by profession practicing since 1995 and is a Partner at Khaitan & Co., Mumbai, one of the largest and full service law firms in India.

Mr. Khaitan started his career in litigation and moved on to specialise in Mergers and Acquisitions (M&A), Private Equity and Project Finance transactions. He has been involved in some of the most high profile deals in India. Mr. Khaitan has been acknowledged and recommended for his unmatched experience and expertise in his practice areas by Legal 500, Practical Law Company (PLC) Which Lawyer, Chambers & Partners, Who's Who Legal and other leading publication houses.

This year Chambers & Partners Asia Pacific 2013 has ranked him the "Band 1 Lawyer" for Corporate/ M&A transactions. He has also been recommended by the International Financial Law Review (IFLR) 1000 as one of the "Leading Lawyers in India" and by Asia Leading Lawyers 2013 as one of the "Leading Lawyers for M&A Transactions".

Mr. Khaitan is on the Board of Directors of various companies namely Ambuja Cements Limited, Bajaj Corp Limited, Ceat Limited, Harrisons Malayalam Limited, Inox Leisure Limited, Jindal Steel & Power Limited, National Engineering Industries Limited, Sterlite Technologies Limited, The West Coast Paper Mills Limited, Torrent Pharmaceuticals Limited, Xpro India Limited, AVTEC Limited, Great Eastern Energy Corporation Limited, Bonaza Trading Company Private Limited and Vinar Systems Private Limited.

Mr. Khaitan is also member of Audit Committee of Harrisons Malayalam Limited, Inox Leisure Limited, Jindal Steel & Power Limited, National Engineering Industries Limited, Sterlite Technologies Limited, Torrent Pharmaceuticals Limited and AVTEC Limited. He is member of Shareholder/ Investor Grievance Committee of National Engineering Industries Limited and Great Eastern Energy Corporation Limited. Mr. Khaitan does not hold any shares or Stock Options in the Company.

Mr. Subrata Talukdar, 54 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 Executive Director (Finance) and CFO of CESC Limited. He has been associated with the group for over two decades and has been instrumental in CESC's success. Going beyond his core function of conventional finance, Mr. Talukdar takes keen interest in the CESC's operations and expansion plans. He is also a core member of the corporate strategy team.

Mr. Talukdar is on the Board of Directors of various companies namely Spen Liq Private Limited, Jharkhand Electric Company Limited, Haldia Energy Limited, Dhariwal Infrastructure Limited, Crescent Power Limited, Surya Vidyut Limited, CESC Infrastructure Limited, Ghaziabad Power Company Limited, CESC Projects Limited, Jarong Hydro-Electric Power Company Limited, Papu Hydropower Projects Limited, Pachi Hydropower Projects Limited, Ranchi Power Distribution Private Limited and Bantal Singapore Pte. Limited.

Mr. Talukdar is member of Audit Committee, Shareholders'/ Investors' Grievance Committee and Compensation cum Board Governance Committee of the Company. He is Chairman of Audit Committee of Crescent Power Limited. He also holds membership of Audit Committee of Haldia Energy Limited, Dhariwal Infrastructure Limited, Surya Vidyut Limited and CESC Infrastructure Limited. Mr. Talukdar does not hold any shares or Stock Options in the Company.

NOTES

FIRSTSOURCE SOLUTIONS LIMITED

Registered Office: 5th Floor, Paradigm 'B' Wing, Mindspace, Link Road, Malad (West), Mumbai - 400 064

TWELFTH ANNUAL GENERAL MEETING

Tuesday, August 6, 2013

ATTENDANCE SLIP

I/ We hereby record my/ our presence at the Twelfth Annual General Meeting of the Company held on Tuesday, August 6, 2013 at 3.30 p.m. at Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai – 400 025 and at any adjournment thereof.

____________________________ Member's/ Proxy's Name

____________________________ Member's/ Proxy's Signature

____________________________ Folio/ DP ID & Client ID No.

Note: Please sign the Attendance Slip and hand it over at the entrance of the Meeting hall.

FIRSTSOURCE SOLUTIONS LIMITED

Registered Office: 5th Floor, Paradigm 'B' Wing, Mindspace, Link Road, Malad (West), Mumbai - 400 064

FORM OF PROXY

I/We____of____________________ in the District of________________________________ being a Member(s) of Firstsource Solutions Limited, hereby appoint ______________________________ of ____________________ in the District of ____________________ or failing him/ her _______________ of ____________________ in the District of __________________as my/ our Proxy to attend and vote for me/ us and on my/ our behalf at the Twelfth Annul General Meeting of the Company, to be held on Tuesday, August 6, 2013 at 3.30 p.m. and at any adjournment(s) thereof.

Dated this __________________ day of __________________ 2013

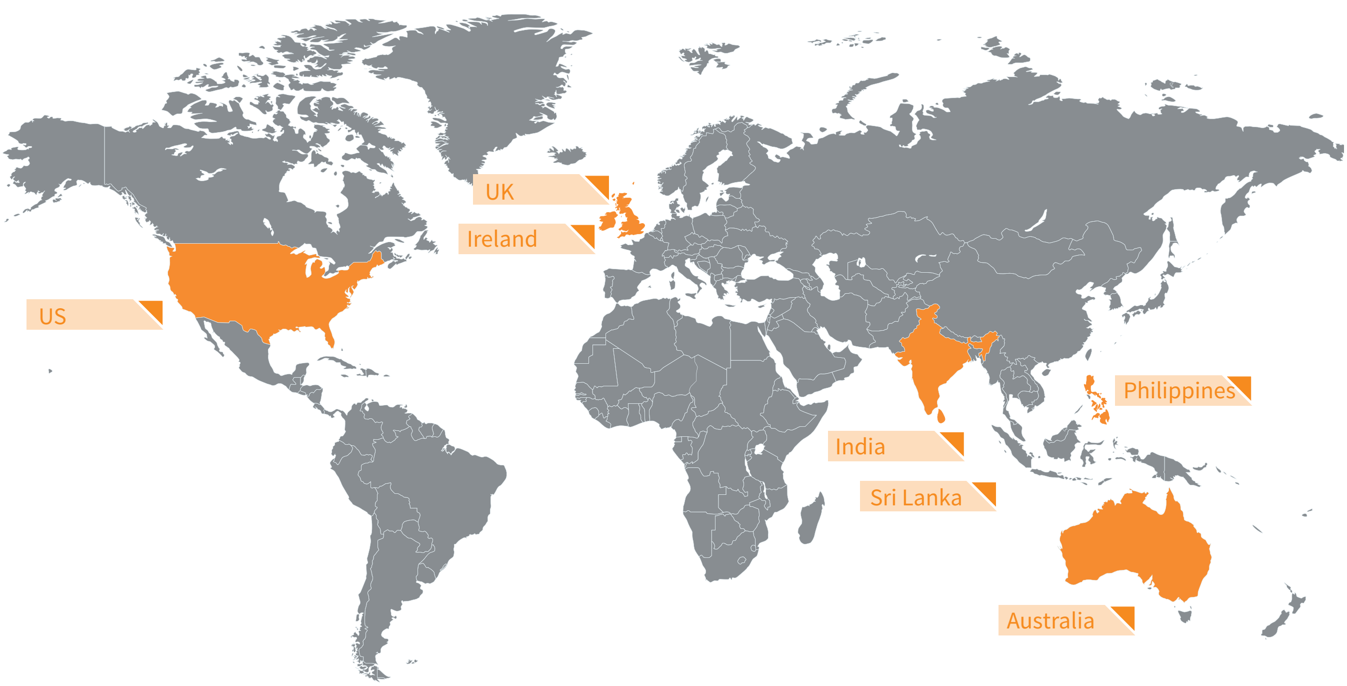
For Office Use only	
Proxy No.: Folio / DP ID & Client ID No. :	No. of Shares :

Affix 15 Paise Revenue Stamp

Notes:

1. **The Proxy Form should be signed by the Member(s) across the Revenue Stamp as per specimen signature(s) registered with Company/ Depository Participant.**
2. **The Proxy Form must be deposited at the Registered Office of the Company not less then 48 hours before the time fixed for holding the Meeting.**
3. **A Proxy need not be a member**

Providing Global Outsourcing Services



concept, content and design at aicl (info@aicl.in)

firstsource®

Firstsource Solutions Limited

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