RP-Sanjiv Goenka Group

Growing Legacies

firstsource

EXCELLENCE. INNOVATION. TRANSFORMATION.

FIRSTSOURCE SOLUTIONS LIMITED / **ANNUAL REPORT 2013-14**

The concentric circles in the background act as a symbol of growth, as each circle progresses in size within the graphic. The three big circles resemble Excellence, Innovation and Transformation and positivity with which the Company is growing.

INSIDE THE REPORT

FIRSTSOURCE AT A GLANCE

Our innovations are enabling our clients to create great experiences for their customers, enhance productivity and rationalise their costs.

At Firstsource, we focus on key initiatives that lead us to excel in what we do, drive innovative programs across the company and deliver transformation led sustainable growth.

Successful consolidation of the business, focus on margin expansion, business transformation productization journeys in Customer Management and Healthcare have been key pillars of change and have paved the way ahead for profitable growth.

We continue to enhance our suite of Business Process Management services through a combination of deep domain knowledge and strategic alliances, supported by industry-next technologies.

We are one of the leading global providers of Business Process Management (BPM) services with over 27,000 employees in 46 delivery centres spread across the UK, US, Ireland, the Philippines, India and Sri Lanka. We offer solutions covering the complete customer lifecycle across Banking, Financial Services & Insurance (BFSI), Healthcare and Telecommunications & Media verticals through our domain capabilities in Customer Management, Transaction Processing and Collections Management.

OUR 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.

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 assets

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

OUR PERFORMANCE

Revenue
₹ in Million

Operating EBIDTA & Operating EBIT
₹ in Million

Profit After Tax
₹ in Million

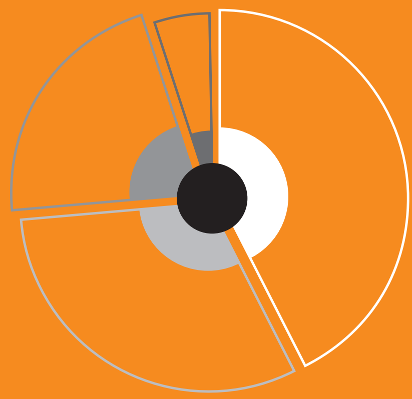
firstsource

Employees and Seats

Nos.

Revenue by Industry

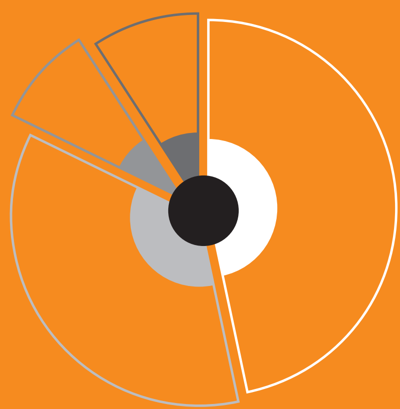
%



Telecommunications & Media	44.6
Healthcare	32.5
Banking, Financial Services & Insurance (BFSI)	22.6
Others	0.3

Revenue by Geography

%



US	46.7
UK	35.6
India	8.8
Rest of the world	8.9

Growth in operating revenue over 2012-13 **10.2%**

Growth in operating EBIT over 2012-13 **49.8%**

Growth in profit after tax over 2012-13 **31.6%**

MESSAGE FROM THE CHAIRMAN

During FY 2013-14, we met our commitment on repayment of debts, broke operational silos, realigned the process and rationalised employee structure and cost.

DEAR SHAREHOLDERS,

Last year, in my first communication to you as Chairman, I hinted at better performance in FY 2013-14. I am glad that despite the difficult business environment in India and all over the world, Firstsource Solutions Ltd. (FSL) has lived up to the expectations, having achieved a more than 10% growth in revenue income and 31.6% rise in Profit After Tax (PAT). The highly encouraging performance two years in a row reflects the commendable dynamism of a youthful company and I get the confidence to look ahead with optimism to another year of solid performance. We are proud of the unique nature of our business and are confident to serve a number of highly competitive markets.

During the year-under-review, we successfully strengthened our BPM services in the areas of Customer Management, Transaction Processing, Collection Management and Business Transformation to internationally renowned companies in the US, UK and India markets. These companies are in the Healthcare, Telecommunications and Media (T&M), as also Banking, Financial Services and Insurance (BFSI) industries. As a company, we strongly believe that we can be successful only if what we do is good for Firstsource, good for companies we serve and also good for the country where we do business.

For India, FY 2014-15 is going to be a year of dynamic changes and we expect to contribute substantially to the new spirit already noticeable across the country. The detailed report that follows in this publication assures us that the Business Process Management industry will be evolving fast and achieve rapid growth across the globe. But to take full advantage of the new opportunities in the US, Europe and the UK, Firstsource has to be more than ready.

During FY 2013-14, we met our commitment on repayment of debts, broke operational silos, realigned the process and rationalised employee structure and cost. These restructuring exercises are expected to yield substantial benefits in FY 2014-15 as well.

I express my sincere thanks to the company's valued clients spread all over the world for the trust they have reposed in us and seek their continued support in the days ahead. I also acknowledge with thanks the valuable guidance and support received from the Directors on the Board of the company.

I also want to thank you, dear shareholders, for your farsighted trust in us. We shall do our best to justify your unwavering trust in Firstsource. I also look forward to the contributions of all employees across in ensuring a meaningful and faster business development of Firstsource as a company. I have every reason to believe that Firstsource will continue to drive strong performance in FY 2014-15 and beyond.

With best wishes,

Sanjiv Goenka

Sanjiv Goenka
Chairman

MESSAGE FROM THE MANAGING DIRECTOR & CEO

DEAR SHAREHOLDERS,

FY 2013-14 was a year of consolidation for Firstsource. During the course of the year, we focused on our two growth engines; namely Customer Management and Healthcare and continued to harvest our domestic business and Collections business for value. Our journey of transformation helped us build newer and stronger capabilities as we continued to engage and create value for our customers. Keeping abreast with the market trends; innovation and investment in people aligned itself in a concentric format to create an energised Firstsource.

We achieved 10.2% growth in revenue income at INR 31,059 million in FY 2013-14, up from INR 28,185 million in FY 2012-13. The Profit After Tax (PAT) grew from INR 1,466 Million in FY 2012-13 to INR 1,930 million for the year ended March 2014, up 31.6% over the previous year.

Going forward, we will continue to invest and grow our Customer Management and Healthcare business. Our strategy in the Customer Management business is based on multi-channel customer contact optimisation, reducing total cost to serve, increasing levels of automation, improving our brand advocacy for our customers and reducing churn. Our productized service efforts are in line with these trends and they help us to serve our customers better.

Our Healthcare business is poised for growth on the back of the Affordable Care Act (ACA), where new norms and opportunities are rapidly shaping the US healthcare sector. The Healthcare Payers are focusing on cost reduction caused due to mandates on creation of healthcare insurance marketplaces, reduced medical loss ratio and improved focus on member service. The Healthcare Providers are likely to face tremendous pressure due to lowered reimbursement rates, large influx of enrolled participants from health insurance exchanges and expanding medical rolls. As a service provider to both these segments, we are well positioned and have launched new products to leverage this opportunity.

The cornerstone of any successful business is a DNA of continuous innovation in a rapidly changing environment. Creating enterprise-wide innovation engines is the key to enduring partnerships with clients, built through development of new products, processes, frameworks and technology tools. In this endeavour, your company's productised initiatives have gained significant momentum and accolades. We won the Frost & Sullivan 'New Product Innovation Award' for the year 2013.

People are the core assets at Firstsource and we recognise their contributions. We have made significant investments in developing and nurturing talent through robust processes, developing future leaders, and encouraging continuous learning as we deal with a global and culturally diverse workforce.

The cornerstone of any successful business is a DNA of continuous innovation in a rapidly changing environment.

I am confident that our sharp focus and targeted investments will support us in the break-out phase and help look into the future horizon with optimism.

I want to thank all our employees for their untiring and concerted efforts. I also want to thank shareholders and our customers for believing in us.

We look forward to your continued support in the year ahead.

Regards,

Rajesh Subramaniam
Managing Director & CEO

AWARDS AND ACCOLADES

Firstsource continues to win awards and accolades.

- Recognised as one of UK's leading outsourcing providers by the National Outsourcing Association (NOA) Awards. Firstsource also won in two other categories at the prestigious awards:
  - BPO Project of the Year 2013 (For our work with Sky)
  - Outsourcing Service Provider of the Year.
- Awarded the 'Outsourcing Partnership of the Year' in the European Call Centre and Customer Service Awards 2013 for our longstanding relationship with Sky.
- Firstsource received the Silver accreditation by Investors-In-People (IIP) for the UK. This achievement highlights our good practices in relation to investing in people and commitment to continuous improvement.
- Awarded 'Employer of the Year 2013' in Northern Ireland by the UTV Business Eye Awards.
- Won the "Best Business Process" award in partnership with giffgaff at the 17th Annual Outsourcing Excellence Awards held in Texas, US.
- Awarded the Employer of Choice at the annual Business in the Community Northern Ireland (BITCNI) Awards in Belfast, Northern Ireland.
- The Irish News Workplace and Employment Awards awarded Firstsource the accolade of Innovative Employer Award 2013 in Ireland.
- Featured among the 100 best BPO companies by Global Services' Annual GS100 2013. The company has received this recognition for the third year in a row.
- Received the Frost & Sullivan 2013 North American – "New Product Innovation award" for the analytics proposition - First Customer Intelligence.
- Ranked # 24 in Global Outsourcing 100® rankings 2013 by The International Association of Outsourcing Professionals (IAOP).
- Ranked 7th among the "Top 10 BPO companies 2013" by Nasscom.

EXCELLENCE IN EVERYTHING WE DO

We've built a culture of promoting excellence in everything we do; which impacts our clients, employees and stakeholders. We achieve this by simplifying business processes through a mix of domain knowledge, process frameworks and technology advancements.

This pursuit of achieving excellence permeates across all constituents of our business, i.e. using best-in-class operating practices and process improvement techniques that influence business outcomes for our clients, implementing technology tools to improve effectiveness, providing our employees a conducive environment to work and being fiscally prudent to further enhance shareholder value.

RAISING THE INNOVATION BAR

In the last few years, the BPM industry has evolved from cost arbitrage to value additions. Clients are demanding business benefits delivered by their partners in terms of improving their customer experience, or improving their top line or bottom line.

Foreseeing this trend, Firstsource had embarked on a productization journey across the company in its industry verticals and horizontal service offerings. Productization of services is the process of creating differentiated offerings with a definitive framework coupled with best-in-class technology platforms that adds value to our clients' business.

Here are some of the product offerings that were launched last year.

FIRST CUSTOMER INTELLIGENCE (FCI)

FCI is the customer interaction analytics solution that was the first product in our productisation portfolio. It measures customer emotions, sentiments and behaviour across multiple communication channels and provides actionable insights across products, processes, operational analytics and web strategies. The actionable insights derived from these interactions help our clients reduce customer effort, cost to serve and improve the customer experience.

FIRST CHAT

FirstChat is an online customer engagement solution from Firstsource that employs an effective approach to improve the customer experience. FirstChat enables real-time person-to-person communication through live chat, adding a human touch to the web experience. It empowers customers to self-serve efficiently and helps in converting online visitors into customers. Firstsource works with best-in-class web chat platform providers to deliver this service.

FIRST SMARTOMATION

First Smartomation is the process automation solution that uses non-invasive technology to integrate diverse applications on their native platforms. It provides a unified user-friendly interface to the agent that simplifies the process. First Smartomation boosts agent productivity, increases accuracy and enhances customer experience.

FIRST RESOLVE

Firstsource has developed First Resolve – the complete remediation solution for Financial Conduct Authority (FCA) reportable complaints. In this solution, our expert case handlers provide inbound and outbound case review and remediation services to leading UK financial services companies.

Going ahead, we plan to launch new innovative products and provide services to clients through social media platforms. It is our constant endeavour to strengthen our technology partnerships and deliver more useful services to our global clients.

RECOGNITION FOR INNOVATION

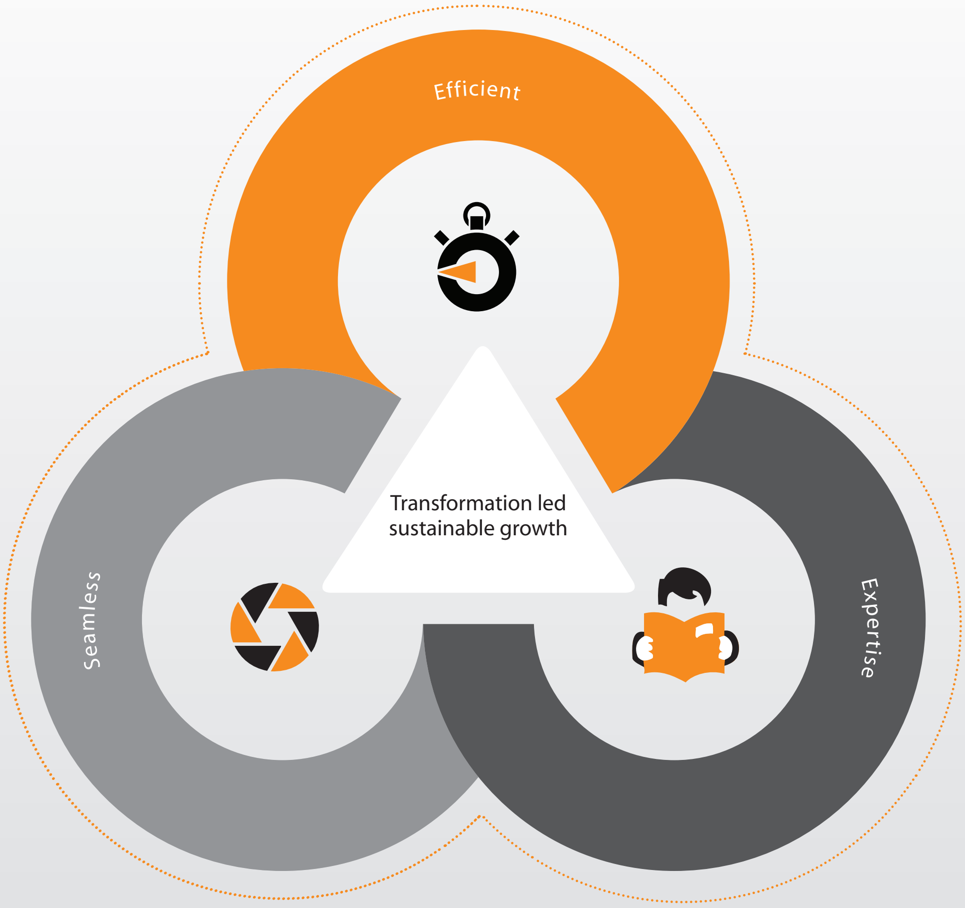
- First Customer Intelligence (FCI) won Frost & Sullivan's 2013 North American New Product Innovation Award for Contact Center Outsourcing.
- Firstsource won the 2nd place in the 9th Semi-annual Global Quality Challenge held by one of the leading healthcare payer organisations for the process automation solution that was based on First Smartomation.
- FCI received a mention in Frost & Sullivan's report "Technology-Enabled BPOs: Meeting the Omni-channel Consumer Head On". This Market Insight report by Michael DeSalles, Principal Analyst, Frost & Sullivan was published in September 2013.

TRANSFORMATION LED SUSTAINABLE GROWTH

We are building a strong business on three tenets, i.e. identifying relevant opportunities; building capabilities and delivering value added services. Fostering an ecosystem of transformation will enable an edge of differentiation in our journey of sustainable growth.

Staying abreast of the changing market needs and identifying new business opportunities within our core sectors and others, is fundamental to maintain a key position as a service provider. This has helped us stay relevant, as we carve new and effective solutions for the markets and our clients.

Creating productized services to address changing customer interaction preferences in a multi-channel environment, developing solutions to leverage new opportunities, enabling process optimisation through tools and developing best in class people practices are some of the transformation initiatives that we are implementing to enable sustainable growth.



EFFICIENT

At Firstsource, we are committed to add value to our clients by providing greater efficiency in our services.

SEAMLESS

We combine our delivery capabilities in a seamless manner to ensure smooth business operations.

EXPERTISE

We continue to build our company around experience and knowledge that will sustain and improve our profitability levels.

BOARD OF DIRECTORS

LEFT TO RIGHT

Subrata Talukdar, Pradip Roy, Haigreve Khaitan, Rajesh Subramaniam (MD & CEO), Y. H. Malegam, Sanjiv Goenka (Chairman), Shashwat Goenka, Ananda Mukerji (Vice Chairman), Charles Miller Smith, Donald W. Layden Jr. and Dr. Shailesh J. Mehta

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SENIOR MANAGEMENT

Rajesh Subramaniam

Managing Director & Chief Executive Officer

Dinesh Jain

Chief Financial Officer

Sanjay Venkataraman

President, Customer Management

Stephanie Wilson

Chief Operating Officer, Customer Management

Venkataraman K R

President & Chief Executive Officer, Healthcare

Mitzi Winters

Chief Operating Officer, Healthcare Provider

Arjun Mitra

Executive Vice President, Collections

Shalabh Jain

Business Transformation Officer

Iain Regan

Executive Vice President, Sales & Marketing

Gayatri Anandh

Executive Vice President, Technology

Arun Tyagi

Senior Vice President & Chief Compliance Officer

Satish M

Executive Vice President, Human Resources

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility or CSR is an integral part of the Firstsource culture. We firmly believe in our responsibility to 'give back' to the society and make a positive difference in the lives of individuals who are underprivileged or in need. With this vision in mind, employees always enthusiastically step up to contribute and participate whenever a social cause comes up.

The CSR team at Firstsource actively works in certain social initiative areas throughout the year applying the company's core values–integrity, innovation, people–centricity, agility, collaboration and excellence–to the various initiatives they undertake.

OUR SOCIAL INITIATIVE AREAS ACROSS GEOGRAPHIES

1. Employee Volunteering
2. Payroll Giving
3. Response to Disasters
4. Quarterly themes to build awareness
5. Participating in popular fundraising events

OUR INITIATIVES AND ACTIONS

Over the years we have built and implemented a framework to create a responsible approach towards social and community responsibility.

- **Empowering Youth:** We conduct programmes including vocational training, personality development, English speaking and enterprise management for the underprivileged youth. These initiatives have helped them become economically independent. We also have more than 60 differently-abled people employed with us.
- **A Helping Hand:** Our team at India raised funds to support the victims of Uttarakhand in the aftermath of the floods and landslides. Similarly, our colleagues from the Philippines office met and provided support to the people of the Mindoro region impacted by the typhoon which killed thousands of people and left many more stranded.
- **Joy of Giving:** As a part of the Joy of Giving week, our colleagues from the Philippines office donated food, school supplies, books, toys and clothes to Children Village Foundation (a non-profit organisation). Similarly, fund raising activities were conducted as a part of Joy of Giving week in India offices where funds raised were donated to Dream a Dream, an NGO working towards developing the life and skills of deprived youth.
- **Fund Raising for Cancer:** Our UK and Ireland team got together for raising funds for local, national and international charities. Our colleagues at Amherst also organised an event to raise money for cancer research.

DIRECTORS' REPORT

Dear Members,

Directors of your Company take great pleasure in presenting the Thirteenth Annual Report on the business and operations of your Company and the Audited financial statements for the financial year ended March 31, 2014.

FINANCIAL RESULTS

The performance of the Company for the financial year 2013-14 is summarised below:

(₹ in Million)

Particulars	Consolidated		Standalone	
	FY 2013-14	FY 2012-13	FY 2013-14	FY 2012-13
Total Income	31,078.80	28,649.30	9,325.41	9,733.91
Profit Before Interest and Depreciation	3,641.29	3,259.57	2,049.08	2,278.45
Interest and Finance Charges (net)	851.47	783.65	177.19	527.98
Depreciation	757.02	883.98	527.19	576.58
Profit Before Tax	2,032.80	1,591.94	1,344.70	1,173.89
Provision for Taxation (including Deferred Tax Charge/ Credit)	100.89	129.23	-	-
Profit After Tax Before Minority Interest	1,931.91	1,462.71	1,344.70	1,173.89
Minority Interest	2.29	-3.21	-	-
Net Profit After Tax	1,929.62	1,465.92	1,344.70	1,173.89
Balance Brought Forward	7,417.81	6,285.13	5,198.58	3,401.52
Accumulated Balance of Rev IT Systems Private Limited brought forward pursuant to Scheme of Amalgamation	-	-	-	623.17
Total Profits available for Appropriations	9,347.43	7,751.05	6,543.28	5,198.58
Adjustment of Amalgamation Deficit pursuant to Scheme of Amalgamation of Rev IT Systems Private Limited with the Company	-	333.24	-	-
Accumulated Balance in Profit & Loss Account	9,347.43	7,417.81	6,543.28	5,198.58
Earning Per Share (₹) – Basic	2.93	2.91	2.04	2.33
Earning Per Share (₹) – Diluted	2.82	2.82	1.96	2.29

RESULT OF OPERATIONS

The consolidated total income increased from ₹ 28,649.30 Million to ₹ 31,078.80 Million, a growth of 8.5% over the previous financial year. The consolidated Net Profit After Tax increased from ₹ 1,465.92 Million to ₹ 1,929.62 Million, a growth of 31.6% over the previous financial year. The detailed analysis of the consolidated results forms part of the Management Discussion & Analysis (MD&A) Report provided separately as part of the Annual Report.

The standalone total income reduced from ₹ 9,733.91 Million to ₹ 9,325.41 Million, a decline of 4.2% over the previous financial year. The standalone Profit After Tax increased from ₹ 1,173.89 Million to ₹ 1,344.70 Million, an increase of 14.5% 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 2013-14.

INCREASE IN SHARE CAPITAL

During the year, your Company issued 2,061,125 equity shares of the face value of ₹ 10/- each on the exercise of stock options under Firstsource Solutions Employee Stock Option Scheme, 2003. Consequently, the outstanding, issued, subscribed and paid up capital of the Company has increased from 657,673,751 shares to 659,734,876 shares of ₹ 10/- each aggregating to ₹ 6,597.35 Million as on March 31, 2014.

GLOBAL DELIVERY FOOTPRINT

The Company, on a consolidated basis had 46 global delivery centres as on March 31, 2014. The centres are located across India, USA, UK, Philippines and Sri Lanka. 22 of the Company's delivery centres are located in 16 cities in India, 14 are in the USA, 6 in UK, 3 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 ₹ 357 Million mainly towards refurbishment and maintenance of delivery centres and establishment of new centres in Philippines and USA.

QUALITY INITIATIVES

The Company follows the global best practices in process excellence and is certified by COPC Inc. (Customer Operations Performance Centre). Firstsource Dialog Solutions (Pvt.) Limited, joint venture subsidiary of the Company in Sri Lanka, has been recertified for COPC (5.0a) Standard. 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.

- The Silver accreditation by Investors-In-People (IIP) in the UK. This achievement highlights and benchmarks our good practices in relation to investing in people and commitment to continuous improvement.
- Featured among the 100 best BPO companies by Global Services Annual GS100 2013. This recognition highlights Company's commitment and efforts in going the extra mile to meet client satisfaction. The Company has received this recognition for the third year in a row.
- The Company has been ranked #24 by The International Association of Outsourcing Professionals (IAOP) in the 2013 Global Outsourcing 100® rankings.
- Received the Frost & Sullivan 2013 North American – "New Product Innovation award" for Contact Center Outsourcing for its analytics proposition - First Customer Intelligence.
- Recognised as one of UK's leading outsourcing providers by the National Outsourcing Association (NOA) Awards. The Company also won two other prestigious awards:
  - BPO Project of the Year 2013 (for our work with Sky)
  - Outsourcing Service Provider of the Year.
- Awarded the 'Outsourcing Partnership of the Year' in the European Call Centre and Customer Service Awards 2013 for our longstanding relationship with Sky.
- 'Employer of the Year 2013' in Northern Ireland by the UTV Business Eye Awards. This is in addition to the Business in the Community 'Employer of Choice' and Irish News 'Innovative Employer'.
- The "Outsourcing Excellence Award 2013" at the 17th Annual Outsourcing Excellence Awards held in Texas, US, for the "Best Business Process" category in partnership with Giffgaff Ltd.
- Awarded the Employer of Choice at the annual Business in the Community Northern Ireland (BITCNI) Awards in Belfast, Northern Ireland.
- The Irish News Workplace and Employment Awards awarded the Company with the Innovative Employer Award 2013 in Ireland.

HUMAN RESOURCES

On a consolidated basis, the Company has 27,666 employees as of March 31, 2014.

The statement of particulars of employees required in accordance with Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this Report. However, as permitted under section 219(1)(b)(iv) of the Companies Act, 1956, the 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 of March 31, 2014.

BOARD OF DIRECTORS

Mr. Ananda Mukerji and Mr. Shashwat Goenka retire by rotation and, being eligible, have offered themselves for re-appointment at the forthcoming AGM.

Pursuant to section 149 of the Companies Act, 2013 ("the Act") the tenure of the Independent Directors is upto five consecutive years from the commencement of the Act.

The Board recommends appointment of Mr. Y. H. Malegam, Dr. Shailesh J. Mehta, Mr. Charles Miller Smith, Mr. Donald W. Layden Jr. and Mr. Pradip Roy as Independent Directors for a term of upto 5 consecutive years for approval of members of the Company at the ensuing Annual General Meeting. The Company has received the declarations from all the Independent Directors of the Company confirming that they meet the criteria of indpendence as prescribed under Section 149 (6) of the Act.

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: 65,018,269

b) Options granted during the year 2013-14: 11,075,000

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

d) Options vested during the year 2013-14: 9,413,750

e) Options exercised during the year 2013-14: 2,123,625*

*Including 62,500 stock options which were exercised in March, 2014 and shares are pending for allotment.

f) Total number of shares arising as a result of exercise of options during the year 2013-14: 2,061,125

g) Options lapsed during the year 2013-14: 9,294,272# #The stock options which are cancelled/ lapsed/ forfeited can be re- issued by the Company.

h) Variation of terms of options during the year 2013-14: Nil

i) Money realised by exercise of options during the year 2013-14 (Amount in ₹): 26,210,225@

@Including money realised with respect to 25,000 options which were exercised on March 21, 2014 and shares are pending for allotment.

j) Total number of options in force: 47,605,635

k) Employee wise details of options granted to: i) Senior Managerial personnel during the year 2013-14: Mr. Rajesh Subramaniam - 2,000,000, Mr. Sanjay Venkataraman - 400,000, Mr. Dinesh Jain - 400,000, Ms. Stephanie Wilson - 500,000, Mr. Shalabh Jain - 250,000, Mr. Joseph C Gibson - 200,000, Mr. Peter Van Riper - 375,000, Mr. Deep Babur- 150,000, Mr. Vishwajit Negi - 200,000, Mr. Iain Regan - 100,000, Mr. Arjun Mitra - 100,000, Mr. Venkataraman K R - 400,000, Ms. Mitzi Winters - 230,000, Mr. Satish M - 250,000, Ms. Gayatri Anandh - 150,000 and Mr. Stephen W. Ogilvie- 200,000 ii) Any other employee, who has been granted options amounting to 5% or more of options granted during the year 2013-14: Nil iii) Identified employees who were granted options, equal to or exceeding 1% of the issued capital of the Company, during the year 2013-14: Nil

l) Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20 - 'Earnings Per Share': i) Standalone EPS – ₹ 1.96 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. 26 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 – ₹ 23.66 per option. ii) Weighted average fair value as per the Black Scholes Model – ₹ 12.87 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. 26 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: 2,347,500

b) Options granted during the year 2013-14: Nil

c) Options vested during the year 2013-14: Nil

d) Options exercised during the year 2013-14: 30,000

(These 30,000 options were exercised in March, 2014 and shares are pending for allotment)

e) Total number of shares arising as a result of exercise of option during the year 2013-14: Nil

f) Options lapsed during the year 2013-14: 41,250

g) Variation in the terms of option during the year 2013-14: Nil

h) Money realised by exercise of options during the year 2013-14 (Amount in ₹): 337,500

(This amount is with respect of 30,000 options which were exercised and shares are pending for allotment.)

i) Total number of options in force: Nil

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 – Nil ii) Weighted average fair value as per the Black Scholes Model – N.A.

SUBSIDIARY COMPANIES

As on March 31, 2014, your Company had 11 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. MedAssist Holding, Inc., USA (WOS of Firstsource Group USA, Inc.)
7. Firstsource Solutions USA, LLC USA (WOS of MedAssist Holding Inc.)
8. Firstsource Transaction Services, LLC (WOS of Firstsource Solutions USA, LLC)
9. Firstsource BPO Ireland Limited (WOS of the Company)
10. Firstsource Dialog Solutions (Private) Limited (Subsidiary of the Company)

Note:

1. #Firstsource Solutions S.A., Argentina, a subsidiary of Firstsource Solutions UK Limited, was sold during the financial year ended March 31, 2013. However, the option to exercise the sale with the buyer has lapsed and hence the investment has been restated in the books of account.
2. Twin Lakes Property, LLC – I and Twin Lakes Property, LLC – II, subsidiaries of Firstsource Advantage, LLC, were dissolved w.e.f. March 27, 2014.

PARTICULARS UNDER SECTION 212 OF THE COMPANIES ACT

The Ministry of Corporate Affairs, Government of India, vide General Circular No. 2/2011 dated February 8, 2011, has granted a general exemption from compliance with section 212 of the Companies Act, 1956, subject to fulfilment of conditions stipulated in the circular. Your Company has satisfied the conditions stipulated in the circular and hence is entitled to the exemption. The financial data of the subsidiaries have been furnished under 'Details of Subsidiaries' forming part of the Annual Report. Consolidated Financial Statements of the Company and its subsidiaries for the year ended March 31, 2014, together with reports of Auditors thereon and the statement pursuant to Section 212 of the Companies Act, 1956, forms 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, stringent monitoring of usage of electric devices and lightings is done to avoid unwanted usages. These initiatives have contributed in reducing energy consumption and helped in reducing the overall power consumption by 2.5%. With the implementation of such initiatives, the Company, like previous years, continues its legacy of pursuing GREEN IT and endeavors 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 started using the remote desktops which is a new and enhanced architecture with virtualisation advantages and makes a flexible solution for remote access. The Company also started using new technologies as part of virtualisation which leverage the elasticity of hybrid clouds and the security of mobile device management. These new technologies have helped the Company to have a cost effective solution which delivered secure virtual desktops to the users with reduced risk of data loss or intrusion.

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, 49.7% of the Company's standalone revenues were derived from exports. The Company provides BPM services mostly to clients in North America, UK and Asia Pacific region. The Company has established direct marketing network around the world to boost its exports.

FOREIGN EXCHANGE EARNED AND USED

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

(Standalone figures in ₹ Million)

Particulars	Fiscal 2014	Fiscal 2013
Foreign Exchange earnings	4,633.09	5,852.36
Foreign Exchange outgo (including capital goods and imports)	437.15	383.98

AUDITORS

M/s. B S R & Co. LLP (formerly known as 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 retire on conclusion of the ensuing AGM and are eligible for re-appointment. Members are requested to consider their re-appointment from the conclusion of ensuing Annual General Meeting (AGM) upto the conclusion of next AGM at a remuneration to be decided by Audit Committee of the Board of Directors of the Company. The Company has received confirmation from M/s. B S R & Co. LLP, to the effect that their appointment, if made, will be within the limits of Section 139 of the Companies Act, 2013.

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 cooperation.

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 2, 2014

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

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

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

Global Economic Outlook

Across mature economies, the 2014 growth outlook has improved significantly to 2.2 percent growth in 2014, compared to 1.3 percent in 2013. The uptick is primarily due to the United States, which is expected to increase its growth by more than 1 percent, from 1.9 percent in 2013 to 3 percent in 2014. The recovery of Eurozone from its negative growth of -0.3 percent in 2013 to 1 percent in 2014 also contributes to this improvement in mature economies.

GDP growth in emerging and developing economies as a whole is projected to improve slightly by 0.3 percent to 4.8 percent in 2014. The slower increase is primarily driven by China, which will continue to slow down from 7.5 percent in 2013 to 7 percent in 2014, based on official growth rates, as structural and policy challenges continue to weigh on China's economic transformation. Among other emerging markets, India, Latin America and other developing Asian economies are to witness a slight growth improvement in 2014, up from a weaker growth in 2013.

The world's major economies still face many structural flaws and policy constraints that hinder more investment and faster productivity growth, making the medium-term outlook uncertain. However, a recent indication of improved GDP growth in the major economies of US and Europe provides a boost to the export oriented sectors of emerging economies like India.

The medium term outlook for the US and other mature economies remains slightly more positive than in previous years, as these economies still have some way to go towards closing remaining output gaps. Estimates are that the US will therefore grow at 2.4 percent, on average per year, and the Euro Zone at 1.2 percent from 2014-2019.

The medium term slowdown in the growth trend of emerging and developing markets is more dramatic. As China, India, Brazil and others mature from rapid, investment-intensive 'catch-up' growth to a more balanced growth model, the structural speed limits of their economies are likely to decline, reducing emerging market growth from 4.3 percent to 3.2 percent in the near term.

Sector Update

According to NASSCOM, Global IT-BPM spending grew by 4.5 percent in 2013, driven by rapid shifts in customer landscape. The overall global outsourcing market witnessed a growth of 8.5 percent in 2013. In a year where global outsourcing market grew by US$ 11 – 12 billion, Indian exports accounted for over 90 percent of the incremental growth, in the process increasing its market share from 52 percent in 2012 to roughly about 55 percent in 2013.

Overall the Global IT-BPM industry revenues are estimated to touch US$ 118 billion in FY 2014 growing by 8.8 percent over FY 2013. IT-BPM Exports are expected to cross US$ 86 billion in FY 2014, growing at 13 percent. The key factor driving this growth has been an uptick in spending on the back of increased consumer confidence and demand from the US and Europe. Further, industry's proactive approach in suggesting transformational solutions to customers apart from their basic requirements had also fuelled the growth. Disruptive technologies are on the rise and solutions around Social, Mobile, Analytics and Cloud (SMAC) and platform based solutions are increasingly finding acceptance with clients.

While US continues to be the largest geographic market for

India garnering 62 percent of market share, the Euro region has been the surprise market this year growing by almost 14 percent. While BFSI continues to be the largest vertical segment accounting for 41 percent of the industry exports, however verticals like Telecoms and Media, Healthcare, Retail and CPG have grown much faster.

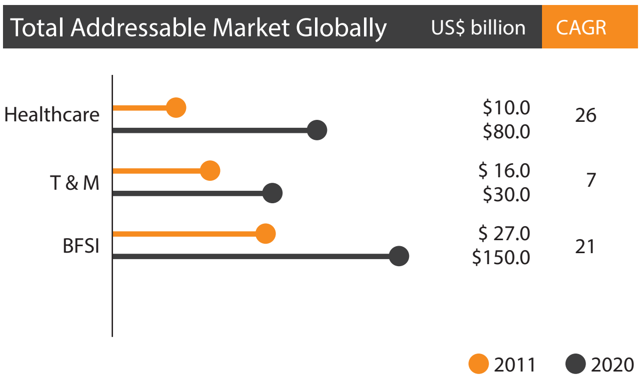
The Indian domestic market for the IT-BPM industry is however slated to grow only 9.7 percent in 2014, one of the slowest in the last 12 years. Slowing economic growth, inflation, rupee volatility and the uncertainty around elections have delayed decision making from clients thereby impacting spends on IT-BPM services.

BPM Industry

The world-wide BPM industry is expected to clock about US$ 192 billion in 2015 according to an IDC report. Out of this, the export revenues from India are expected to touch US$ 20 billion in 2014, with a growth rate of 11.4 percent over FY 2013. Customer Management Services continue to have the largest share at over US$ 8.2 billion, followed by F & A Services at US$ 4.5 billion and Knowledge Services at US$ 3.7 billion (Source: NASSCOM Strategic Review 2014).

The share of CMS has marginally come down over the last five years from 44 percent in 2009 to about 41 percent in 2014. This is primarily on the back of consumer behavior in the mature markets driving towards self-serve mode of fulfillment due to technology advancements. The Philippines, Central & Latin America and South Africa have emerged as viable destinations for global CMS service delivery locations (Source: NASSCOM).

From an industry vertical perspective, the Company is primarily into three key verticals namely BFSI, Healthcare and Telecommunications & Media. According to NASSCOM and IDC reports, the opportunities in these verticals continue to be high, more specifically, the emerging verticals like Healthcare. The total addressable market globally for outsourced BPM services in these verticals is depicted in the graph below:



(Source: Nasscom, IDC and Company research)

Healthcare

Within the Healthcare vertical, the Company serves the Payer market represented by the Insurance companies and the Provider market represented by Hospitals and Physician Groups in the US. Both these segments provide opportunities of growth on the back of the Affordable Care Act (ACA) or "Obamacare" where new norms and opportunities are rapidly reshaping the US$ 2.8 trillion US health sector.

It is estimated that the healthcare, pharmaceutical and life sciences category is expected to expand its outsourcing scope in the CRM and analytics areas more than any other industry. This is primarily due to the Affordable Care Act bringing health insurance marketplaces into operation and pressuring Payers to focus on member services and consumer interactions, which increases the need for contact centers to field inquiries and analytics to cut costs and boost revenues.

Latest reports estimate the Healthcare BPM market will grow at a CAGR of 26 percent to almost US$ 80 billion by 2020. The Payer segment will focus on cost reduction as new members join insurance space, while hospitals would look beyond traditional back-office structures to address reimbursement pressures. This should generate more processing volumes for the industry.

As per ACA, creation of health insurance exchanges (HIX) in each state will offer a marketplace to compare policies and also create IT-BPM opportunities. These changes aim to (a) increase the quality and affordability of healthcare, (b) reduce the number of uninsured through public and private coverage and (c) reduce the cost of healthcare. This could create spending opportunities in (1) IT implementation and support for Electronic Health Record (EHR), (2) business process management (BPM) to reduce costs, raise member enrolments, billings, claims administration and data analytics services to support fact-based decision-making throughout the healthcare system.

Despite significant technical woes, 51 health exchanges of ACA became operational last year. Of the expected 30 million, 6 million Americans have already signed up for health insurance through the exchanges set up by the federal government (source: NPR). It is expected that an influx of 25 million newly insured patients over the next nine years (source: PWC-HRI) and an aging population will exacerbate caregiver shortages unless the medical professionals alter their operations.

On the other hand, ACA's mandatory Medical Loss Ratio (MLR) threshold for insurance companies could drive cost saving initiatives, through outsourcing, in the healthcare payer market. With the aim of improving the care quality, the Act encourages compliance with MLR threshold – set at 85 percent for large group market and 80 percent for small market and individuals is marginally lower earlier – and maintenance of uniform rates across states. The threshold ensures insurers spend a certain percentage of premium generated on improving the quality of care. Further, the rebate requirements kicks in – estimated at US$ 2.1 billion in 2012 including savings from lower premiums – if insurers do not set the premium at levels where they would maintain the MLR threshold by paying generated premiums as benefits. Understandably, a higher MLR ratio yields lower profitability for Payers and could help drive cost saving initiatives through outsourcing/offshoring to trim commissions and other administrative expenses. Another biggest ACA implication is managing costs. Healthcare Providers are under tremendous pressure due to lowered reimbursement rates and increased patient volume from health insurance exchanges and expanding Medicaid rolls. Some health systems approach this challenge by trying to reduce costs by 20-30 percent overall. Strategically, providers are increasing their scale by engaging in horizontal integration (acquisitions) and forming much larger entities to better collaborate, prioritise programs, increase purchasing power, consolidate services and cut costs. This integration is being driven, in part, by their need to prepare for new payment systems. However, they also understand that to be successful as a health system, they need to manage risks and control costs along the entire care continuum. Providers also are looking at their current cost structure – for example, telecommunications contracts, real estate portfolio, shared services, staffing – and deciding whether to provide certain functions internally or outsource them. They are using multiple avenues of attack to solve the cost equation. Here lies the opportunity for service companies to pitch-in and provide solutions so that the providers can focus on their core activities.

In response to all these developments, healthcare organisations are adopting technology to redefine how medicine is practiced. This changing landscape requires new workforce capabilities that stretch beyond traditional clinical roles into more convenient, consumer-focused technologies.

Telecommunications & Media

As far as the Telecommunications & Media vertical is concerned, the Company operates across four key sub segments including mobile / wireless, fixed / wire-line, broadband / high speed internet, and Direct-to-home (DTH) / pay-TV. The Company serves India, Sri Lanka, US, UK, ROI and Australian markets and caters to both consumer and enterprise segments. UK market and consumer segments have a dominating share in overall Telecommunications & Media revenues for the Company.

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

The Telecommunications & Media sector has had its share of growth and profitability challenges across the various segments. Though the market environment has affected wireline and wireless segments differently, improving financial performance seems to be the main focus for most of the Telecoms & Media companies. Beyond the financial priorities, wireline players are concerned most about declining market growth and revenue pressure from wireless and cable substitution. Wireless players, though concerned about growth, are increasingly focused on managing the growing complexity of the business along several dimensions, including technology, regulation, and customer preferences. As a result, focusing on core competencies is a priority.

A trend that is increasingly finding acceptance among organisations is the multi-channel user experience. A 2012 report by CFI group estimates that contact channels other than the phone, such as email, web self-service, chat, and other online methods, now account for more than 30 percent of customer service interactions.

User organisations are increasingly concerned with enhancing customer experience and optimising revenue generation. Accordingly it is now critical for customer management services vendors to provide services that enable customers to interact on their channel of choice.

Offering multi-channel customer service provides immense cost benefits. According to a report by Forrester Research, web chat is half the support cost of a phone call. Web self-service incurs very minimal cost. Integration of web chat with other channels such as social media, SMS/text, mobile apps, video and email, with real-time analytics, and natural language support (NLS) are expected to eventually enable chat to reach a wider customer base, according to a Frost & Sullivan report. The Company interacts with their clients' customers providing a multi-channel experience, and sees this as a significant operating model in the future.

Banking, Financial Services & Insurance (BFSI)

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

Cards have a dominating share in overall BFSI revenues for the Company. An Experian–Oliver Wyman Market Intelligence Report that showed a 29 percent year-on-year increase in bankcard origination volumes (limits), equating to a US$ 16 billion increase in new bankcard limits issued. The positive growth trend signals a return to more normalised borrowing behaviours on the part of consumers. Even though overall debt levels for consumers increased 2.5 percent year-on-year to US$ 10.8 trillion in Q3 CY13, it is still well below 2008 levels, when consumer debt was nearly US$ 12 trillion. However, delinquency rates for most lending products are at record lows, indicating that consumers are borrowing more responsibly.

The UK market seems to be showing signs of revival with encouraging signs across a broad spectrum of services. The economy grew 2.8 percent up from 2 percent the previous year and is expected to report the strongest rates of expansion in Western Europe in 2014. The number of first time home buyers is increasing which demonstrates a strong uptick in demand. Year-on-year, buy-to-let lending was 19 percent higher by volume and 31 percent higher by value (33,600 loans in the second quarter of 2012, worth £ 3.9 billion). Strong rental demand is contributing to the continuing expansion of the buy-to-let sector, but growth is also being helped by improved conditions in funding markets and more widespread availability of mortgages. These conditions are creating more opportunities for landlords to remortgage, as well as help fund increased activity in the mortgage market. The new mortgage borrowing in December of 2013 was up 38 percent compared to the same period in the previous year. This is building the pipeline of opportunities for the Company in the mortgage transaction processing vertical. The credit card annual growth rate has picked up significantly as well as the card usage. Personal deposits are also improving on a year on year basis.

The UK Government has also embarked on a plan to divest its ownership in some of the nationalised banks. This comes against the backdrop of the bailout of these large banks in 2008-09 when the government pumped more than £ 100 billion into the banking sector. The gradual improvement in economy and the positive return on investment has pushed the government into reducing their stake in them, thereby forcing these banks to be operationally agile and efficient to compete in the market place. This presents a huge window of opportunity for the Company as the banking sector is by far the largest outsourcer.

Another area which is seeing positive traction is the UK government's focus on Mis-selling of insurance in various financial products by banks and financial services companies. Mis-selling has become one of the most costly problems for UK insurers, brokers and banks in recent years, adding to the low levels of confidence in the UK financial system. Notable cases include personal pensions, mortgage endowment policies, split capital investment trusts and, most recently, payment protection insurance (PPI).

So far, the UK financial industry has made compensation payments of £ 15 billion to UK consumers. Complaints to the Financial Ombudsman Service (FOS) have been surging in the recent past and a large number of banks have set aside substantial provisions to cover fines and compensations payable to the customers. The Company partners with the banks and insurance brokerages to prepare their case management with regard to such cases and ensure that cases attain closure in the shortest possible time.

The company believes that the gradual increase in debt levels after a consistent decline for a couple of years and improved economic conditions should enable them to approach the market with a reasonable degree of confidence.

Outlook

As far as the growth trends are concerned, the Customer Management Services is expected to grow at almost 10 percent year on year driven by multi-channel integrated services with new business imperatives like the emergence of analytics. The increasing shift to non-voice based customer management services, i.e. web chat, due to multichannel customer interactions and automation will drive this part of the business in the future.

As the importance of gaining insight from various forms of data increases, the significance and value of analytics increase. Adoption of analytics can provide a tangible competitive advantage, increasing learning, fostering focused change, and allowing its users to see opportunities where others do not. The Company helps clients to increase their revenues and reduce customer churn through analytical insights. This provides a significant opportunity to increase the value offered as the Company serves large clients having significant customer base. Delivering value through analytics-enabled BPM solution will become an important differentiator as multi-channel adoption increases in the outsourcing space.

Digitisation of data and increased complexities of business processes mean that organisations are increasingly relying on data to drive business decisions. Firstsource Analytics services will help to address opportunities that arise from these changing business needs.

In summary, with the implementation of Obamacare and structural changes in the US Healthcare market, the multi-channel shift in consumer preferences in Telecom & Media and the regulatory, product and economic activity in the Banking, Financial Services Insurance segment, all the three verticals where the Company operates provide significant opportunities for growth in the years ahead.

COMPANY OVERVIEW

The Company is a leading global provider of BPM services and is among India's top four pure-play BPM companies. The Company works with Fortune 500, FTSE 100 companies in the US, UK, ROI and India to deliver award winning business process management services in the Healthcare, Telecommunications & Media, and Banking, Financial Services and Insurance (BFSI) industries. Its Global Delivery or "Right-shoring" model supports clients from over 46 service facilities spread over United States, United Kingdom and Europe, Philippines, India and Sri Lanka. With more than 27,000 employees currently, the Company has a proven record of delivering business-oriented results to clients in North America, United Kingdom, Republic of Ireland, Asia Pacific and Australia. The Company's clients include 7 of the Top 10 general-purpose credit card issuers in the US, largest retail bank and mortgage lender in the UK, one of the Top 3 car insurance companies in the UK, a leading Irish Bank, a leading credit card issuer in the UK, leading private life insurer in India, largest pay TV operator in the UK, largest pay TV and leading telecom service provider in Australia, three of the Top 5 mobile service providers in India, leading European telecom service provider, largest telecom service provider in the UK, two of the Top 10 telecom companies in the US, one of the Top 5 private banks in India, largest telecom company in Sri Lanka, 5 of the Top 10 Fortune 500 health insurers and managed care companies in the US and over 700 hospitals in the US. Based on the annual rankings by NASSCOM, the Company was seventh largest BPM provider (includes BPO divisions of IT companies) in India in fiscal 2013 in terms of revenues.

The Company provides a comprehensive range of services to clients across the customer life cycle in each of its focused industries. The Company delivers innovative and value added business process management services through a combination of deep domain knowledge, strategic alliances and internal competence building, backed by the right technology. The Company's key service offerings across its target verticals are depicted below:

Healthcare & Claims Payer

Insurance Companies | Third Party Administrators | Managed Care Organisations

Mail Room	Transaction Processing	Claims Processing/ Adjudication	Member and Provider Data Management	Member/ Provider Services	Compliance
• Inbound – Scanning, verifying, indexing, digital conversion • Outbound – EOB processing – Printing/mailing (ID cards, correspondence, policies, etc.)	• Proprietary OCR Technology on an integrated workflow platform • Rules engine • Integrated db validations • Customised output (ANSI837, NSF)	• Claim auditing • Claim adjustments, repricing • Secondary claim processing • Bundling, dup analysis • Backlog reductions	• Enrollment • Eligibility verification • Premium reconciliation • Obtain, verify and input provider information, such as names, tax IDs, addresses, NPIs, etc.	• Correspondence • Physician validation • Inbound/outbound customer service • Provider overpayment collection	• Regulatory documentation • Appeals & grievances management • Fraud & abuse

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

Value Add Services: Six Sigma Consulting, Data Analytics, Process Mapping and Feasibility Assessment, Centre of Excellence

Healthcare Provider

Hospitals | Physician Groups

Patient services	Eligibility service	Receivables management	Collection services
• Patient contact and registration • Insurance verification and certification • Patient visit management • Enrollments	• Medicaid review and management – Assisting patients with Medicaid coverage • Charity assistance – Handling all aspects of providing charity assistance • Self pay conversion to available options under HIE • MedAssist Advantage Plan (MAP) – Innovative hospital credit card in conjunction with CarePayment	• Ongoing and clean-up projects for all payer classes – Initial billing, follow –up and denials management • Self-Pay "Early-Out" cash acceleration – Management of patient interaction to ensure maximum recovery • Management of provider enrollment and billing for Out-of- Primary-State medicaid receivables • Credit balance resolution • Full Business Office Outsourcing	• Custom telephone collection campaign • Small balance collections • Skip-tracing services • Cash acceleration services • Attorney services

Channel Competence: Back Office, Data Processing, Voice Collections

Value Add Services: Data Analytics

Telecommunication and Media

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

Sales & marketing	Account setup and activation	Customer service	Billing / Help desk support	Receivables & collections management	Saves / Win back
• Inbound sales • Outbound sales • Lead generation • Cross sell/Up sell	• Provisioning • Order and returns • Logistics coordination • Porting support • Credit vetting • Order input • Account administration • Internal actioning requests	• General inquiries • Information requests • Customer service • Welcome calls • Account management • Technical support • Help desk	• Invoice request 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

Channel Competence: Voice, Web-chat, Email, Back Office, Data Processing, Social Media

Value Add Services: Six Sigma Consulting, Voice and Data Analytics, Process Mapping and Feasibility Assessment, Centre of Excellence, WAHA

Banking, Financial Services and Insurance

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

Customer service and fulfillment	Transaction processing		Collections
• Account maintenance – Activation and authorisation – Account closure – Lost and stolen cards • Query management – Transaction related – Product related – Helpdesk activities • Interactive services (Email / Web chat) – Up selling – Cross selling – Disputes and complaints resolution	• Check, remittance and item processing • Funds transfer and forex transactions • Custody operations & fund service – Portfolio valuation & 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 and cancellation – Data & trend analysis	• Early stage collections – 1^{st} party – Pre charge-off • Late stage collections – 3^{rd} party collections – Skip trace

Channel Competence: Voice, Web-chat, Email, Back Office, Data Processing, Social Media

Value Add Services: Six Sigma Consulting, Voice and Data Analytics, Process Mapping and Feasibility Assessment, Centre of Excellence

The Company services its clients through its global delivery capabilities both onshore and offshore. The Company has 46 delivery centers across India, US, UK, Philippines and Sri Lanka supported by a robust and scalable infrastructure network that can be tailored to meet its clients' specific needs. 22 of the Company's delivery centers are located in India, 14 are in the United States, 6 are in the United Kingdom, 3 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 27,666 as of March 31, 2014. As of March 31, 2014, 17,927 of the Company's employees are based out of India, 3,590 are based out of the U.S., 4,308 are based out of the U.K. and Europe, 1,129 are based out of the Philippines and 712 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, 2014, the Company had twelve clients with an annual billing of over ₹ 500 million compared to nine as of March 31, 2013 and none as of March 31, 2003. The Company's client concentration has continued to diversify. For fiscal 2014, the largest client contribution was at 20.8 percent of total income from services as compared to 16.7 percent in fiscal 2013 and 41.6 percent in fiscal 2003. The contribution from top 5 clients was at 45.0 percent of total income from services in fiscal 2014 as compared to 45.5 percent in fiscal 2013 and 82.5 percent in fiscal 2003.

The Company's total income has grown at a CAGR of 41 percent from ₹771.5 million in fiscal 2003 to ₹ 31,270.2 million in fiscal 2014. 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 ₹ 1,929.6 million in fiscal 2014. The year-on-year growth in total income of the Company in fiscal 2014 over fiscal 2013 is 10.2 percent. On constant currency basis, neutralising the impact of foreign exchange rate movements, the Company's revenue from operations was flat in fiscal 2014 over fiscal 2013. The growth in income is attributed to increased outsourcing by existing clients, both through increases in the volumes of work that they outsource to the Company under existing processes and the outsourcing of new processes and service lines to it (primarily as a result of the Company cross-selling new services to them) as well as business that the Company has won from new clients. 96 percent of the Company's income from services during fiscal 2014 was derived from existing clients.

Fiscal 2014 has been a significant year in the Company's evolution. Key highlights of fiscal 2014 along with recognitions and awards are mentioned below.

Key highlights

Debt repayment: The Company through its subsidiary Firstsource Group, USA successfully made four quarterly principal repayments of US$ 11.25 million amounting to US$ 45 million in fiscal 2014. The long term gross debt outstanding as on March 31, 2014 is US$ 155 million and the net long term debt was US$125M as on March 31, 2014.

New Center: Expanded operations in Philippines with the third delivery center in Cebu.

New Business:

- **New business/ client wins:**
  - Secured a program from one of the oldest banks in Ireland
  - Won a 2 year contract in the Customer Management business with a leading US based telecom company for their wireless division
  - Won additional business for Mortgage Back-office and Mortgage telephony line of business for an existing leading banking client from UK
  - Secured a contract with a leading utilities and FTSE100 company in the UK for their mobile proposition
  - Signed an additional contract with the Largest Pay TV Provider in the UK to provide a range of services such as Broadband support (Voice) and support for Billing & Technical queries for TV, Broadband & Telephony products (Web Chat)
  - Won additional work with an existing client which is one of the leading credit card issuer in the UK
  - Added a new client to the Healthcare Payer clientele list in the US for provision of Claims Adjudication work
  - Won a Customer Management and Complaints Management contract with a leading UK financial services company
  - Won a Customer Insight Analytics and Consulting contract with a leading Irish Bank
  - Secured a contract with a OEM company in UK to provide high end technical support through email & web chat service
- **Awards & Accolades**
  - Sanjiv Goenka, Chairman of RP-Sanjiv Goenka Group and of the Company, received the **2013 Indian Business Leader of the Year Award** at the Global India Business Conference in Belfast, Northern Ireland.
  - The Company received the Silver accreditation by **Investors-In-People (IIP) for the UK.** This achievement

highlights and benchmarks our good practices in relation to investing in people and commitment to continuous improvement

- Featured among the 100 best BPO companies by **Global Services' Annual GS100, 2013.** This recognition highlights the Company's commitment and efforts in going the extra mile to deliver client satisfaction. The Company has received this recognition for the third year in a row
- The Company has been ranked #12 by The **International Association of Outsourcing Professionals (IAOP)** in the 2014 Global Outsourcing 100® rankings
- Received the **Frost & Sullivan 2013 North American – "New Product Innovation award"** for Contact Center Outsourcing for its analytics proposition - First Customer Intelligence
- Recognised as one of UK's leading outsourcing providers by the **National Outsourcing Association (NOA) Awards.** The Company also won two other categories at the prestigious awards:
  - BPO Project of the Year 2013 (for our work with Sky)
  - Outsourcing Service Provider of the Year
- Awarded the 'Outsourcing Partnership of the Year' in the **European Call Centre and Customer Service Awards 2013** for our longstanding relationship with Sky
- Awarded 'Employer of the Year 2013' in Northern Ireland by the **UTV Business Eye Awards.** This is in addition to the Business in the Community 'Employer of Choice' and Irish News 'Innovative Employer' awards received in the previous quarters
- Won the **"Outsourcing Excellence Award 2013"** at the 17th Annual Outsourcing Excellence Awards held in Texas, US, for the "Best Business Process" category in partnership with giffgaff
- Awarded the Employer of Choice at the annual **Business in the Community Northern Ireland (BITCNI)** Awards in Belfast, Northern Ireland
- The **Irish News Workplace and Employment Awards** awarded the Company the accolade of Innovative Employer Award 2013 in Ireland

Business Strategy

- Focus on Customer Management and Healthcare segments

  The Company will focus on expanding its footprint in the Customer Management and Healthcare industry segments. The Company believes that there is significant potential in these two business segments on the back of an economic recovery in the markets it serves, the underlying business growth of its clients and the huge opportunity presented by the Affordable Care Act in the US. Being focussed on these segments will enable the Company to use its resources effectively to leverage the growth opportunities.

- Strengthening the Business Transformation Office

  During FY14, the Company has made significant progress in establishing a strong Business Transformation office (BTO). Under the ambit of BTO, the Company continues to:

  a) Strengthen domain expertise and develop deep industry knowledge by developing strong Centres of Excellence (CoEs)

  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, Telecommunications & Media and BFSI industries. 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. The Company continues to invest heavily in industry and client specific domain knowledge building and establishing knowledge management systems for effective dissemination.

  b) Creating differentiated service offerings through Productisation

  Productisation of contact center services at the Company is the process of creating a differentiated offering with a definitive framework that adds value to the client's business. Productisation of service offerings is creating re-usable process frameworks coupled with best-in-class technology platforms that results in cost savings, increased top-line growth, and improved customer experience. Some of the products introduced in the fiscal were:

  First Customer Intelligence – Powered by the Company'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 the Company to design suitable customer management strategies that reduce customer effort and costs

  First Chat – Combining superior web chat technology platforms with expert customer service and support via online chat and value-added services such as analytics, First Chat provides end-to-end online customer management services. First Chat 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

In development: The Company plans to introduce the following in the coming fiscal

New Services in Healthcare – In order to capture the opportunities presented by the Healthcare reforms in the US, the Company plans to launch several new services in the RCM cycle such as Business office solutions, Appeals and Grievance Management, Customer Management etc.

Firstsource Analytics Services: To expand the FCI offering and also to leverage the opportunities in Analytics, the Company has incubated services in Analytics in the past few months by developing strong partnerships with platform and services organisations. The Analytics team within the organisation has developed go to market plans and will be marketing and selling the same in the months to come.

- **Strong focus on client partnerships**

  Existing client relationships are extremely crucial as they contribute majority of the revenues. In fiscal 2014, 96 percent 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 differentiated service offerings. In FY14, the Company took a conscious decision to terminate services with clients which didn't measure up to the profitability thresholds that it had set itself to. The terminations were cordial with mutual consent between the parties. Therefore, the organisation is focussed on profitable growth in the coming years.

- **Continues to invest in people**

  All employees are important to the Company and it believes that its middle management is particularly critical to its business, as they are responsible for managing teams, understanding clients' expectations and its contractual obligations to clients. The Company fosters a favourable work environment that encourages innovation and retains a highly professional talent pool. Special initiatives have been taken to strengthen the talent management framework to nurture and groom leaders for the future.

- **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 and the UK and offshore delivery footprint in the Philippines and continues to expand in these countries. A new centre was set up in Cebu, Philippines to cater to the growth of an existing UK Financial Services client. The Company was among the first to set up delivery presence in several Tier II cities, thereby allowing it to offer vernacular capabilities to its domestic clients. The Company will continue to expand its delivery footprint, as needed on the back of client demand, 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. Telecommunications & 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 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 among BPM players. For the year ended March 31, 2014, 32.5 percent 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, Telecommunications & Media and BFSI industries.

- **Right-shore delivery model**

  The Company has established a truly global delivery base for its services, with 46 delivery centers, including 22 located in India, 14 in the United States, 6 in UK & Europe, 3 delivery centers in the 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.

Human Resources

Human Resources continues to be an important lever, taking The Company forward in its journey of expansion and growth. In line with the company's' overall philosophy of 'Attract, Retain and Develop', they have well-established practices for Talent Acquisition, Employee Engagement, Performance Management, Compensation & Benefits and Talent Management, supported by a culture of continuous improvement and innovation.

In an organisation that is known for its people centricity, the department is in a constant endeavor to keep the workforce engaged and motivated. This is done through a series of Employee Engagement and Retention initiatives that span through the entire employee lifecycle. Learning and Development, Performance Management, Talent Management, Reward and Recognition Programmes and CSR are the means through which they strive to keep their people engaged and motivated.

In a dynamic and constantly evolving industry, Training & Development continues to be a key focus area for HR. The Company has a robust T&D plan with differentiated learning solutions for different employee groups. The training methods are a combination of face-to-face interactions, web based learning, self-learning modules, programmes managed in partnership with leading institutes and personalised coaching and development programmes for leaders. This year Firstsource launched JetSet (a comprehensive learning programme for Team Leaders); Sports Framework for Performance Enhancement (aims at improving performance of teams by using Sports philosophy) and Specific Programmes designed for Mid Management & Support functions capability building. Besides, the Company follows a culture of constantly coaching and mentoring our employees through feedback, day-to-day interactions, on the job trainings and careful attention to the learning and development aspirations of people.

HR is also taking significant steps towards making The Company a learning organisation to enable it to compete better in today's knowledge economy. They have taken significant steps forward in Knowledge Management by getting domain experts together and having them discuss, share and document their knowledge for the benefit of the larger organisation. Communities of Practice and other forums are being used to disseminate knowledge throughout the organisation.

To ensure that the Company has the desired leadership capability to drive their future growth, HR is continuously strengthening its talent strategy. The Future Leaders' Initiative will help to identify, develop, retain and leverage the key talent in the organisation. It will also help in establishing the leadership culture and climate that is engaging and enabling for people.

Performance Management is one of the key initiatives by which the company can bring out the best in its people. The Performance Management philosophy is aptly captured by the acronym ACE that stands for Achieve, Challenge and Enable. As is depicted by the word itself, the PMS at the Company is driven towards creating a high performance culture that is a unique blend of people centricity and performance delivery with a strong linkage to the organisation goals. As a case in point, setting challenging goals, objective appraisals, enabling feedback, increasing employee capabilities and fostering organisation aligned performance delivery are hallmarks of the performance management system.

People these days have a growing need to take a step beyond their usual work routine and contribute towards some larger social cause. The Company encourages its employees towards Social Responsibility and provide them with various opportunities to participate and contribute in socially relevant activities. This year the employees made significant contribution towards helping the Typhoon victims in Philippines and showed enthusiastic participation in the Joy of Giving Week. Across all locations our employees were engaged in activities like visiting old age homes, working with mentally challenged and differently abled people, blood donation camps, conducting road shows and awareness drives.

The Company has always been known for people-centricity and innovative HR practices. Its HR practices have been recognised through accolades like the 'Employer of the Year (Northern Ireland) 2013' in the UTV Business Eye Awards, Business in the Community 'Employer of Choice' and Irish News 'Innovative Employer' awards and the Silver Accreditation from Investors in People (for Firstsource UK). Human Resources will continue to be a strategic partner to the business. Its work culture has been a strong differentiator. Trust, empowerment, camaraderie and high performance are the important tenets of life at the Company and it will continue to build on this through strong practices and continuous innovation.

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 still in its stages of evolution with low level of penetration.

Key growth drivers and opportunities for the Company include:

- Cost and regulatory pressures in the current economic environment
- Prospective buyers seeking cost-savings within a shorter period of time and differentiated service offering

- Strong growth in Global BPM spends generating continuing demand for its services as customers get to focus on their core business demands and outsource non-core functions

- Increasing number of organisations globally are outsourcing business processes in an effort to simplify their organisation, create flexibility and increase efficiencies

- Increasing client focus on servicing customers, creating new and innovative products and services and reducing time-to-market their products and services

- Increasing client focus to improve revenue per consumer, reduce churn, improve consumer advocacy and manage customer interactions through multi-channels and provide actionable insights gained through the interactions.

- Increasing focus on accuracy and timeliness of processing thereby reducing transaction costs

- Regulations and policy changes in the market; e.g. ACA, PPI and FCA

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

- Banking, Financial Services and Insurance (BFSI), Telecommunications & Media and Healthcare industries are expected to be a significant part of the total addressable global BPM market opportunity. From a service standpoint, Customer Management remains the largest component of global BPM spending. 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 & Media, Healthcare and sharp focus on Customer Management puts it in a strong position for capitalising on the growth potential.

- Clients are 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 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.

- Innovation in process re-engineering, niche consulting services, coupled with deep domain in the customer management and healthcare business helps the Company to improve its services to the high quality of clients that it serves.

- Introduction of new products and services in the market leveraging the opportunities in segments like healthcare in the USA and BFSI segment in the UK enables the Company to expand its services portfolio and continuously add value to clients.

- In order to successfully leverage the global BPM opportunity, flexibility in geographical delivery is an important factor. Some processes can't be off shored due to process complexities and regulatory requirements. Clients increasingly look for business partners who can deliver services from different geographies. The Company's established global delivery footprint helps it 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 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 such as Dell, Xerox, HP, CSC, IBM, Accenture;

- Healthcare focused Revenue Cycle Management companies located in the United States such as The Outsource Group, Cymetrix, Emdeon, Parallon, Conifer group etc.

- 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 such as Wipro and Cognizant.

In Telecommunications & Media business the Company primarily competes with:

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

In BFSI business unit the Company primarily competes with:

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

In Asia business unit the Company primarily competes with:

- BPM divisions of global IT companies in India including IBM and HP
- BPM divisions of top tier audit and consulting firms like KPMG, Deloitte etc.
- 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 BPMs. Although the Company operates onshore facilities for some of its clients in the United States and the United Kingdom, a significant increase in "onshoring" would reduce the foreign exchange 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 POSITION RELATING TO OPERATIONAL PERFORMANCE

Shareholders' funds

Share Capital. The authorised share capital of the Company is ₹ 8,720.00 million with 872 million Equity shares of ₹ 10.00 each. The paid up share capital as of March 31, 2014 stands at ₹ 6,597.35 million compared to ₹ 6,576.74 million as of March 31, 2013.

The increase in equity share capital of ₹ 20.61 million is on account of allotment of 2,061,125 shares to employees as stock options.

Reserves and Surplus. The Reserves and surplus of the Company increased from ₹ 10,559.64 million to ₹ 14,316.86 million. The details of increase in Reserves and surplus by ₹ 3,757.22 million, are as below:

	Amount (₹ million)
Increase on account of :	
Profit for the year less appropriation	1,929.62
Premium received on shares issued during the year	5.28
Exchange Difference on consolidation of non-integral subsidiaries/entities	1,877.35
Decrease on account of :	
Hedging Reserve as per AS 30	55.03
Net Increase in Reserves and surplus	**3,757.22**

Minority Interest

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

Minority interest as of March 31, 2014 is ₹ 14.35 million as compared to ₹ 11.36 million as of March 31, 2013.

Long-term Borrowings

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

Secured long term borrowings outstanding as of March 31, 2014 were ₹ 6,625.28 million as compared to ₹ 8,479.87 million as of March 31, 2013. The net decrease was on account of repayment of term loan & External Commercial Borrowings of ₹ 2,742.92 million and finance lease obligation of ₹ 18.52 million which has been offset by an increase in exchange rate movement aggregating to ₹ 906.85 million.

Unsecured long term borrowings outstanding as of March 31, 2014 was ₹ 16.22 million as compared to ₹ 20.77 million as of March 31, 2013. The net decrease was on account of repayment of loans

Deferred Tax liabilities

Deferred tax liabilities as of March 31, 2014 were ₹ 317.17 million as compared to ₹ 282.90 million as of March 31, 2013. This increase is due to higher depreciation and amortisation which was partially offset by business losses carried forward.

Other Long-term liabilities

Other long-term liabilities as of March 31, 2014 were ₹ 199.53 million as compared to ₹ 328.92 million as of March 31, 2013.

Long-term provisions

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

Short-term borrowings

Short-term borrowings as of March 31, 2014 were ₹ 2,458.83 million as compared to ₹ 1,628.60 million as of March 31, 2013. The movement is on account of availing export finance of ₹ 661.26 million and exchange rate movement to the extent of ₹ 168.97 million.

Trade payables

Trade payables as of March 31, 2014 were ₹ 1,129.31 million as compared to ₹ 1,361.22 million as of March 31, 2013.

Other Current liabilities

Other Current liabilities as of March 31, 2014 were ₹ 4,825.67 million as compared to ₹ 4,163.17 million as of March 31, 2013. The increase in other current liabilities is primarily on account of exchange rate impact on foreign currency loans and advances received from customers.

Short-term provisions

Short-term provisions represent provisions for compensated absence payable to employees based on actuarial valuation done by an independent actuary and provisions for income taxes in India and abroad.

Goodwill

Goodwill as of March 31, 2014 was ₹ 25,940.39 million as compared to ₹ 23,601.03 million as of March 31, 2013.

The increase in goodwill during the year was ₹ 2,339.36 million due to the restatement of goodwill at year-end exchange rates.

Fixed Assets

The net block of tangible assets, intangible assets and capital work-in-progress amounting was ₹ 1,367.90 million as of March 31, 2014 as compared to ₹ 1,561.55 million as of March 31, 2013, resulting in a decrease of net block by ₹ 193.65 million. This is majorly due to depreciation charge for the year amounting to ₹ 757.02 millon, offset by net additions of ₹ 180.43 and upward exchange rate impact of ₹ 382.94 millon.

Investments

The investments of the company represent non-current investments of ₹ 26.39 million as on March 31, 2014 as compared to ₹ 26.81 million of March 31, 2013 and current investments of ₹ 26.00 million as on March 31, 2014 as compared to Nil as on March 31, 2013.

Long-term loans and advances

The long-term loans and advances of the company as of March 31, 2014 were ₹ 1,179.07 million as compared to ₹ 1,339.37 million as of March 31, 2013. Significant items of loans and advances include payment towards security deposits for various rental premises, capital advances, prepaid expenses, lease rent receivables and advance income tax paid. The decrease in the net amount is mainly due to decrease in deposits amounting to ₹ 37.84 million, prepaid expenses amounting to ₹ 37.33 million and advance income tax and tax deducted at source amounting to ₹ 88.12 million, with an offsetting effect of increase in capital advances amounting to ₹ 0.99 million and lease rent receivables amounting to ₹ 2.00 million.

Other non-current assets

The other non-current assets of the company as of March 31, 2014 were ₹ 899.54 million as compared to ₹ 651.10 million as of March 31, 2013. This increase is primarily on account of increase in minimum alternate tax credit carried forward.

Current assets

Trade receivables

Trade receivables was ₹ 3,019.26 million (net of provision for doubtful debts amounting to ₹ 22.67 million) as of March 31, 2014 as compared to ₹ 3,865.84 million (net of provision for doubtful debts amounting to ₹ 49.49 million) as of March 31, 2013. 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, 2014 (calculated based on per-day sales in the year) were 35 days, compared to 50 days as of March 31, 2013. The Company constantly endeavors to reduce 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, 2014 was ₹ 1,863.21 million as compared to ₹ 901.01 million as of March 31, 2013.This increase was due to cash generation from increased operating activities.The surplus cash generated was used for investing and financing activities mainly for debt service and towards capital expenditure.

Short-term loans and advances

Short-term loans and advances as of March 31, 2014 were ₹ 410.28 million as compared to ₹ 319.73 million as of March 31, 2013. The increase in short-term loans and advances was mainly on account of increase in prepaid expenses by ₹ 73.41 million.

Other Current assets.

The other current assets of the Company as of March 31, 2014 were ₹ 2,162.48 million as compared to ₹ 1,457.44 million as of March 31, 2013. This increase is primarily on unbilled receivables of ₹ 746.03 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 2014		Fiscal 2013	
INCOME	₹ Million	% of Income	₹ Million	% of Income
Income from services	31,270.23		28,440.18	
Other operating income	(211.47)		(254.83)	
Revenue from Operations	**31,058.76**	**100.0%**	**28,185.35**	**100.0%**
EXPENDITURE				
Personnel Cost	21,294.05	68.6%	19,348.72	68.6%
Other expenses	6,143.46	19.8%	6,041.01	21.4%
Operating EBITDA (Earnings before Interest, Tax and Depreciation)	**3,621.25**	**11.7%**	**2,795.62**	**9.9%**
Depreciation and amortisation	757.02	2.4%	883.98	3.1%
Operating EBIT (Earnings before Interest and Tax)	**2,864.23**	**9.2%**	**1,911.64**	**6.8%**
Finance charges	851.47	2.7%	783.65	2.8%
Other income	20.04	0.1%	463.95	1.6%
Profit before tax	**2,032.80**	**6.5%**	**1,591.94**	**5.7%**
Provision for taxation				
- Current tax expense (including MAT)	404.77	1.3%	247.87	0.9%
- Deferred tax charge / (credit)	(34.84)	(0.1)%	137.51	0.5%
- Minimum alternate tax credit entitlement	(269.04)	(0.9)%	(256.15)	(0.9)%
Profit after tax before minority interest	**1,931.91**	**6.2%**	**1,462.71**	**5.2%**
Minority interest	2.29	0.0%	(3.21)	0.0%
Profit after tax	**1,929.62**	**6.2%**	**1,465.92**	**5.2%**

Income

Income from services increased by 10 percent to ₹ 31,270.23 million in fiscal 2014 from ₹ 28,440.18 million in fiscal 2013. This growth was due to favorable currency during the fiscal year 2014 as compared to previous fiscal year. The average exchange rate for consolidation of subsidiaries for USD and GBP in fiscal 2014 was ₹ 60.43 per USD and ₹ 96.16 per GBP as compared to ₹ 54.55 per USD and ₹ 86.23 per GBP in fiscal 2013.

Revenue from Operations

The Company's revenue from operations increased by 10.2 percent to ₹ 31,058.76 million in fiscal 2014 from ₹ 28,185.35 million in fiscal 2013. On constant currency basis, neutralising the impact of foreign exchange rate movements during the year, the company's revenue from operations remained flat in fiscal 2014 over fiscal 2013.

Consolidated Revenues by Geography

The Company serves clients mainly in North America (USA and Canada), UK and India. Clients from North America accounted for 46.6 percent (fiscal 2013: 46.2 percent), clients from the UK accounted for 35.6 percent (fiscal 2013: 34.2 percent) while clients in India accounted for 8.9 percent (fiscal 2013: 10.5 percent) of the income from services in fiscal 2014.

The following table gives a geographic breakdown of the income from services for the corresponding periods:

(₹ In Millions)

	Fiscal Year		
	2014	**2013**	**2012**
North America (USA and Canada)	14,583.73	13,133.47	11,687.33
UK	11,135.07	9,724.53	7,071.98
India	2,784.20	2,993.17	2,700.61
Rest of the world	2,767.23	2,589.01	1,088.59
Total	**31,270.23**	**28,440.18**	**22,548.51**

Consolidated Revenues by Industry

Healthcare, Telecommunications & Media and Banking, Financial Services and Insurance accounted for 32.5 percent, 44.6 percent and 22.6 percent of income from services, respectively, in fiscal 2014 and 31.7 percent, 44.0 percent and 23.7 percent of income from services, respectively, in fiscal 2013.

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

(₹ In Millions)

	Fiscal Year		
	2014	**2013**	**2012**
Healthcare	10,164.88	9,007.23	7,722.90
Telecommunications and Media	13,931.75	12,503.89	8,351.20
BFSI	7,072.10	6,736.23	6,288.28
Others	101.50	192.83	186.13
Total	**31,270.23**	**28,440.18**	**22,548.51**

Client Concentration

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

(₹ In Millions)

	Fiscal Year			
	2014	%	2013	%
Top client	6,505.70	20.8	4,752.41	16.7
5 largest clients	14,082.23	45.0	12,935.91	45.5
All clients	**31,270.23**	**100.0**	**28,440.18**	**100.0**

In fiscal 2014, the Company's top client accounted for 20.8 percent of the income from services compared to 16.7 percent of its income from services in fiscal 2013.

The Company derives a significant portion of its income from a limited number of large clients. In fiscal 2014, the Company had 11 clients contributing individually over ₹ 500 million each in annual revenues as compared to 9 clients in fiscal 2013. In fiscal 2014 and 2013, income from the Company's five l argest clients amounted to ₹ 14,082.23 million and ₹ 12,935.91 million, respectively, accounting for 45.0 percent and 45.5 percent 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 ₹ (211.47) million in fiscal 2014 pertains to operating income in the nature of grants received in relation to the Company's business in U.K. of ₹ 123.73 million and exchange loss realised on debtors of ₹ 335.20 million. Other operating income/ (expense) of ₹ (254.83) million in fiscal 2013 pertains to operating income in the nature of grants received in relation to the Company's business in the U.K. of ₹ 43.49 million and exchange loss realised on debtors of ₹ 298.32 million.

Expenditure

Personnel costs

Personnel costs increased by 10.1 percent to ₹ 21,294.05 million in fiscal 2014 from ₹ 19,348.72 million in fiscal 2013. The number of employees decreased to 27,666 as of March 31, 2014 from 31,872 as of March 31, 2013. As on March 31, 2014, 9,739 employees were employed outside India as compared to 10,885 employees at end of fiscal 2013. The increase in cost is primarily due to the increase in the onshore-offshore ratio of employee strength in fiscal 2014 compared to fiscal 2013.

Operating costs

Operating costs for fiscal 2014 was19.8 percent of the income for that period, as compared to 21.4 percent of income in fiscal 2013. Operating costs increased to ₹ 6,143.46 million in fiscal 2014 from ₹ 6,041.01 million in fiscal 2013. Most expense items of operating cost increased at rates lower than, or generally in line with increase in revenue with exception of technology, insurance and information and communication expenses.

Operating EBITDA (Earnings before Interest, Tax and Depreciation)

Operating EBITDA increased by ₹ 825.63 million to ₹ 3,621.25 million in fiscal 2014 from ₹ 2,795.62 million in fiscal 2013. Operating EBITDA in fiscal 2014 was at 11.7 percent of income compared to 9.9 percent of income in fiscal 2013.

Depreciation cost for fiscal 2014 was 2.4 percent of the income for that period, as compared to 3.1 percent of income for fiscal 2013. Depreciation decreased by 14.4 percent to ₹ 757.02 million in fiscal 2014 from ₹ 883.98 million in fiscal 2013.

Operating EBIT (Earnings before Interest and Tax)

Operating Earnings before Interest and Tax (EBIT) increased by ₹ 952.59 million to ₹ 2,864.23 million in fiscal 2014 from ₹1,911.64 million in fiscal 2013. Operating EBIT in fiscal 2014 was 9.2 percent compared to 6.9 percent in fiscal 2013.

Finance charge

Finance charges for fiscal 2014 were 2.7 percent of income for that period, as compared to 2.8 percent of income in fiscal 2013. Finance charges increased by 8.7 percent to ₹ 851.47 million in fiscal 2014 from ₹ 783.65 million in fiscal 2013, primarily due to exchange rate impact on payment of interest during the year offset by decrease in amortisation cost on fair value of FCCB.

Other income

Other income decreased to ₹ 20.04 million in fiscal 2014 from ₹ 463.95 million in fiscal 2013. The components of other income in fiscal 2014 were profit from the sale/redemption of current investments of ₹ 6.93 million, gain on sale of fixed assets of ₹ 39.99 million, interest income of ₹ 27.73 million, other miscellaneous income of ₹ 1.53 million, offset by foreign exchange loss of ₹ 56.14 million.The components of other income in fiscal 2013 were profit from the sale/redemption of current investments of ₹ 70.27 million, gain on sale of fixed assets of ₹ 4.38 million, interest income of ₹ 408.88 million, other miscellaneous income of ₹ 9.42 million, partially offset by foreign exchange loss of ₹ 19.57 million and loss on sale of investment in subsidiary of ₹ 9.43 million. Net foreign exchange loss included exchange loss of ₹ 21.81 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 increased by 27.7 percent to ₹ 2,032.80 million in fiscal 2014 from ₹ 1,591.94 million in fiscal 2013. Profit before tax in fiscal 2014 was 6.5 percent of the income, as compared to 5.7 percent of the income in fiscal 2013.

Provision for taxation

Provision for taxation decreased by 21.9 percent to ₹ 100.89 million in fiscal 2014, from ₹ 129.23 million in fiscal 2013. Income tax expenses comprise 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 was ₹ 404.77 million in fiscal 2014 as compared to ₹ 247.87 million in fiscal 2013.

There was a deferred tax credit of ₹ 34.84 million in fiscal 2014 compared to a deferred tax charge of ₹ 137.5 million in fiscal 2013.

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 ₹ 269.04 million in fiscal 2014 as compared to ₹ 256.15 million in fiscal 2013.

Profit after tax before minority interest

As a result of the foregoing, profit after tax before minority interest increased to ₹ 1,931.91 million for fiscal 2014 from ₹ 1,462.71 million in fiscal 2013.

Minority interest

Minority interest was ₹ 2.29 million in fiscal 2014 as compared to ₹ (3.21) million in fiscal 2013. 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 31.6 percent to ₹ 1,929.62 million in fiscal 2014 from ₹1,465.92 million in fiscal 2013. Profit after tax in fiscal 2014 was 6.2 percent of the income, as compared to 5.2 percent of the income in fiscal 2013.

Liquidity and Capital Resources

Cash Flows

The Company needs cash 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, 2014, the Company had cash and cash equivalents of ₹ 1,846.23 million. This primarily represents cash and balances with banks in India and abroad.

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

(₹ In Millions)

	Fiscal Year		
	2014	2013	2012
Net Cash flow from Operating activities	3,955.72	1,992.76	56.81
Net Cash flow (used in) / from Investing activities	(132.84)	5,830.42	(4,757.25)
Net Cash flow (used in) / from Financing activities	(2,864.09)	(8,810.55)	3,328.11
Cash and cash equivalents at the beginning of the year	887.44	1,871.84	3,244.17
Cash and cash equivalents at the end of the year	1,846.23	887.44	1,871.84

Operating Activities

Net cash generated from the Company's operating activities in fiscal 2014 was ₹ 3,955.72 million. This consisted of net profit after tax of ₹ 1,929.62 million and a net upward adjustment of ₹ 1196.76 million relating to various non-cash items and non-operating items including depreciation of ₹ 757.02 million; net decrease in working capital of ₹ 1,246.57 million; and income taxes paid of ₹ 417.24 million. The working capital change was due to increase in trade receivables of ₹ 1,392.79 million, increase in loans and advances by ₹ 86.76 million and decrease in liabilities and provisions by ₹ 232.97 million.

Net cash generated from the Company's operating activities in fiscal 2013 was ₹ 1,992.76 million. This consisted of net profit after tax of ₹ 1,465.92 million and a net upward adjustment of ₹ 1,437.54 million relating to various non-cash items and non-operating items including depreciation of ₹ 883.98 million; net increase in working capital of ₹ 720.18 million; and income taxes of ₹ 190.52 million. The working capital decrease was due to increase in trade receivables of ₹ 408.34 million, decrease in loans and advances by ₹ 274.86 million and decrease in liabilities and provisions by ₹ 36.98 million.

Investing Activities

In fiscal 2014, the Company invested ₹ 132.84 million of cash into its investing activities. These investing activities primarily included capital expenditure of ₹ 357.57 million, including fixed assets purchased and replaced in connection with the Company's delivery centers in the US, UK, and Philippines, and net purchase of money and debt market mutual funds amounting to ₹ 19.07 million. During the year, the Company received interests and dividends amounting to ₹ 9.20 million and sold few fixed assets for ₹ 234.60 million.

In fiscal 2013, the Company generated ₹ 5,830.42 million of cash from investing activities. These investing activities primarily included capital expenditure payments of ₹ 395.85 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 ₹ 845.30 million. During the year, the Company received interest and dividends amounting to ₹ 413.44 million and sold few fixed assets for ₹ 24.26 million. Also deposits having maturity more than three months but less than twelve months matured during the year amounting to ₹ 4,943.27 million.

Financing Activities

In fiscal 2014, net cash used in financing activities was ₹ 2,864.09 million. This primarily comprised of proceeds from export finance of ₹ 662.24 million and proceeds from issuance of equity shares of ₹ 26.55 million. The company repaid secured loans amounting to ₹ 2,747.92 million and paid interest of ₹ 804.96 million.

In fiscal 2013, net cash used in financing activities amounted to ₹ 8,810.55 million. This primarily comprised of proceeds from secured loans of ₹ 957.90 million, unsecured loan of ₹ 1,247.83 million and proceeds from issuance of equity shares of ₹ 2,662.36 million. The company repaid Foreign currency convertible bonds (FCCBs), (including expenses) worth ₹ 13,019.41 million, and paid interest of ₹ 659.23 million.

Cash position

The Company funds its short-term working capital requirements through cash flow from operations, working capital overdraft facilities with commercial banks, medium-term borrowings from banks and other commercial financial institutions. As of March 31, 2014, the Company had cash and bank balances of ₹ 1,863.21 million as compared to ₹ 901.01 million as of March 31, 2013.

RISK MANAGEMENT REPORT

The following section discusses various dimensions of enterprise wide risk management in the company. 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.

The world is rapidly changing and every organisation is confronted with a blitzkrieg of risks. Keeping pace with ever changing dynamics of risk landscape, while looking at opportunities to create value for the stakeholders, requires an ever dynamic governance and risk management function.

Risk Management framework at the Company is designed & implemented basis the recommendations of the 'Committee of Sponsoring Organisations' (globally known as the COSO Framework) formed by the Treadway Commission that provides guidance and thought leadership on enterprise risk management, internal controls and fraud deterrence. Risk management at the Company seeks to minimise adverse impact of risks on key business objectives and to enable company to leverage market opportunities effectively. There are linkages between risks and key business objectives in such a manner that several risks can impact the achievement of a business objective or one risk can impact achievement of several business objectives.

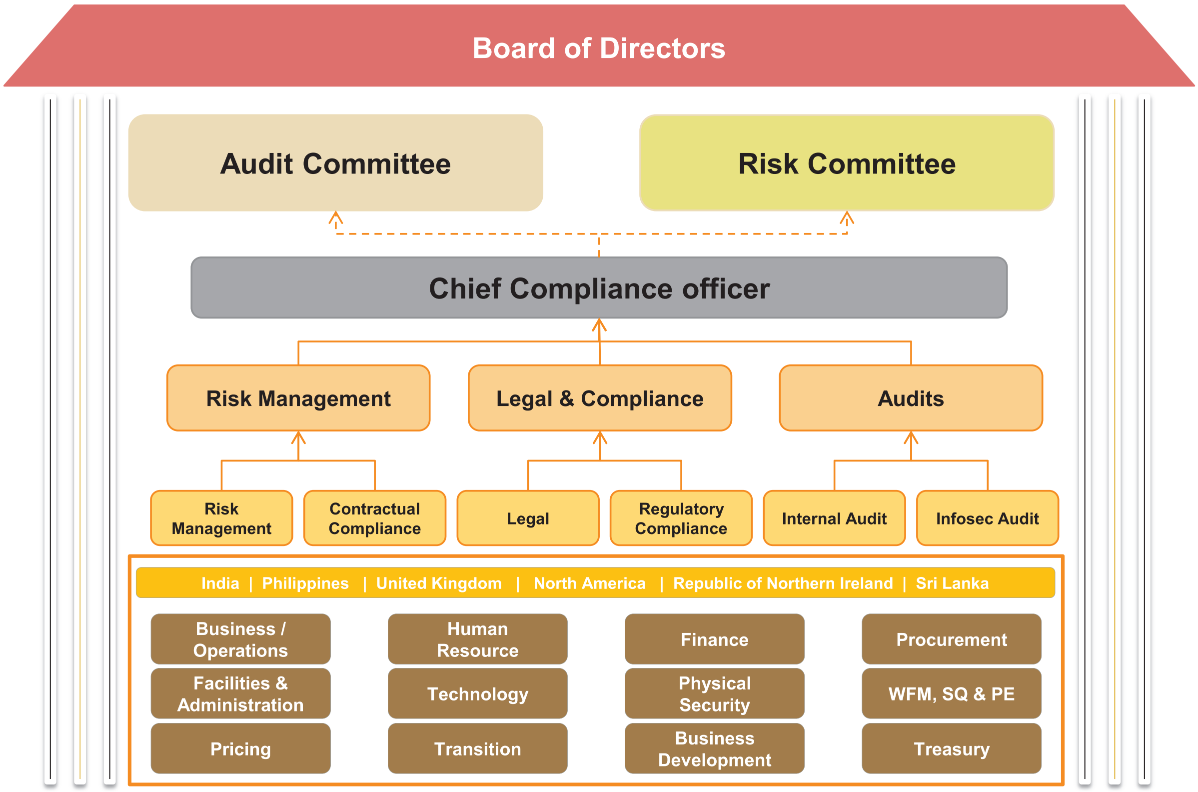
The Company integrates legal, risk, regulatory, compliance and audit under the Enterprise Risk Management umbrella, to support the company's objectives in an endeavour to:

- Protect the Company and client interests
- Provide assurance to the clients on the safeguards that the Company has implemented to protect confidentiality of its data
- Provide assurance to the board on risk controls
- Evangelise a compliance mindset
- Be a solution architect for risk management

The Company continues to emphasise and build on the need to have robust risk management culture and processes.

Governance Structure

Enterprise Risk Management has dedicated teams namely, Risk Management, Contractual Compliance, Legal, Regulatory Compliance, Internal Audit and Information Security Audits who work closely with the business operations and functional teams within the Company with a mandate to identify, assess, remediate and monitor the risks per the pre-defined policies and procedures. All the teams are independent and roll up to the Chief Compliance Officer, Audit and Risk Committee with an overall guidance from the Board of Directors.



Roles & Responsibilities

Your company has defined the roles & responsibilities across the organisation and stakeholders to ensure and foster clear reporting lines, expectation setting and accountability.

Level	Roles & Responsibilities
Board of Directors	• Approve key business objectives & ensure that executive management manages risks affecting business objectives
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 CEO and CFO, the committee assists the Board in fulfilling its corporate governance oversight responsibilities and monitors & reviews the risk management practices
Business Heads	• Manage risk at unit level that may arise from time to time, in consultation with the Risk Committee and abide by company's risk policies
Risk Management	• Identifies, assesses, mitigates and monitors risks through risk workshops, risk registers, risk model mapping, developing mitigation strategies rating and publishing risk dashboards
Fraud Risk Management	• Set up the framework for identification, assessment, remediation and reporting of fraud risks and identifying areas of improvements in the security controls across all functions
Contractual Compliance	• Drives contractual compliance through a comprehensive contract management framework covering compliance management, renewals and awareness about contractual obligations
Legal & Regulatory Compliance	• Safeguards organisational interests from legal standpoint covering litigation management, advisor and driving standards of corporate governance through global ethics and anti bribery frameworks
Audits	• Provides independent and objective assurance on the controls to the Board and Audit Committee and enables sharing of best practices cutting across geographies, businesses and functions

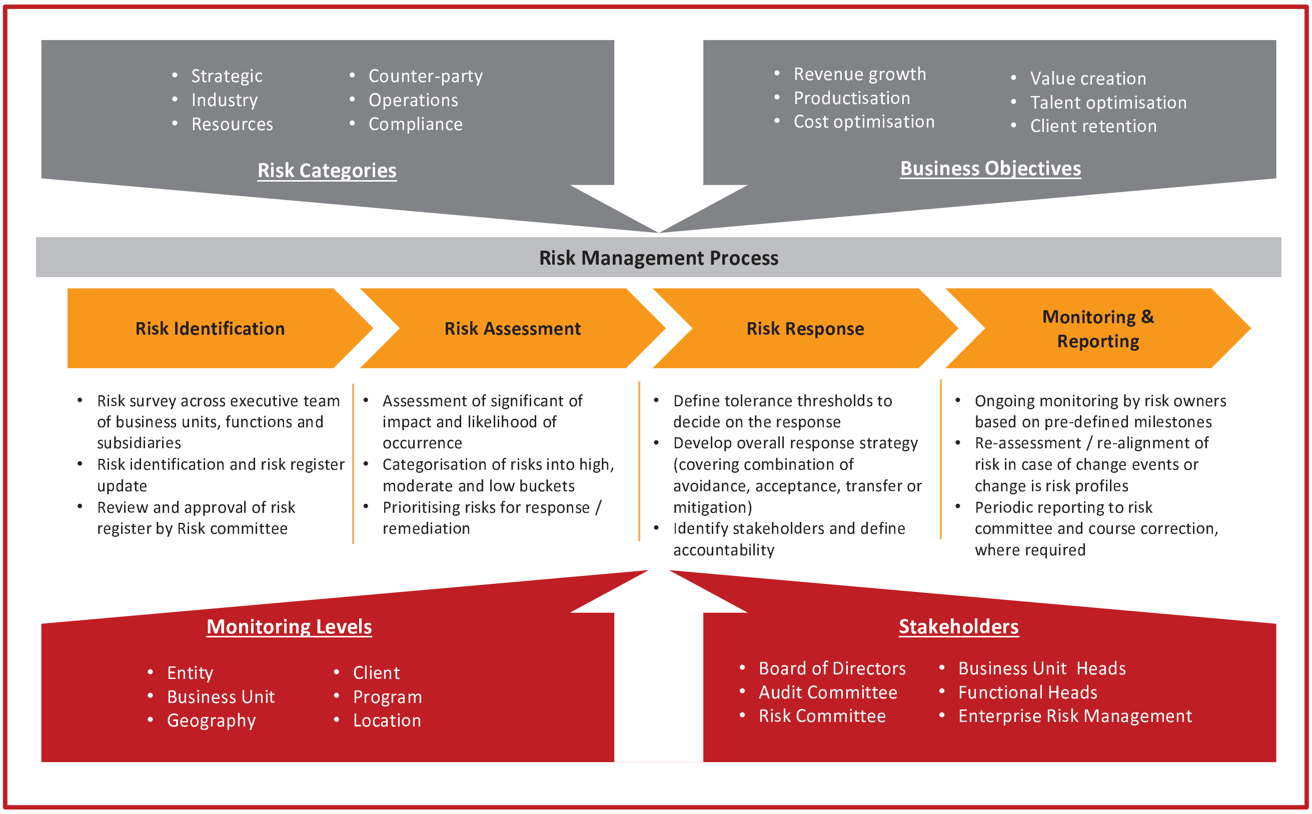
Risk Management Process

Your company has defined the robust risk management process encompassing

- Risk identification;
- Risk assessment;
- Risk response; and
- Monitoring & reporting.

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

Give below is a pictorial describing the risk management process at the Company:



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 potentially impact our competitive advantage)

1. **Country level risks:** The Company has a global footprint with operations in India, United States, Europe, Philippines and Sri Lanka. It services clients across North America, Europe, Australia and Asia. Further, the Company's corporate structure also spans across multiple jurisdictions, with intermediate or operating subsidiaries and branches incorporated in India, 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 the Company's control such as geographical, political, regulatory risks etc.

   The Company has designed comprehensive business continuity plans to mitigate this risk.

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

B. INDUSTRY:

1. **Fragile global economic recovery:**

The global economic conditions have been and continue to be somewhat challenging with slower growth since the financial crisis of 2008. While the recovery is strengthening, it still is uneven and downside risks continue to remain. Global economic conditions such as unemployment rates, economic growth, consumer spending and confidence in recovery affect clients' businesses and the markets that they serve. Therefore 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 proves to be a major challenge. 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. North America contributed 46.6 percent of its income, while UK and Ireland contributed 35.6 percent of its income from services in fiscal 2014. The Company is also present in relatively stable industries such as Healthcare which tends to be less prone to recessionary cycles. 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 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 increase in the legislation aimed at protecting domestic industries and jobs. The issue of companies outsourcing services to organisations 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 has 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 could also be counterproductive to the US and UK industry in the long term, the issue is more political than productive. Such protectionist sentiments impact the quantum of work that can be offshored to delivery destinations such as India, Philippines etc.

The Company recognised early in its evolution that to be a credible player in the global Business Process out sourcing (BPM) industry, it would be imperative to have delivery capabilities across the globe. The Company is focused on establishing a delivery model that transcends offshoring benefits and provides the ability to manage operations and deliver process improvement and efficiency by deploying the Right-shore model. The Company has successfully transformed itself from an offshore BPM player to an international BPM player with significant local delivery presence in the US , the UK and the Republic of Ireland. In a protectionist environment, well established onshore presence has helped in winning more business in the US and the UK and proves to be a market advantage. The Company derives majority of its revenues from onshore services and its dependence on offshore revenues has considerably decreased over time.

% of Revenue	FY 10	FY 12	FY 14	Trend
Offshore	28.9%	22.9%	22.8%	↓
Onshore	59.3%	64.4%	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 4,000 employees in the UK and the Republic of Ireland. The Company is the largest foreign investor in the UK BPM sector.

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 prospective clients require the Company to spend substantial time and resources to present a value proposition and feasibility assessment of systems and process integration between the Company and the client. Therefore, the Company's selling cycle, which can range in duration from weeks to multiple years, is subject to various risks and delays over which the Company has little or no control, including its clients' decision to choose alternatives (such as other providers or in-house resources) and the timing of the decisions and approval processes.

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

4. **Currency Volatility:**

The average Indian rupee/US dollar exchange rate was approximately 60.43 per $1.00 in fiscal 2014, which represented a depreciation of the Indian rupee of 10.8 percent as compared with the average exchange rate of approximately 54.55 per $1.00 in fiscal 2013. The average Indian rupee/pound sterling exchange rate was approximately 96.16 per £1.00 in fiscal 2014, which represented an 11.5 percent depreciation of the Indian rupee as compared with the average exchange rate of approximately 86.23 per £1.00 in fiscal 2013. There has been volatility in the exchange rate between INR and GBP; INR and USD in the recent years and these currencies may continue to fluctuate significantly in future as well.

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; 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 the 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 for two years ahead. As per the internal guidelines, the Company has been judiciously hedging its net exposures on regular basis through forward cover contracts and options.

C. COUNTER-PARTY:

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 20.8 percent of its income from services and Top 5 clients accounted for 45.0 percent of its income from services in fiscal 2014. 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 recognises 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 2014, the Company derived 44.6 percent income from services from the Telecommunications and Media industry, 32.5 percent income from services from the Healthcare and 22.6 percent income from services from the BFSI industry. North America contributed 46.7 percent of income from services, followed by UK which contributed 35.6 percent and India contributing 8.8 percent income from services in fiscal 2014. 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.

2. **Non-renewal of client contracts:**

The Company's key personnel continue their efforts in maintaining existing accounts and acquiring new clients. It is the constant endeavour of the Company to try to grow existing client businesses as well as add new clients to the portfolio. The contracts are of varying duration, between 1 and 5 years. At the expiry of the term, the contracts are tendered through a procurement process. Non-renewal may significantly affect revenues of the Company.

The Company recognises that providing excellent services and constant value addition are critical to ensuring a high chance of contractual renewal at the expiry of the term. The Company's sales and account management teams constantly strive to enhance the relationships with the key stakeholders to favourably position the services provided by Company.

D. RESOURCES:

1. **Risk related to attrition:**

BPM industry is a labour intensive industry and the Company's success depends on its ability to retain key employees. Historically, high employee attrition has been common in BPM industry and the Company also experiences high level of attrition at times. In the quarter ending March 2014, the Company's attrition rate for all employees who were employed for more than 180 days was 54.8 percent for offshore delivery and 38.6 percent for onshore delivery. Attrition rate for domestic delivery in

Asia business unit was significantly higher at 85.6 percent. Higher level of attrition rate has an impact on the Company's operating efficiency and productivity and thus profitability.

The Company is taking several new initiatives to reduce employee attrition including engaging external consultants, driving better employee engagement, ongoing focus on first time supervisory training, using targeted compensation measures etc. There is an enhanced focus on performance management, career development and growth, job rotation and talent management within the Company to assist in retention.

2. **Risk related to ability to recruit employees and wage costs:**

With signs of stabilisation and with a possible gradual recovery in global economy, demand and competition for qualified employees continues to increase and is expected to remain high. Significant competition for employees could have an adverse effect on the Company's ability to recruit and thus expand its business and service its clients, as well as cause it to incur greater personnel expenses and training costs. Personnel costs including salaries and related benefits, for fiscal 2014 amounted to 68.5 percent of the Company's income. Considering Salaries and related benefits of employees are most significant costs in 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 the Company as an employer of choice and participates in several career events to strengthen the Company brand and get access to talent.

3. **Risk related to our leadership team:**

The Company's future success substantially depends on the continued service and performance of our senior leadership team. Company's leadership team has business and technical capabilities that are difficult to replace.

Company ensures that it provides a motivating and learning environment to its leadership team, coupled with remuneration and other perquisites in line with market practices to keep them engaged so that they continue to contribute to the Company's profitability.

E. OPERATIONS:

1. **Highly competitive environment:**

The market for BPM services 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 leadership position in the industry. To maintain this competitive edge, the Company anticipates and realises that it needs to be best- in- class in operations, apart from ensuring that it has a focused marketing and sales team. Towards ensuring this, the Company makes significant investments in strengthening domain capabilities, process excellence, standardisation 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, compliance rigor, global delivery capabilities, breadth and depth of service offering, price competitiveness, knowledge of industries served, and marketing and sales capabilities which are other key competitive factors.

2. **Pricing Risk:**

Many of our contracts are long term in nature and as a result, our pricing is negotiated based on prevailing conditions at the time the contract was agreed upon.

With increasing trend of salaries getting increased at entry and mid-level we may find it difficult to continue to serve the client at the negotiated costs. Increase in employee costs without corresponding increases in pricing or productivity related improvements would adversely affect the profitability.

Alternatively if we are unable to price our contracts as competitively as possible we may lose business opportunity which shall result in lower revenue growth. Various other external factors such as technology obsolescence, client facing pressures due to market conditions or regulatory changes, M&A activity within the industry can also contribute to pricing risk.

The Company addresses this risk through various methods including managing the employee pyramid through voluntary and involuntary attritions, automating many processes and leveraging technology. Keeping abreast of market conditions to study the impact on client businesses, analysing technology advancements that impact consumer behaviour are some of the measures which help to improve and favourably position the services provided by the Company to mitigate pricing risk to an extent.

3. **Customer Credit Risk:**

This risk is the possible inability to collect from clients or delays in collection of Company's dues. This could occur due to various reasons including adverse economic conditions, clients business undergoing stress etc. This could have an impact on the cash recievables of the Company and the Company may be required to enhance its short term line of credit temporarily to continue its operations

The Company addresses this risk through several measures such as constant feedback from finance to sales and delivery teams on amounts due, combined with vigorous follow-up with customers, monthly collection targets and implementation of structured process of collection.

4. **Data Privacy Risk**

As part of its services offered to its clients, the Company handles confidential data including IP by employees/ contract employees. Any leakage of any type of confidential information has an adverse impact on the reputation of the Company and its business.

The Company addresses this risk through a very strong and robust Information and Data Security process that is applicable to all its offices and employees. Awareness regarding importance of data privacy is emphasised through snippets during training and regular on the job programs. Audits are conducted on a periodic basis and any non-conformance observed is fixed immediately. The Company adopts a Zero Tolerance policy towards non- compliance of this framework. No external web access, email is provided to any employee who has got access to confidential information.

F. COMPLIANCE:

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 criticised on economic grounds by the International Monetary Fund (IMF) and the SEZ legislation may be challenged by certain non-governmental organisations. It is possible that, as a result of such political pressures, the procedure for obtaining the benefits under the SEZ legislation may become more tedious, the types of land eligible for SEZ status may be further restricted or the SEZ legislation may be amended or repealed. Moreover, because this is a relatively new legislation, there is continuing uncertainty as to the governmental and regulatory approvals required to establish operations in the SEZs or to qualify for the tax benefit.

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

2. **Regulatory & compliance risk:**

As the Company has grown in size, geographic presence and customer base, exposure to various regulatory and compliance risks has also increased. The Company's operations and clients are spread across multiple geographies and are governed by various regulations, or government guidelines. Breach of any of these regulatory provisions can attract regulatory inspection, notices, penalty, revocation of permits or licenses etc.

Any breach can also cause significant reputation risk for the Company along with legal liability and loss of stakeholder confidence.

The Company has implemented a robust Regulatory compliance policy and framework to identify, assess, monitor, control, and report compliance status against laws and regulations specific to the country where it operates and the client specific work in a consistent manner for its business across globe. Risk committee provides oversight to the Regulatory policy and compliance framework.

Framework ensures that compliance ownerships are aligned and responsible personnel are aware, compliance status is reported and necessary actions are taken to comply. All laws and regulations are verified for applicability, detailed at the provision level and tracked for compliance at the function and location.

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 the globally accepted best governance practices. The Securities and Exchange Board of India (SEBI) observes keen vigilance over governance and fulfillment of these regulations in letter and spirit which entails surety towards sustainable development of the Company, enhancing stakeholders' value eventually.

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

At Firstsource Solutions Limited, ('the Company'), the adherence to Corporate Governance practices not only 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 wider management and is further maintained across the entire functioning of the Company. Your Company envisages the importance of building trust and integrity through transparent and accountable communication with the internal and external stakeholders as well as the customers of the Company. This involves keeping the stakeholders of the Company updated on a timely basis about the development, the plans and performance of the Company with a view to establish the long term affiliations. The Company keeps itself abreast with the best governance practices on the global front, at the same time conforming to the recent amendments.

The Board of Directors fully supports and endorses the Corporate Governance practices in accordance with the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges and the 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. This provides reliability to the Company's functioning and the Board ensures a critical examination of the strategies and operational planning mechanisms adopted by the management across the globe.

The Company has an optimum combination of Directors on the Board and is in conformity with Clause 49 of the Listing Agreement. As on March 31, 2014, 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 Boards and its Committee meetings are circulated to the Directors well in advance of the meetings, 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 during the meetings.

The Board meets at regular intervals to discuss and decide on Company's business policy and strategy apart from other normal business. The Company uses teleconferencing facilities to encourage maximum participation of the Board Members. During the Financial Year 2013-14, 4 Board Meetings were held on May 7, August 5 & October 23 in 2013 and on January 31 in 2014. Time gap between any two meetings was not more than 4 months.

Details of composition, category of Directors, their attendance at the Board Meetings held during the year & Annual General Meeting (AGM) held on August 6, 2013, 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	No. of Equity Shares held as on March 31, 2014	Attendance at previous AGM Held on August 6, 2013 (Y-Yes, N-No)	Director-ships in other Public Companies as on March 31, 2014*	Committee Chairmanships/ Memberships/ in other Public Companies as on 31.03.2014**	
							Chairmanships	Memberships
Mr. Sanjiv Goenka Chairman	NI- NED	4	--	--	Y	12	1	--
Mr. Ananda Mukerji Vice Chairman	NI-NED	4	--	414,300	Y	1	--	--
Mr. Rajesh Subramaniam Managing Director & CEO	ED	4	--	500,000	Y	1	--	--
Dr. Shailesh J. Mehta	I-NED	3	--	270,000	Y	4	--	1
Mr. Y. H. Malegam	I-NED	4	--	62,500	Y	7	4	1
Mr. Charles Miller Smith	I-NED	3	--	245,000	N	--	--	--
Mr. Donald W. Layden Jr.	I-NED	3	1	--	Y	--	--	--
Mr. K. P. Balaraj #	I-NED	1	2	--	N	1	--	--
Mr. Pradip Roy	I-NED	4	--	--	N	5	--	4
Mr. Subrata Talukdar	NI-NED	4	--	--	Y	11	3	2
Mr. Haigreve Khaitan	NI-NED	2	--	--	Y	15	--	9
Mr. Shashwat Goenka	NI-NED	4	--	--	Y	2	--	--

Resigned w.e.f. May 21, 2014

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.

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

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

The particulars of Directors, who are proposed to be 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 2013-14, 4 meetings of the Committee were held on May 7, August 5 & October 23 in 2013 and January 31 in 2014. 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 clause 49 of Listing Agreement and Companies Act, 1956.

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

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

The terms of reference of the Audit Committee were enlarged by the Board on May 2, 2014 in order to cover the matters specified under revised Clause 49 of the Listing Agreement and Section 177 of the Companies Act, 2013. This Committee has now the following powers, role and terms of reference:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment, terms of appointment and, if required, the replacement or removal of the statutory auditors, and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other non-audit services rendered by the statutory auditors.
4. Reviewing, with the management, the quarterly/ annual standalone and consolidated financial statements and auditors' report thereon, before submission to the Board for approval, with particular reference to:
   a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report
   b. Changes, if any, in accounting policies and practices and reasons for the same
   c. Major accounting entries involving estimates based on the exercise of judgment by management
   d. Significant adjustments made in the financial statements arising out of audit findings
   e. Compliance with listing and other legal requirements relating to financial statements
   f. Disclosure of any related party transactions
   g. Qualifications in the draft audit report.
   h. The investments made by unlisted subsidiary companies
5. Reviewing with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the agency monitoring the utilisation of proceeds of a public or rights issue and making appropriate recommendations to the Board to take up steps in this matter.
6. To mandatorily review the following information:
   (i) Management discussion and analysis of financial condition and results of operations
   (ii) Statement of significant related party transactions (as defined by the Audit Committee), submitted by management
   (iii) Management letters/ letters of internal control weaknesses issued by the statutory auditors
   (iv) Internal audit reports relating to internal control weaknesses and
7. Invite such of the executives, as it considers appropriate (and particularly the CFO) to be present at the meetings of the Committee, but on occasions it may also meet without the presence of any executives of the Company. The Managing Director & CEO, CFO, head of internal audit and a representative of the statutory auditor may be present as invitees for the meetings of the Audit Committee.
8. To secure attendance of outsiders at the meetings of Audit Committee, with relevant expertise, if it considers necessary.
9. Reviewing with the management, performance of statutory and internal auditors and adequacy of the internal control systems.
10. Evaluation of internal financial controls and risk management systems.
11. Reviewing and monitoring of the auditor's independence and performance and effectiveness of audit process.
12. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit and reviewing appointment, removal and terms of remuneration of the Chief Internal Auditor.
13. Discussion with internal auditors any significant findings and follow up thereon.
14. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected

fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

15. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
16. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
17. To direct the Company to establish a vigil mechanism for directors and employees to report genuine concerns to the Audit Committee and to ensure that the vigil mechanism provides adequate safeguards against victimisation of persons who use such mechanism and make provision for direct access to the Chairman of Audit Committee in appropriate or exceptional cases.
18. To ensure that the details of establishment of vigil mechanism is disclosed by the Company on its website and in Board's report.
19. To review the functioning of the Whistle Blower/ Vigil mechanism.
20. Approval of appointment of CFO after assessing the qualifications, experience & background, etc. of the candidate.
21. Scrutiny of inter-corporate loans and investments.
22. Approval or any subsequent modification of transactions of the Company with related parties.
23. Valuation of undertakings or assets of the company, wherever it is necessary.
24. to investigate into any matter or activity within its terms of reference or referred to it by the Board and for this purpose shall have power to obtain legal or other professional advice from external sources and have full access to information contained in the records of the Company.
25. To seek information from any officer or employee of the Company.
26. to call for the comments of the Auditors about internal control systems, the scope of audit, including the observations of the Auditors and also discuss any related issues with the internal and Statutory Auditors and the Management of the Company.
27. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee or as enumerated in section 177 of the Companies Act, 2013 or clause 49 of the Listing Agreement with Stock Exchanges or in any subsequent amendment thereto.
28. Exercise any other power or perform any other function as enumerated in Companies Act, 2013 or Listing Agreement with Stock Exchanges or in any subsequent amendment thereto.

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 Committee.

NOMINATION AND REMUNERATION COMMITTEE

The Compensation cum Board Governance Committee was renamed as Nomination and Remuneration Committee and its role and terms of reference were enlarged by the Board on May 2, 2014. The Committee's constitution and terms of reference are in compliance with provsions of section 178 of the Companies Act, 2013, Clause 49 of the Listing Agreement and Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended from time to time. This Committee is entrusted with the following powers:

1. To identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board their appointment and removal;
2. To formulate the criteria for evaluation of Independent Directors and the Board and to carry out the evaluation of every Director's performance;
3. To formulate the criteria for determining qualification, positive attributes and independence of Directors
4. To recommend/ approve remuneration of Executive Directors and any increase therein from time to time, within the limit approved by the members of the Company
5. To recommend/ approve remuneration to Non Executive Directors in the form of sitting fees for attending meetings of Board and its Committees, remuneration for other services, commission on profits, grant of stock options or payment of any other amount.
6. To decide the overall compensation structure/ policy for the employees, senior management and Directors of the Company including ratio of fixed and performance pay, performance parameters etc.
7. To approve rating of Company's performance for the purpose of payment of annual bonus/ performance incentive to employees and Executive Director(s) of the Company
8. To approve Management Incentive Plan or any other Incentive Plan for the purpose of payment of performance Incentive to the employees and Executive Director(s) of the Company.
9. To engage the services of any consulting/ professional or other agency at the cost of the Company for the purpose

of recommending to the Committee on compensation structure/ policy including Stock Option Scheme

10. To recommend to the Board a policy, relating to the remuneration for the Directors, key managerial personnel and other employees

11. To recommend amendment to Employees Stock Option Scheme of the Company or to recommend any such new Scheme for approval of members of the Company

12. To exercise all the powers as mentioned in the Employees Stock Option Scheme of the Company to be exercised by the Compensation Committee of the Company

13. To approve grant of stock options to Directors and employees of the Company

14. To invite any executive or outsider, at its discretion at the meetings of the Committee

15. To devise a policy on Board diversity.

16. To exercise such other powers as may be delegated to it by the Board from time to time

During the Financial Year 2013-14, 2 meetings of the Committee were held on May 7 & September 10 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	1
Mr. Ananda Mukerji	NI-NED	1
Mr. Charles Miller Smith*	I-NED	1
Mr. K. P. Balaraj**	I-NED	NIL
Mr. Y. H. Malegam	I-NED	2
Mr. Subrata Talukdar	NI-NED	2

** Also attended 1 meeting through tele-conferencing*

*** Resigned as a Director w.e.f. May 21, 2014*

Remuneration Policy:

The Company's remuneration policy is driven by the success and performance of the Company and the individual & industry benchmarks and is decided by the Committee. Through its compensation programme, the Company 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 Board 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 Mr. Rajesh Subramaniam, Managing Director & CEO (MD & CEO) for the year ended March 31, 2014 are as under:

(Amount in ₹)

Salary & Allowances	Performance Bonus	Retirals @	Perquisites	Total
16,807,116	16,100,000	245,060	709,200	33,861,376

@ Retirals include contribution to Provident Fund.

The amount of performance bonus as stated in the table above is an indicative amount and the actual payout for the financial year 2013-14 will depend on the performance of the Company and the performance of MD & CEO. During the financial year 2013-14, 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, the Stock Options granted to him shall vest over a period of 4 years, with 25% of options granted vesting at the end of 12 months from the date of grant and thereafter 12.5% each of options granted shall vest at the end of every 6 months. Exercise period is 10 years from the date of grant of options.

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 month's salary.

ii. Non-Executive Directors:

The Company, at the Annual General Meeting (AGM) held on September 16, 2010, had approved grant of Stock Options under Firstsource Solutions Employee Stock Option Scheme, 2003 ("ESOS 2003") to all the Non-Executive Directors of the Company. The numbers of stock options granted by the Committee to Non-Executive Directors during the financial year 2013-14 are as under:

Sr. No.	Name of the Non-Executive Director	No. of stock options granted during FY 2013-14
1	Mr. Charles Miller Smith	100,000
2	Mr. Donald W. Layden Jr.	100,000
	TOTAL	**200,000**

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 2013-14 are as under:

(Amount in ₹)

Name of the Director	Sitting Fees		
	Board Meetings	Committee Meetings	Total
Mr. Sanjiv Goenka Chairman	80,000	--	80,000
Mr. Ananda Mukerji Vice Chairman	80,000	20,000	100,000
Mr. Y. H. Malegam	80,000	120,000	200,000
Mr. Charles Miller Smith	60,000	80,000	140,000
Mr. K.P. Balaraj	20,000	--	20,000
Mr. Donald W. Layden Jr.	60,000	--	60,000
Dr. Shailesh J. Mehta	60,000	120,000	180,000
Mr. Pradip Roy	80,000	--	80,000
Mr. Shashwat Goenka	80,000	--	80,000
Mr. Subrata Talukdar	80,000	160,000	240,000
Mr. Haigreve Khaitan	40,000	--	40,000
TOTAL	**720,000**	**500,000**	**1,220,000**

STAKEHOLDERS RELATIONSHIP COMMITTEE

The Shareholders'/ Investors' Grievance Committee was renamed as Stakeholders Relationship Committee and its terms of reference were enlarged by the Board on May 2, 2014 to be line with Section 178 of the Companies Act, 2013 and revised clause 49 of the Listing Agreement. The 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. It also considers and resolves the grievance of all stakeholders of the Company including shareholders, debenture-holders, deposit-holders and other security holders, if any. Mr. Sanjay Gupta, Vice President – Corporate Affairs & Company Secretary is the Compliance Officer of the Company.

2 meetings of the Committee were held during the year 2013-14 on May 7 and August 5 in 2013. The details of composition of the Committee and attendance during the year are as under:

Name of the Director	Category	No. of Meetings Attended
Dr. Shailesh J. Mehta, Chairman	I-NED	2
Mr. Subrata Talukdar	NI-NED	2
Mr. Rajesh Subramaniam	NI-ED	2

The total numbers of complaints received during the year were 51, all of which were resolved and there was no pending complaint as on March 31, 2014. The Company did not receive any transfer requests and hence no request was pending for approval as on March 31, 2014.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Board had constituted Corporate Social Responsibility Committee on May 2, 2014 in terms of section 135 of the Companies Act, 2013. The Committee shall have the following powers:

a) To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013.

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

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

Details of composition of the Committee are as under:

Name of the Director	Category
Mr. Shashwat Goenka, Chairman	NI-NED
Mr. Rajesh Subramaniam	NI-ED
Mr. Pradip Roy	I-NED
Mr. Haigreve Khaitan	NI-NED
Mr. Subrata Talukdar	NI-NED

OTHER COMMITTEES OF THE BOARD

Financial Results Committee: The Committee comprises of Mr. Y. H. Malegam, Chairman, Dr. Shailesh J. Mehta, Mr. Rajesh Subramaniam and Mr. 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.

**Resigned as Director w.e.f. May 21, 2014*

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 and Mr. Subrata Talukdar. It deliberates on various strategic initiatives from time to time.

Empowered Committee: This Committee comprises of Mr. Haigreve Khaitan, Chairman, Mr. Pradip Roy and Mr. Subrata Talukdar to recommend to Compensation and Board Governance Committee about grant of stock options to the Senior Management Employees and Directors under Employee Stock Option Scheme of the Company and deliberate on existing underwater options and Management Incentive Plan (MIP).

Committee of Independent Directors: Pursuant to Regulation 26(6) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, the Committee of Independent Directors comprising of Dr. Shailesh J. 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 about the fair and reasonable process of Open offer made by Spen Liq Private Limited. Since the objective of this Committee was achieved, the Board dissolved the said Committee w.e.f. August 5, 2013.

GENERAL BODY MEETINGS

Venue, day, date and time of last 3 AGMs and 1 Extra-Ordinary General Meeting (EGM):

Meeting and Venue	Day & Date and Time
12th Annual General Meeting Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai - 400 025	Tuesday, August 6, 2013 3.30 p.m.
Extra-Ordinary General Meeting Ravindra Natya Mandir, 3rd Floor, Sayani Road, Prabhadevi, Mumbai - 400 025	Thursday, November 22, 2012 10.30 a.m.
11th Annual General Meeting Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai - 400 025	Tuesday, July 31, 2012 10.30 a.m.
10th Annual General Meeting Ravindra Natya Mandir, Sayani Road, Prabhadevi, Mumbai - 400 025	Wednesday, August 3, 2011 3.00 p.m.

Special Resolution passed

a) **12th AGM held on August 6, 2013**

No special resolution was passed

b) **EGM held on November 22, 2012**

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

c) **11th AGM held on July 31, 2012**

No special resolution was passed

d) **10th AGM held on August 3, 2011**

No special resolution was passed

POSTAL BALLOT

During last financial year ended March 31, 2014, 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. 27 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) **The Board**

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

b) **Remuneration Committee**

The Company has set up a Nomination and Remuneration Committee, details of which have been given earlier in this Report.

c) **Shareholders' Rights**

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

d) 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, 2014.

e) 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.

f) Corporate Social Responsibilities Activities:

The Board has constituted a Corporate Social Responsibility Committee as required under section 135 of the Companies Act, 2013, detail of which are given earlier this report. 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 under privileged 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.

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

The Company has 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 provides 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 Codes of Conduct for Executive Directors and for Non-Executive Directors & Senior Management of the Company. The Codes of Conduct have been circulated to the Board and Senior Management and the compliance of the same has 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 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, 2014, the Company had 1 domestic subsidiary and 10 foreign subsidiaries. 1 domestic subsidiary and 9 out of 10 foreign subsidiaries are wholly owned by the Company or its subsidiary companies. However, the Company has no material non-listed Indian Subsidiary Company as defined in Clause 49(III) of the Listing Agreement. The minutes of the meetings of the subsidiary companies are placed at the Board Meetings of the Company. The consolidated financial statements of the Company and its subsidiaries are reviewed by the Audit Committee.

xi. Risk Management & Internal Control

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

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

xii. Anti-Sexual Harassment Policy

The Company has an anti-sexual harassment policy to promote a 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 Practicing Company Secretary carries out Reconciliation of Share Capital Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. This audit is carried out every quarter and the report thereon is submitted to the Stock Exchanges. The Audit confirms that the total Listed and Paid-up capital is in agreement with the aggregate of the total number of shares in 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
- Shareholding pattern (clause 35 of Listing Agreement) and Corporate Governance Compliance Reports (clause 49 of the Listing Agreement) filed with Stock Exchanges on a quarterly basis.

GENERAL SHAREHOLDER INFORMATION

I. Annual General Meeting

Day, Date & Time	Friday, August 1, 2014 at 3.00 p.m.
Venue	Manik Sabhagriha, 'Vishwakarma' M. D. Lotlikar Vidya Sankul, Opp. Lilavati Hospital, Bandra Reclamation, Mumbai-400 050

II. Financial Year

April 1 to March 31

Financial Calendar (Tentative) – Financial Year 2014-15

First Quarter Ending June 30, 2014	First/ Second week of August 2014
Second Quarter Ending September 30, 2014	First/ Second week of November 2014
Third Quarter Ending December 31, 2014	First/ Second week of February 2014
Fourth Quarter Ending March 31, 2015	First/ Second week of May 2015
Annual General Meeting (Financial Year 2014-15)	July/August 2015

III. Dates of Book Closure (both days inclusive)

Friday, July 25, 2014 to Friday, August 1, 2014

IV. Dividend

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 2013-14.

V. Listing on Stock Exchanges and Payment of Listing Fees

The equity shares of the Company are listed on National Stock Exchange of India Ltd. (NSE) and BSE Limited (BSE). Annual Listing fees for the Financial Year 2013-14 were paid by the Company to NSE and BSE.

VI. Custodian Fees to Depositories

The Company has paid fees for year ended 2013-14 to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

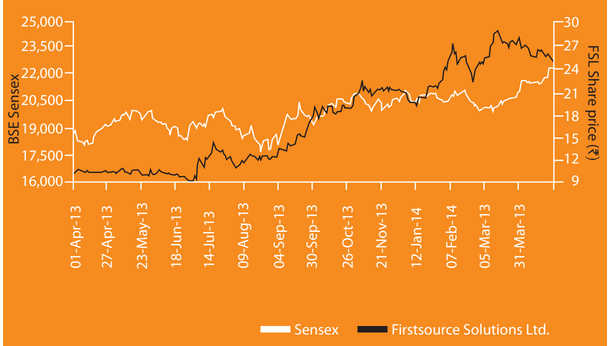
VII. (a) Stock Code / Symbol

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

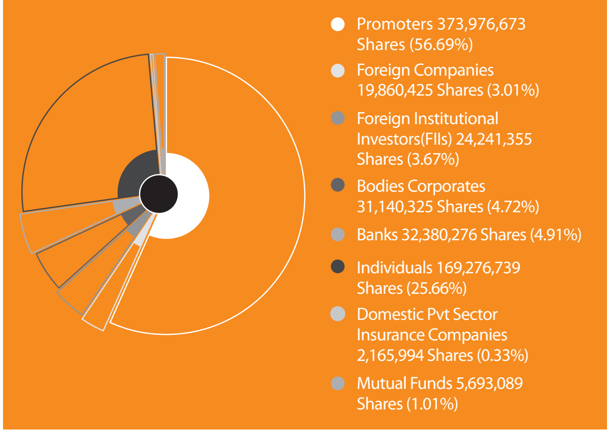
VIII. Market Price Data – The market price data i.e. monthly high and low prices of the Company's shares on NSE and BSE are given below:

Month	NSE			BSE		
	Share Price (₹)		No. of shares traded	Share Price (₹)		No. of shares traded
	High	Low		High	Low	
Apr – 2013	11.25	10.30	6,794,695	11.25	10.06	2,894,672
May – 2013	11.35	10.15	9,200,019	11.50	10.16	3,262,842
Jun - 2013	11.30	9.05	6,610,646	11.40	9.40	2,697,148
Jul – 2013	15.20	9.45	117,043,761	15.23	9.47	25,152,584
Aug – 2013	13.40	11.00	23,325,008	13.40	11.02	8,671,388
Sep – 2013	18.20	12.55	59,073,006	18.23	12.56	20,512,513
Oct – 2013	20.90	17.40	103,249,241	20.90	17.40	32,863,540
Nov – 2013	23.65	20.55	50,502,326	23.65	20.55	17,090,199
Dec – 2013	22.75	19.40	46,584,094	22.70	19.35	18,600,527
Jan – 2014	28.15	21.55	101,622,431	28.15	21.50	29,893,449
Feb – 2014	29.60	24.35	73,514,958	29.65	24.35	20,323,791
Mar – 2014	28.70	25.20	35,140,864	28.70	25.05	11,663,314

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



The Shareholding pattern as on March 31, 2014 is given as under:



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, 2014

Share Holding (Nominal Value)	Shareholders		Nominal Capital	
₹	No.	%	₹	%
Upto 5,000	149,626	97.53	647,756,980	9.82
5,001-10,000	1,834	1.19	139,669,410	2.11
10,001-20,000	934	0.61	136,309,780	2.07
20,001-30,000	304	0.20	75,796,090	1.15
30,001-40,000	163	0.11	57,817,300	0.87
40,001-50,000	121	0.08	56,445,170	0.86
50,001-1,00,000	207	0.13	153,114,220	2.32
100,001 and above	229	0.15	5,330,439,810	80.80
Total	**153,418**	**100.00**	**6,597,348,760**	**100.00**

Top 10 Shareholders as on March 31, 2014

Sr No	Name of the Shareholders	Category of Shareholder	No of Shares	%
1	Spen Liq Private Limited	Promoter	373,976,673	56.69
2	ICICI Bank Limited	Bank	32,079,803	4.86
3	Jhunjhunwala Rakesh Radheshyam	Resident Individual	25,000,000	3.79
4	Rathen Investment Company Limited (Formerly known as Metavante Investments Mauritius Limited)	Foreign Company	19,860,425	3.01
5	BP Equities Private Limited	Body Corporate	2,939,250	0.45
6	Emerging India Focus Funds	FII	2,900,000	0.44
7	Goldman Sachs India Fund Limited	FII	2,472,666	0.37
8	Principal Trustee Company Pvt Ltd A/C Principal Mutual Fund Principal Growth Fund	Mutual Funds	2,321,980	0.35
9	ING Vysya Life Insurance Company Limited - Pool Account	Domestic Pvt Sector Insurance Company	2,165,994	0.33
10	Morgan Stanley Asia (Singapore) Pte.	FII	2,067,115	0.31
Total			**465,783,906**	**70.60**

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, 2014

	Shareholders		Share Capital	
	No. of Shareholders	% to Total Shareholders	No. of Shares	% to Total share Capital
Dematerialised Form				
NSDL	102,843	67.03	605,097,050	91.72
CDSL	50,562	32.96	54,628,672	8.28
Total in dematerialised from	153,405	99.99	659,725,722	100.00
Physical Form	13	0.01	9,154	Negligible
Total	**153,418**	**100.00**	**659,734,876**	**100.00**

As on March 31, 2014, 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, 2014 are as under:

Particulars	No. of shareholders	No. of shares
Outstanding shares in the Escrow Account with ICICI Bank Limited as on April 1, 2014	50	5,621
Investors who have approached the Company for transfer of shares from Escrow Account during the year 2013-2014	0	0
Investors to whom shares were transferred from Escrow Account during the year 2013-2014	0	0
Outstanding shares in the Escrow Account as on March 31, 2014	50	5,621

XIV. Transfer of unclaimed amounts to Investor Education and Protection Fund

Pursuant to Section 205C of the Companies Act, 1956 read with the Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001, the Company transferred an amount of ₹ 945,280, pertaining to 37 investors, to the Investor Education and Protection Fund (IEPF) on March 4, 2014, being the share application money in respect of the Initial Public Offer by the Company in 2007, lying unclaimed for a period of seven years.

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

The Company had fully discharged its obligation towards the Bondholders in December 2012. No Bonds are outstanding as on March 31, 2014.

XVI. Delivery Centers

The Company alongwith its 11 subsidiaries has 46 global delivery centers of which 22 are located in India, 14 in USA, 6 in UK, 3 in Philippines and 1 in Sri Lanka as per the details below:

India: Chennai (4), Mumbai (2), Navi Mumbai (2), Trichy (2), and 1 each in Bangalore, Kolkata, Pondicherry, Vijayawada, Cochin, 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), Cebu (1)

Sri Lanka: Colombo

XVII. Address for Correspondence

Mr. Sanjay Gupta
Vice President – Corporate Affairs & Company Secretary
Firstsource Solutions Limited
5th Floor, Paradigm 'B' wing,
Mindspace, Link Road, Malad (W), 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

Place: Mumbai
Dated: May 2, 2014

PRACTISING COMPANY SECRETARIES' CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the Members of

Firstsource Solutions Limited

We have examined the compliance of conditions of Corporate Governance by Firstsource Solutions Limited for the year ended March 31, 2014, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

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

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

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

For Nilesh Trivedi & Associates
(Practicing Company Secretary)

Nilesh Trivedi
Proprietor
FCS 2245
C.P. No. 8970

Place: Mumbai
Date: May 2, 2014

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, 2014 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

Dinesh Jain
Chief Financial Officer

Mumbai
May 2, 2014

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 2, 2014

INDEPENDENT AUDITOR'S 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 Schedule 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 2014, 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 of with the Accounting Standards referred to in sub-section (3C) Section 211of the Companies Act, 1956 which, as per a clarification issued by the Ministry of Corporate Affairs, continues to apply under Section 133 of the Companies Act 2013 (which has superseded Section 211(3C) of the Companies Act 1956 w.e.f. 12 September 2013). Additionally, the Group has early adopted Accounting Standard (AS) 30, Financial Instruments: Recognition and Measurement, 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 but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 2014;

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 36 to the consolidated financial statements that describes the early adoption by the Group of AS 30, Financial Instruments: Recognition and Measurement, read with AS 31, Financial Instruments – Presentation along with prescribed limited revisions to other Accounting Standards prescribed under the Act, 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 and therefore, can be applied only to the extent that it does not conflict with other accounting standards notified under the said rules. Consequent to early adoption of AS 30 and the related limited revisions, consolidated Profit after taxation for the year ended and Reserves and Surplus at year end are higher by ₹ 169 million and ₹ 3 million respectively.

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

Bhavesh Dhupelia
Partner
Membership No: 042070

Mumbai
2 May 2014

CONSOLIDATED BALANCE SHEET

as at 31 March 2014

(Currency: In millions of Indian rupees)

	Note	31 March 2014	31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	6,597.35	6,576.74
Reserves and surplus	4	14,316.86	10,559.64
		20,914.21	**17,136.38**
Share application money received under ESOP scheme		0.66	-
Minority interest		14.35	11.36
Non-current liabilities			
Long-term borrowings	5	6,641.50	8,500.64
Deferred tax liabilities, net	6	317.17	282.90
Other long-term liabilities	7	199.53	328.92
Long-term provisions	8	201.04	223.59
		7,359.24	**9,336.05**
Current liabilities			
Short-term borrowings	9	2,458.83	1,628.60
Trade payables	10	1,129.31	1,361.22
Other current liabilities	11	4,825.67	4,163.17
Short-term provisions	12	192.25	87.10
		8,606.06	**7,240.09**
TOTAL		**36,894.52**	**33,723.88**
ASSETS			
Non-current assets			
Goodwill on consolidation	13	25,940.39	23,601.03
Fixed assets	14		
- Tangible assets		855.45	1,091.90
- Intangible assets		508.44	451.45
- Capital work-in-progress		4.01	18.20
		1,367.90	**1,561.55**
Non-current investments	15	26.39	26.81
Long-term loans and advances	16	1,179.07	1,339.37
Other non-current assets	17	899.54	651.10
		29,413.29	**27,179.86**
Current assets			
Current investments	18	26.00	-
Trade receivables	19	3,019.26	3,865.84
Cash and bank balances	20	1,863.21	901.01
Short-term loans and advances	21	410.28	319.73
Other current assets	22	2,162.48	1,457.44
		7,481.23	**6,544.02**
TOTAL		**36,894.52**	**33,723.88**
Significant accounting policies	2		

The accompanying notes from 1 to 39 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. LLP
Chartered Accountants
Firm's Registration No. 101248W

Bhavesh Dhupelia
Partner
Membership No.: 042070

Sanjiv Goenka
Chairman

Ananda Mukerji
Vice Chairman

Rajesh Subramaniam
Managing Director & 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

Place: Mumbai
Date: 2 May 2014

Dinesh Jain
CFO

Sanjay Gupta
Company Secretary

CONSOLIDATED STATEMENT OF PROFIT & LOSS

for the year ended 31 March 2014

(Currency: In millions of Indian rupees)

	Note	31 March 2014	31 March 2013
INCOME			
Revenue from operations	23	31,058.76	28,185.35
Other income	24	20.04	463.95
		31,078.80	**28,649.30**
EXPENSES			
Employee benefits expense	25	21,294.05	19,348.72
Finance costs	26	851.47	783.65
Depreciation and amortisation	14	757.02	883.98
Other expenses	27	6,143.46	6,041.01
		29,046.00	**27,057.36**
Profit before taxation and minority interest		**2,032.80**	**1,591.94**
Less : Provision for taxation			
- Current tax including MAT		404.77	247.87
Less: MAT credit entitlement		(269.04)	(256.15)
Net current tax		135.73	(8.28)
- Deferred tax (credit)/charge		(34.84)	137.51
Profit after taxation before minority interest		**1,931.91**	**1,462.71**
Minority interest		2.29	(3.21)
Profit after taxation and minority interest		**1,929.62**	**1,465.92**
Earnings per share	34		
Weighted average number of equity shares outstanding during the year			
- Basic		658,388,622	503,507,816
- Diluted		684,448,823	558,295,301
Earnings per share (₹)			
- Basic		2.93	2.91
- Diluted		2.82	2.82
Nominal value per share (₹)		10	10
Significant accounting policies	2		

The accompanying notes from 1 to 39 are an integral part of the consolidated financial statements.

As per our report of even date attached.

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

Bhavesh Dhupelia
Partner
Membership No.: 042070

Place: Mumbai
Date: 2 May 2014

For and on behalf of the Board of Directors

Sanjiv Goenka
Chairman

Ananda Mukerji
Vice Chairman

Rajesh Subramaniam
Managing Director & 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 2014

(Currency: In millions of Indian rupees)

	31 March 2014	31 March 2013
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax and minority interest	2,032.80	1,591.94
Adjustments for		
Depreciation and amortisation	757.02	883.98
Provision for doubtful debts / (written back) / written off	(31.96)	14.81
Gain on sale of fixed assets, net	(39.99)	(4.38)
Foreign exchange (gain) / loss, net	(426.86)	81.54
Finance costs	851.47	783.65
Interest and dividend income	(27.73)	(408.88)
Profit on sale / redemption of investments	(6.93)	(60.84)
Rent expense on account of adoption of AS 30	18.56	21.64
Operating cash flow before changes in working capital	**3,126.38**	**2,903.46**
Changes in working capital		
Increase / (Decrease) in trade receivables	1,392.79	(408.34)
Increase / (Decrease) in loans and advances and other assets	86.76	(274.86)
Decrease in liabilities and provisions	(232.97)	(36.98)
Net changes in working capital	**1,246.58**	**(720.18)**
Income taxes paid	(417.24)	(190.52)
Net cash generated from operating activities (A)	**3,955.72**	**1,992.76**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investment in mutual funds / government securities	(3,941.00)	(28.62)
Sale of investment in mutual funds / government securities	3,921.93	873.92
Interest and dividend income received	9.20	413.44
Capital expenditure	(357.57)	(395.85)
Sale of fixed assets	234.60	24.26
Maturity of deposit having maturity more than three months but less than twelve months	-	4,943.27
Net cash (used in) / generated from investing activities (B)	**(132.84)**	**5,830.42**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from unsecured loan – others	662.24	1,247.83
Repayment of secured loan	(2,747.92)	-
Proceeds from secured loan	-	957.90
Repayment of unsecured loan – FCCB, including expenses	-	(13,019.41)
Proceeds from issuance of equity shares and share application money (net of share issue expenses)	26.55	2,662.36
Interest paid	(804.96)	(659.23)
Net cash used in financing activities (C)	**(2,864.09)**	**(8,810.55)**

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2014

(Currency: In millions of Indian rupees)

	31 March 2014	31 March 2013
Net Increase / (decrease) in cash and cash equivalents (A+B+C)	958.79	(987.37)
Cash and cash equivalents at the beginning of the year	887.44	1,871.84
Cash and cash equivalent acquired from business acquisition	-	2.97
Cash and cash equivalents at the end of the year	**1,846.23**	**887.44**

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 2014	31 March 2013
Balances with banks		
- in current accounts	2,307.11	1,293.70
- in deposit accounts (with original maturity of three months or less)	-	0.13
Cash on hand	0.19	0.31
	2,307.30	1,294.14
Less: Current account balances held in trust for customers	461.07	406.7
	1,846.23	**887.44**

Note: The above cash flow statement has been prepared under the indirect method set out in Accounting Standard – 3.

As per our report of even date attached.

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

Bhavesh Dhupelia
Partner
Membership No.: 042070

Place: Mumbai
Date: 2 May 2014

For and on behalf of the Board of Directors

Sanjiv Goenka
Chairman

Ananda Mukerji
Vice Chairman

Rajesh Subramaniam
Managing Director & 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014

(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.

Effective 1 April 2013, the Firstsource has changed the classification of its branch as non-integral foreign operations per criteria laid down in AS 11 (Revised) "Effects of changes in foreign exchange rates". However, the impact of this change in classification is not considered material.

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, incorporated under the laws of United Kingdom.	100%	2002-2003
Firstsource Solutions S.A. (FSL-Arg)	A subsidiary of FSL - UK, incorporated under the laws of Argentina. *	99.98%	2006-2007
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, incorporated under the laws of the State of Delaware, USA	100%	2007-2008
Firstsource Solutions USA LLC (earlier known as MedAssist LLC)	A subsidiary of MedAssist Holding, Inc., incorporated in the State of Delaware, USA.	100%	2009-2010
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 (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

* The option to exercise the sale with the buyer has lapsed and hence the investment has been restated in the books of account.
** Dissolved during the year

(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 (as listed in note 1 above) (collectively the 'Company' or 'the Group'), have been prepared and presented under the historical cost convention (except for certain financial instruments which are measured on fair value basis), on accrual basis of accounting, in accordance with accounting principles generally accepted in India and in compliance with the Accounting Standards prescribed by The Institute of Chartered Accountants of India ('ICAI') and in accordance with the relevant provisions of the Companies Act, 2013, to the extent applicable and the Companies Act 1956. 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. The consolidated financial statements are presented in Indian rupees rounded off to the nearest millions except per share data.

In the opinion of the management, all the adjustments which are necessary for a fair presentation have been included. 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.

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 interest's share of profits or losses are adjusted against income to arrive at the net income attributable to the Company's shareholders. Minority interest's share of net assets is disclosed separately in the consolidated balance sheet. The consolidated financial statements are prepared using uniform accounting policies for transactions and other similar events in similar circumstances across the Group.

2.3 Use of estimates

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

2.4 Revenue recognition

Revenue from contact center and transaction processing services comprises from both time / unit price and fixed fee based service contracts. Revenue from time / unit price based contracts is recognised 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 collected (including post dated cheques) / realised. Income from contingency based contracts, in which the client is invoiced for a percentage of the reimbursement, is recognised on completion of services.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014

(Currency: In millions of Indian rupees)

subsidiaries is determined on the basis of the book value of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment.

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

2.7 Fixed assets and depreciation

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

(Currency: In millions of Indian rupees)

b. Non-financial assets

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

2.9 Employee benefits

Gratuity

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014

(Currency: In millions of Indian rupees)

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 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 realised 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 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) 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 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.

The impact of adoption of AS 30 has been described in note 36 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 operation 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 non-integral subsidiaries / entities, assets and liabilities including fixed assets are translated at exchange rates prevailing at the date of the balance sheet. The items in the consolidated 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 year attributable to the equity shareholders by the weighted average number of equity shares outstanding during the reporting year. The number of shares used in computing diluted earnings per

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 March 2014

(Currency: In millions of Indian rupees)

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.

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.

	31 March 2014	31 March 2013
3. SHARE CAPITAL		
Authorised		
872,000,000 (31 March 2013: 872,000,000) equity shares of ₹ 10 each	8,720.00	8,720.00
	8,720.00	**8,720.00**
Issued, subscribed and paid-up		
659,734,876 (31 March 2013: 657,673,751) equity shares of ₹ 10 each, fully paid-up	6,597.35	6,576.74
	6,597.35	**6,576.74**

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

	31 March 2014		31 March 2013	
	Number of shares	Amount	Number of shares	Amount
At the commencement of the year	657,673,751	6,576.74	430,776,307	4,307.76
Additional shares issued during the year- Preferential allotment	-	-	226,897,444	2,268.98
Shares issued during the year- Stock options	2,061,125	20.61	-	-
At the end of the year	659,734,876	6,597.35	657,673,751	6,576.74

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

	31 March 2014		31 March 2013	
	Number of shares	% of total shares	Number of shares	% of total shares
Spen Liq Private Limited	373,976,673	56.69	373,976,673	56.86

ICICI Bank Limited holds 4.87%, 32,138,966 shares (31 March 2013: 6.88% 45,266,823 shares)
Rahthen Investment Company Limited (formerly known as Metavante Investments Mauritius Ltd.) holds 3.01%, 18,860,425 shares (31 March 2013: 6.90% 45,382,175 shares)

(Currency: In millions of Indian rupees)

c. Shares held by holding company

	31 March 2014		31 March 2013	
	Number of shares	Amount	Number of shares	Amount
Spen Liq Private Limited	373,976,673	3,739.76	373,976,673	3,739.76

d. Employees stock options

For Stock options granted during the period to employees and non-executive directors (refer note 29).

e. Shares reserved for issue under options

47,605,636 (31 March 2013: 48,008,532) number of shares are reserved for employees and non-executive directors for issue under the employee stock options plan (ESOP) amounting to ₹ 476.06 (31 March 2013: ₹ 480.20). (refer note 29)

f. Rights, preferences and restrictions attached to equity shares

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shareholders are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder are in proportion to its share of the paid-up equity capital of the Company.

On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

	31 March 2014	31 March 2013
4. RESERVES AND SURPLUS		
Securities premium account		
At the commencement of the year*	1,624.26	1,788.24
Add: Premium on shares issued during the year	5.28	476.38
Less: Amortisation of premium payable on redemption of outstanding FCCB	-	(557.37)
Share issue expenses	-	(82.99)
At the end of the year	**1,629.54**	**1,624.26**
General reserve		
At the commencement of the year	30.41	667.94
Less: Adjustment of amalgamation deficit pursuant to the scheme of amalgamation of Rev IT	-	(637.53)
At the end of the year	**30.41**	**30.41**
Hedging reserve (refer note 36)		
At the commencement of the year	9.81	(285.94)
Movement during the year	(55.03)	295.75
At the end of the year	**(45.22)**	**9.81**
Foreign currency translation reserve		
At the commencement of the year	1,477.35	1,535.70
Exchange difference on FCCB translation	-	(886.51)
Exchange difference on consolidation of non-integral subsidiaries / entities	1,877.35	828.16
At the end of the year	**3,354.70**	**1,477.35**
Surplus (consolidated profit and loss balance)		
At the commencement of the year	7,417.81	6,285.13
Add: Net profit for the year	1,929.62	1,465.92
Less: Adjustment of amalgamation deficit pursuant to the scheme of amalgamation of RevIT	-	(333.24)
At the end of the year	**9,347.43**	**7,417.81**
Total reserve and surplus	**14,316.86**	**10,559.64**

* Includes ₹ 39.27 (31 March 2013: ₹ 39.27) from acquisition of Customer Assets India Limited merged with the Firstsource effective 1 April 2004.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 March 2014

(Currency: In millions of Indian rupees)

	31 March 2014	31 March 2013
5. LONG-TERM BORROWINGS		
Secured		
Term loans – from banks		
External commercial borrowings (ECB) (refer note 'a')	1,180.33	1,080.27
Term loan (refer note 'b')	5,392.35	7,328.48
Long-term maturities of finance lease obligations - (refer note 'c' and 28)	52.60	71.12
Unsecured		
Loan from non-banking financing companies – (refer note 'd')	16.22	20.77
	6,641.50	8,500.64

a. External commercial borrowing carries interest at the rate of LIBOR + 471 bps. The loan is repayable from December 2013 up to June 2019 in quarterly installments. 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 and FDS.

b. The term loan carries interest at an average rate of LIBOR + 455 bps. The loan is repayable from June 2013 upto March 2017 in 16 quarterly installments. 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 and FDS.

c. Finance lease obligation carries interest in the range of 6% - 12.5% for the period of 3 - 5 years from January 2011 upto November 2016, 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 July 2011 to August 2017, repayable in quarterly installments from the date of its origination.

	31 March 2014	31 March 2013
6. DEFERRED TAX LIABILITIES, NET		
Deferred tax asset on account of:		
Business losses carried forward	1,201.61	818.37
Difference between tax and book value of fixed assets	414.14	411.14
Gratuity and compensated absences	132.42	57.43
Accrued expenses / allowance for doubtful debts	22.18	14.45
	1,770.35	**1,301.39**
Deferred tax liability on account of:		
Depreciation and amortisation	2,087.52	1,584.29
	317.17	**282.90**
7. OTHER LONG-TERM LIABILITIES		
Payable on asset purchase	199.53	328.92
	199.53	**328.92**
8. LONG-TERM PROVISIONS		
Provision for employee benefits		
Gratuity	43.97	67.10
Compensated absences	157.07	156.49
	201.04	**223.59**
9. SHORT-TERM BORROWINGS		
Secured		
Working capital demand loan - (refer note - a)	1,797.57	1,628.60
Export finance from banks - (refer note – b)	661.26	-
	2,458.83	**1,628.60**

(Currency: In millions of Indian rupees)

a. The working capital demand loan carries interest in the range of @ LIBOR + 300 bps to LIBOR + 350 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.

b. Export finance from banks including post-shipment and pre-shipment, carries interest in the range of @ LIBOR + 230 bps to LIBOR + 270 bps. The same is repayable on demand / receipt from customers.

		31 March 2014	31 March 2013
10. TRADE PAYABLES			
Trade payables for services and goods		1,129.31	1,361.22
(for dues to micro and small suppliers refer note 38)		**1,129.31**	**1,361.22**
11. OTHER CURRENT LIABILITIES			
Current maturities of long-term borrowings			
External commercial borrowing refer note 5(a)		11.98	5.43
Term loan – refer note 5(b)		2,696.18	2,442.83
Finance lease obligation - refer note 5(c)		54.97	41.52
Loan from non-banking financing companies – refer note 5(d)		24.05	37.47
Interest accrued but not due		81.19	107.52
Others			
Payable on asset purchase		199.53	164.46
Book credit in bank account		273.85	244.05
Creditors for capital goods		64.44	33.92
Value added tax		295.43	262.81
Tax deducted at source		23.77	29.70
Employee benefits payable		833.64	793.46
Exchange loss on derivative contracts		49.86	-
Advance from Customer		216.78	-
		4,825.67	**4,163.17**
12. SHORT-TERM PROVISIONS			
Provision for employee benefits			
Compensated absences		75.14	81.38
Other provision			
Provision for taxation		117.11	5.72
		192.25	**87.10**
13. GOODWILL ON CONSOLIDATION			
Entity name	**Date of acquisition**		
MedAssist	20 September 2007	22,130.51	20,050.99
FAL*	22 September 2004	2,109.13	1,939.61
FDS	13 May 2011	15.94	15.00
FR-US	3 September 2003	951.20	861.82
Customer Asset India Limited	22 April 2002	733.61	733.61
		25,940.39	**23,601.03**

* Goodwill of ₹ 31.36 (31 March 2013: Nil) written-off on sale of related assets.

Goodwill has been restated at exchange rate at balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 March 2014

(Currency: In millions of Indian rupees)

14. FIXED ASSETS

	Tangible assets									Intangible assets					
	Land	Building	Leasehold improvements	Computers	Service equipment	Office equipment	Furniture, fixture	Vehicles	Total	Goodwill	Domain name	Software	Total	Grand total	Capital Work in Progress
Gross block (at cost)															
As at 1 April 2013	49.30	222.39	1,664.78	1,279.46	1,186.92	1,017.99	739.20	17.23	**6,177.27**	887.09	6.72	1,060.32	**1,954.13**	**8,131.40**	18.20
Additions/ adjustments during the year*	-	-	293.89	227.72	199.88	259.58	52.05	2.38	**1,035.50**	267.99	-	318.83	**586.82**	**1,622.32**	2.91
Deletions during the year	(49.30)	(222.39)	(218.38)	(85.54)	(193.08)	(4.55)	(71.86)	(7.87)	**(852.97)**	(144.26)	-	(81.77)	**(226.03)**	**(1,079.00)**	(17.10)
As at 31 March 2014	-	-	1,740.29	1,421.64	1,193.72	1,273.02	719.39	11.74	6,359.80	1,010.82	6.72	1,297.38	2,314.92	8,674.72	4.01
Accumulated depreciation / amortisation															
As at 1 April 2013	-	78.38	1,336.75	1,179.32	1,036.26	834.62	610.68	9.36	**5,085.37**	564.66	6.72	931.30	**1,502.68**	**6,588.05**	-
Charge for the year	-	1.15	161.73	61.21	80.14	102.10	45.77	1.70	**453.80**	203.35	-	99.87	**303.22**	**757.02**	-
On deletions/ adjustments during the year*	-	(79.53)	(46.56)	73.95	(68.99)	163.01	(69.70)	(7.00)	**(34.82)**	(63.05)	-	63.63	**0.58**	**(34.24)**	-
As at 31 March 2014	-	-	1,451.92	1,314.48	1,047.41	1,099.73	586.75	4.06	5,504.35	704.96	6.72	1,094.80	1,806.48	7,310.83	-
Net Block as at 31 March 2014	-	-	288.37	107.16	146.31	173.29	132.64	7.68	855.45	305.86	-	202.58	508.44	1,363.89	4.01
As at 31 March 2013	49.30	144.01	328.03	100.14	150.66	183.37	128.52	7.87	**1,091.90**	322.43	-	129.02	**451.45**	**1,543.35**	18.20

* Includes adjustments relating to foreign exchange on account of translation of foreign subsidiaries / entities.

	Tangible assets									Intangible assets					
	Land	Building	Leasehold improvements	Computers	Service equipment	Office equipment	Furniture, fixture	Vehicles	Total	Goodwill	Domain name	Software	Total	Grand total	Capital Work in Progress
Gross block (at cost)															
As at 1 April 2012	22.10	120.14	1,599.00	1,273.54	1,106.00	982.84	738.73	23.78	**5,866.13**	887.09	6.72	982.50	**1,876.31**	**7,742.44**	86.69
Additions on account of business acquisition	27.20	102.25	-	-	-	-	-	-	**129.45**	-	-	-	-	**129.45**	18.20
Additions during the year	-	-	163.76	63.49	81.76	48.83	42.41	-	**400.25**	-	-	79.30	**79.30**	**479.55**	-
Deletions during the year	-	-	(97.98)	(57.57)	(0.84)	(13.68)	(41.94)	(6.55)	**(218.56)**	-	-	(1.48)	**(1. 48)**	**(220.04)**	(86.69)
As at 31 March 2013	49.30	222.39	1,664.78	1,279.46	1,186.92	1017.99	739.20	17.23	6,177.27	887.09	6.72	1,060.32	1,954.13	8,131.40	18.20
Accumulated depreciation / amortisation															-
As at 1 April 2012	-	38.89	1,229.60	1,152.54	946.81	711.70	595.49	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	132.00	56.60	1.75	**567.93**	219.86	-	96.19	**316.05**	**883.98**	-
On deletions during the year	-	-	(90.18)	(56.43)	(0.42)	(9.08)	(41.41)	(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	834.62	610.68	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	183.37	128.52	7.87	1,091.90	322.43	-	129.02	451.45	1,543.35	18.20
As at 31 March 2012	22.10	81.25	369.40	121.00	159.19	271.14	143.24	14.66	**1181.98**	542.29	-	146.26	**688.55**	**1,870.53**	86.69

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 March 2014

(Currency: In millions of Indian rupees)

The above assets include assets taken on lease as follows:

	Tangible assets					
	Leasehold improvements	Computers	Service equipment	Furniture fixtures and office equipment	Intangible assets Software	Total
Gross block (at cost)						
As at 1 April 2013	105.70	64.75	106.03	32.43	5.34	314.25
As at 31 March 2014	**123.55**	**63.71**	**103.20**	**32.43**	**38.90**	**361.79**
Accumulated depreciation / amortisation						
As at 1 April 2013	24.57	62.58	99.93	10.33	2.88	200.29
As at 31 March 2014	**48.45**	**63.71**	**103.20**	**14.67**	**15.49**	**245.52**
Net block as at 31 March 2014	**75.10**	**-**	**-**	**17.76**	**23.41**	**116.27**
As at 31 March 2013	81.13	2.17	6.10	22.10	2.46	113.96

	Tangible assets					
	Leasehold improvements	Computers	Service equipment	Furniture fixtures and office equipment	Intangible assets Software	Total
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 / amortisation						
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 2014

(Currency: In millions of Indian rupees)

	31 March 2014	31 March 2013
15. NON-CURRENT INVESTMENTS		
Non-trade (Unquoted)		
In mutual fund (Philippines Treasury bills)*	26.39	26.81
	26.39	**26.81**
* 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	1.28	0.29
Deposits (refer note 36)	336.99	374.83
Other loans and advances		
Prepaid expenses	214.21	251.54
Lease rentals receivable, net	31.87	29.87
Advance tax and tax deducted at source	594.72	682.84
	1,179.07	**1,339.37**
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)*	0.48	2.48
Unamortised costs (refer note 36)	33.08	51.89
Accrued interest	0.65	0.44
Minimum alternate tax credit carried forward	865.33	596.29
	899.54	**651.10**
* Under lien for bank guarantees to the Customs authorities		
18. CURRENT INVESTMENTS (at lower of cost and fair value)		
Non trade (Unquoted)		
137,087 (31 March 2013: Nil) units of ICICI Prudential Liquid - Direct Plan Growth	26.00	-
	26.00	-
(Net assets value of unquoted investments ₹ 26.04 (31 March 2013 : ₹ Nil)		
19. TRADE RECEIVABLES		
(Unsecured)		
Receivables outstanding for a period exceeding six months from the date they become due for payment		
- considered doubtful	22.67	49.49
	22.67	**49.49**
Less: Provision for doubtful debts	22.67	49.49
	-	-
Others receivables		
- considered good	3,019.26	**3,865.84**
	3,019.26	**3,865.84**
	3,019.26	**3,865.84**

(Currency: In millions of Indian rupees)

	31 March 2014	31 March 2013
20. CASH AND BANK BALANCES		
Cash and cash equivalents		
Balances with banks		
- in current accounts	2,307.11	1,293.70
- in deposit accounts (with original maturity of three months or less)	-	0.13
Cash on hand	0.19	0.31
	2,307.30	**1,294.14**
Other bank balances		
- Bank deposits due to mature after twelve months from the reporting date	0.48	2.48
- Bank deposits due to mature after three months but before twelve months of the reporting date *	16.98	13.57
	2,324.76	**1,310.19**
Less: Current account balance held in trust for customers	461.07	406.70
Less: Bank deposits due to mature after twelve months from the reporting date (refer note 17)	0.48	2.48
	1,863.21	**901.01**

* Includes ₹ 14.98 (31 March 2013 ₹ 13.57) towards line of credit.

	31 March 2014	31 March 2013
21. SHORT-TERM LOANS AND ADVANCES		
(Unsecured, considered good)		
To parties other than related parties		
Prepaid expenses	319.38	245.97
Lease rentals receivable, net	20.04	20.13
Other advances	70.86	53.63
	410.28	**319.73**
22. OTHER CURRENT ASSETS		
(Unsecured, considered good unless otherwise stated)		
Unbilled receivables	2,110.46	1,364.43
Unamortised costs (refer note 36)	18.68	25.45
Recoverable on sale of subsidiary – Pipal	33.34	33.34
Exchange gain on derivative contracts	-	34.22
	2,162.48	**1,457.44**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014

(Currency: In millions of Indian rupees)

		31 March 2014	31 March 2013
23.	**REVENUE FROM OPERATIONS**		
	Sale of services	31,270.23	28,440.18
	Other operating income (refer note 33)	(211.47)	(254.83)
		31,058.76	**28,185.35**
24.	**OTHER INCOME**		
	Profit on sale / redemption of current investments, net	6.93	70.27
	Loss on sale of investment in subsidiary	-	(9.43)
	Interest income	27.73	408.88
	Foreign exchange loss, net*	(56.14)	(19.57)
	Gain on sale of fixed assets, net	39.99	4.38
	Miscellaneous income	1.53	9.42
		20.04	**463.95**

* includes loss of ₹ Nil (31 March 2013: ₹ 21.81) recognised on account of translation of financial statements of foreign subsidiaries for the purpose of preparation of these consolidated financial statements.

		31 March 2014	31 March 2013
25.	**EMPLOYEE BENEFITS EXPENSE**		
	Salaries and wages	19,610.51	17,826.81
	Contribution to provident and other funds	892.52	870.83
	Staff welfare expenses	791.02	651.08
		21,294.05	**19,348.72**
26.	**FINANCE COSTS**		
	Interest expense		
	- on external commercial borrowings and term loan	765.35	624.30
	- on working capital demand loan and others	85.15	47.66
	Amortised cost on fair value of FCCB	-	106.40
	Bank guarantee commission	0.97	5.29
		851.47	**783.65**
27.	**OTHER EXPENSES**		
	Rent	1,296.68	1,221.80
	Rates and taxes	108.20	72.49
	Services rendered by business associates and others	63.78	89.19
	Legal and professional fees	644.04	641.21
	Car and other hire charges	484.10	459.02
	Connectivity charges	214.50	336.70
	Information and communication expenses	912.22	842.63
	Maintenance and upkeep	510.24	500.22
	Recruitment and training expenses	239.72	216.08
	Electricity, water and power consumption	394.12	412.64
	Travel and conveyance	446.73	455.57
	Computer expenses	268.17	196.97
	Insurance	233.14	180.53

(Currency: In millions of Indian rupees)

	31 March 2014	31 March 2013
Printing and stationery	117.78	114.78
Marketing and support fees	76.80	88.38
Payment to auditors		
- Statutory audit	14.50	14.44
- Other services	-	0.25
- Reimbursement of expenses	0.20	0.10
Meeting and seminar expenses	3.72	4.38
Advertisement and publicity	4.49	1.02
Directors' sitting fees	1.22	1.72
Provision for doubtful debts (written-back) / written-off , net	(31.96)	14.81
Bank administration charges	88.65	136.37
Miscellaneous expenses	52.42	39.71
	6,143.46	**6,041.01**

28. LEASES

Operating lease

The Company is obligated under non-cancellable operating leases for office space and office equipment which are renewable on a periodic basis at the option of both the lesser and lessee. Rental expenses under non-cancellable operating leases for the year ended 31 March 2014 aggregated to ₹ 764.17 (for the year ended 31 March 2013 aggregated to ₹ 801.66) of these expenses ₹ Nil (31 March 2013: ₹15.23) 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 2014	As at 31 March 2013
Amount due within one year from the balance sheet date	596.82	737.53
Amount due in the period between one year and five years	915.41	1,445.28
Amount due in the period beyond five years	203.71	269.86
	1,715.94	**2,452.67**

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 year ended 31 March 2014 aggregated ₹ 513.00 (for the year ended 31 March 2013 ₹ 544.85).

Finance lease

The Company has acquired certain capital assets under finance lease. Future minimum lease payments under finance lease as at 31 March 2014 are as follows:

	Minimum lease payments	Finance charges	Present value of minimum lease payments
As at 31 March 2014			
Amount payable within one year from the balance sheet date	61.66	6.69	54.97
Amount payable in the period between one year and five years	55.39	2.79	52.60
	117.05	**9.48**	**107.57**
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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014

(Currency: In millions of Indian rupees)

The Company has given vehicles on finance lease to its employees as per policy. As at 31 March 2014, the future minimum lease rentals receivables are as follows:

	Minimum lease payments	Finance charges	Present value of minimum lease payments
As at 31 March 2014			
Amount receivable within one year from the balance sheet date	24.71	4.67	20.04
Amount receivable in the period between one year and five years	36.01	4.14	31.87
	60.72	**8.81**	**51.91**
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**

29. EMPLOYEE STOCK OPTION PLAN

Stock option scheme 2002 ('Scheme 2002')

In September 2002, the Board of the Company approved the ICICI OneSource Stock Option Scheme 2002 ("the Scheme"), which covers the employees and directors of 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 2014		31 March 2013	
	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	60,000	9	86,875	9
Granted during the year	-	-	-	-
Forfeited during the year	30,000	-	26,875	-
Exercised during the year	30,000	-	-	-
Outstanding at the end of the year	-	-	60,000	9
Exercisable at the end of the year	-	-	60,000	-

(Currency: In millions of Indian rupees)

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 2014

(Currency: In millions of Indian rupees)

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

Description	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	00.00 - 30.00	31,424,649	95.83	28,924,274	95.24
beginning of the year	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**	
Granted during the year	00.00 - 30.00	11,075,000	-	12,675,000	-
	30.01 - 60.00	-	-	-	-
	60.01 - 90.00	-	-	-	-
Forfeited during the year	00.00 - 30.00	6,299,897	-	10,174,625	-
	30.01 - 60.00	2,859,375	-	7,611,563	-
	60.01 - 90.00	135,000	-	900,000	
		9,294,272		**18,686,188**	
Exercised during the year	00.00 - 30.00	2,123,625	-	-	-
	30.01 - 60.00	-	-	-	-
	60.01 - 90.00	-	-	-	-
Outstanding at the end of the year	00.00 - 30.00	34,076,127	91.96	31,424,649	95.83
	30.01 - 60.00	10,585,246	37.48	13,444,621	49.61
	60.01 - 90.00	2,944,262	43.13	3,079,262	55.99
		47,605,635		**47,948,532**	
Exercisable at the end of the year	00.00 - 30.00	15,468,002	76.14	14,502,774	80.88
	30.01 - 60.00	10,560,246	37.39	13,357,121	49.38
	60.01 - 90.00	2,944,262	43.13	3,079,262	55.99
		28,972,510		**30,939,157**	

Outstanding options as at 31 March 2014 out of Scheme 2002 is Nil and Scheme 2003 is 47,605,635 i.e. total outstanding is 47,605,635.

- 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 2014.
- 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 2014	31 March 2013
Net income as reported	1,929.62	1,465.92
Less: Stock-based employee compensation expense (fair value method)	(21.30)	76.08
Proforma net income	1,950.93	1,389.84
Basic earnings per share as reported (₹)	2.93	2.91
Proforma basic earnings per share (₹)	2.96	2.76
Diluted earnings per share as reported (₹)	2.82	2.82
Proforma diluted earnings per share (₹)	2.85	2.68

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%

(Currency: In millions of Indian rupees)

30. RELATED PARTY TRANSACTIONS

Details of related parties including summary of transactions entered into during the year ended 31 March 2014 are summarised below:

Ultimate Holding Company	• CESC Limited
Holding Company	• Spen Liq Private limited
Fellow Subsidiary Company	• Spencer Retail Limited
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
Non Executive Directors	• Sanjiv Goenka • Ananda Mukerji • Charles Miller Smith • Shailesh Mehta • K.P.Balaraj • Y.H.Malegam • Pradip Roy • Subrata Talukdar • Shashwat Goenka • Haigreve Khaitan • Donald W. Layden, Jr.

Particulars of related party transactions:

Name of the related party	Description	Transaction value during the year ended		Receivable / (Payable) as at	
		31 March 2014	31 March 2013	31 March 2014	31 March 2013
CESC Limited	Income from services	6.04	-	0.64	-
Spencer Retail Ltd	Employee benefits	0.21	-	-	-
Non executive directors	Sitting fees paid	1.22	1.72	-	-
Key Managerial Personnel and relatives	Remuneration*	44.99	47.34	- -	- -
Holding Company	Issue of shares (Including premium)	-	2,745.36	-	-

*Excludes ESOP, gratuity and compensated absences.

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

Description	31 March 2014	31 March 2013
Alexander Matthew Vallance	-	5.11
Rajesh Subramaniam	33.86	28.99
Dinesh Jain	11.13	8.49
Deep Babur	-	4.78

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014

31. 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 categorised 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.

(Currency: In millions of Indian rupees)

	31 March 2014	31 March 2013
Primary segment		
Segment revenue excluding other operating income		
UK	11,135.07	9,724.53
USA and Canada	14,583.73	13,133.47
India	2,784.20	2,993.17
Rest of the world	2,767.23	2,589.01
	31,270.23	28,440.18

	31 March 2014	31 March 2013
Segment result		
UK	1,905.51	1,007.35
USA and Canada	1,804.27	1,772.66
India	369.13	119.63
Rest of the world	266.36	293.14
	4,345.27	3,192.78
Finance cost	(851.47)	(783.65)
Other un-allocable expenditure, net of un-allocable income	(1,461.00)	(817.19)
Profit before taxation and minority interest	**2,032.80**	1,591.94
Taxation	(100.89)	(129.23)
Minority interest	(2.29)	3.21
Profit after taxation and minority interest	**1,929.62**	1,465.92

	31 March 2014	31 March 2013
Capital employed		
UK	1,475.99	1,911.96
USA and Canada	27,207.95	25,145.84
India	771.28	578.63
Rest of the world	881.29	628.01
Unallocated	1,559.41	1,804.97
	31,895.92	30,069.41

(Currency: In millions of Indian rupees)

	Revenue excluding other operating income for the year ended		Capital employed as at	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Secondary segment				
Banking, Financial Services and Insurance	6,579.21	6,736.23	3,463.67	2,864.50
Non-Banking, Financial Services and Insurance	24,691.02	21,703.95	26,872.84	25,399.94
Unallocated	-	-	1,559.41	1,804.97
	31,270.23	28,440.18	31,895.92	30,069.41

32. 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 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010
Change in present value of obligations					
Obligations at beginning of the year	117.79	119.88	99.14	87.96	74.66
Service cost	26.46	34.70	41.48	27.55	55.70
Interest cost	8.19	9.02	8.08	6.55	5.77
Actuarial (gain)/loss	(34.14)	(17.83)	(8.62)	(7.28)	(41.47)
Benefits paid	(25.69)	(27.98)	(20.20)	(15.64)	(6.69)
Obligations at the end of the year	92.61	117.79	119.88	99.14	87.97
Change in plan assets					
Fair value of plan assets at beginning of the year	50.69	68.43	70.88	44.44	46.11
Expected return on plan assets	3.45	5.13	5.99	5.02	3.87
Actuarial gain/(loss)	0.18	0.02	0.75	(1.22)	0.66
Contributions	20.00	0.82	10.03	36.98	-
Benefits paid	(25.68)	(23.71)	(19.22)	(14.34)	(6.20)
Fair value of plan assets at end of the year,	48.64	50.69	68.43	70.88	44.44
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	92.61	117.79	119.88	99.14	87.97
Fair value of plan assets at the end of year	(48.64)	(50.69)	(68.43)	(70.88)	(44.44)
Funded status being amount of liability recognised in the consolidated balance sheet	43.97	67.10	51.45	28.26	43.53
Gratuity cost for the year					
Service cost	26.46	34.70	38.38	27.55	55.70
Interest cost	8.19	9.02	8.08	6.55	5.76
Expected return on plan assets	(3.45)	(5.13)	(4.99)	(6.07)	(42.13)
Actuarial (gain)/loss	(34.32)	(17.85)	(9.36)	(5.02)	(3.87)
Net gratuity cost	(3.11)	20.75	32.11	23.01	15.46

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014

(Currency: In millions of Indian rupees)

Actual return on plan assets	3.63	5.15	6.74	3.80	4.53
Assumptions					
Interest rate	9.10%	8.05%	8.60%	8.30%	8.00%
Estimated rate of return on plan assets	9.00%	9.00%	9.00%	9.00%	8.00%
Rate of growth in salary levels	5.00%	8.00%	10.00%	10.00%	10.00%
Withdrawal rate	25.00% 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 year of service
On plan liabilities (gain) /loss	(34.14)	(14.17)	(8.93)	(13.23)	(12.51)
On plan assets (gain) / loss	(9.67)	(0.20)	(0.15)	1.22	(0.66)

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 ₹ 209.51 (31 March 2013: ₹ 183.84).

c) Compensated absences

Actuarial assumptions	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010
Interest rate	9.10%	8.05%	8.60%	8.30%	8.00%
Rate of growth in salary levels	5.00%	8.00%	10.00%	10.00%	10.00%

33. OTHER OPERATING INCOME

Other operating income of ₹ (211.47) (31 March 2013: ₹ (254.83)) includes net loss of ₹ 335.20 (31 March 2013: ₹ 298.32) on restatement and settlement of debtor balances and related gain / loss on forward/option contracts and income of ₹ 123.73 for the year ended 31 March 2014 (31 March 2013: ₹ 43.49) on account of grant income earned by FSL-UK.

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

	31 March 2014	31 March 2013
Number of shares considered as basic weighted average shares outstanding	658,388,622	503,507,816
Add: Effect of potential issue of shares/ stock options	26,060,201	8,073,425
Add: Adjustment relating to Foreign currency convertible bonds	-	46,714,060
Number of shares considered as weighted average shares and potential shares outstanding	684,448,823	558,295,301
Net profit after tax attributable to shareholders	1,929.62	1,465.92
Add: Interest on FCCB	-	106.40
Net profit after tax for diluted earnings per share	1,929.62	1,572.32

(Currency: In millions of Indian rupees)

35. CAPITAL AND OTHER COMMITMENTS AND CONTINGENT LIABILITIES

	31 March 2014	31 March 2013
The estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	74.40	85.40
Claims not acknowledged as debts	1.35	1.35
Guarantees given	3.44	0.94

Direct tax matters

Income tax demands amounting to ₹ 1,240.27 (31 March 2013: ₹ 442.39) 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 2013: ₹ 10.38) tax under protest against the demand raised for the assessment year 2004-05 , ₹ 12.50 (31 March 2013: Nil) tax under protest against the demand raised for the assessment year 2009-10 and ₹ 50.00 (31 March 2013: Nil) tax under protest against the demand raised for the assessment year 2011-12.

Indirect tax matters

The Service tax demands amounting to ₹ 125.52 (31 March 2013: ₹ 125.52) 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.

36. 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.

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 37).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2014

(Currency: In millions of Indian rupees)

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 ₹ 169 (31 March 2013: ₹ 281) and ₹ 3 (31 March 2013: ₹ 20) 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 ECB, 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.

37. DERIVATIVES

As at 31 March 2014, the Company has derivative financial instruments to sell USD 30,597,632 (31 March 2013: USD 20,673,912) having fair value gain of ₹ 45.84 (31 March 2013: loss of ₹ 9.61), GBP 51,429,893 (31 March 2013: GBP 22,827,009) having fair value loss of ₹ 125.53 (31 March 2013: gain of ₹ 57.24) and AUD 2,902,890 (31 March 2013: AUD 7,950,000) having fair value gain of ₹ 10.18 (31 March 2013: loss of ₹ 23.95) relating to highly probable forecasted transactions.

38. 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 2014	31 March 2013
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

39. 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. LLP
Chartered Accountants
Firm's Registration No. 101248W

Bhavesh Dhupelia
Partner
Membership No.: 042070

Place: Mumbai
Date: 2 May 2014

For and on behalf of the Board of Directors

Sanjiv Goenka
Chairman

Ananda Mukerji
Vice Chairman

Rajesh Subramaniam
Managing Director & 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

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

for the year ended 31 March 2014

(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	Firstsource Solution S.A# ARS
1		The Financial Year of the Subsidiary Companies ended on	31.03.2014	31.03.2014	31.03.2014	31.03.2014	31.03.2014	31.03.2014	31.03.2014	31.03.2014	31.03.2014	31.03.2014	31.03.2014	31.03.2014	31.03.2014
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	25.09.2006
3		Country of Incorporation	India	USA	USA	USA	USA	USA	UK	USA	USA	USA	Ireland	Srilanka	Argentina
4	a	Number of shares held by Firstsource Solutions Ltd and/ or its nominees in the subsidiaries as on 31.03.2014	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	>6024599 shares of ARS 1 each
	b	Extent of Interest of Firstsource Solutions Ltd (holding Company) in the Subsidiaries as on 31.3.2014	100%	100%	100%	@ 100%	^ 100%	^ 100%	100%	◊100%	+ 100%	Δ 100%	100%	74%	>99.98%
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, 2014	-	-	-	-	-	-	-	-	-	-	-	2.25	-
	b	For the previous financial years of the Subsidiary since it became a Subsidiary	-	-	-	-	-	-	-	-	-	-	-	(0.81)	-
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, 2014(PAT)	(0.36)	(305.94)	(0.09)	134.03	61.88	1.79	388.53	-	(38.98)	207.29	57.38	6.41	-
	b	For the previous financial years of the Subsidiary since it became a Subsidiary	(69.53)	485.53	325.35	380.82	7.88	27.08	594.77	-	1,337.37	305.57	92.80	(1.52)	-

FINANCIAL INFORMATION

Paid-up Share Capital	10.50	13.09	-	0.60	-	-	282.80	0	-	-	*	48.90	-
Reserves & Surplus	20.12	12,332.51	1,328.29	1,092.73	-	-	1,234.02	4,222.18	3,262.44	690.32	189.71	6.84	-
Total Assets	30.63	23,302.54	2,380.39	1,359.86	-	-	4,794.04	5,884.93	3,502.95	859.68	790.07	93.06	-
Total Liabilities (excluding Capital and Reserves)	0.02	10,956.94	1,052.09	266.53	-	-	3,277.22	1,662.75	240.51	169.36	600.36	37.33	-
Investments (excluding Investments in Subsidiaries)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Income	4.66	1,948.40	-	3,099.66	66.56	3.27	10,291.84	-	5,815.43	3,576.63	2,123.68	232.52	-
Profit / (Loss) Before Tax	(0.36)	(329.94)	(0.09)	134.03	61.88	1.79	509.23	-	(38.26)	207.29	65.58	8.79	-
Provision for Tax	-	(23.29)	-	-	-	-	120.70	-	0.71	-	8.20	0.13	-
Profit / (Loss) After Tax	(0.36)	(306.65)	(0.09)	134.03	61.88	1.79	388.53	-	(38.98)	207.29	57.38	8.66	-
Proposed Dividend (including Tax thereon)	-	-	-	-	-	-	-	-	-	-	-	-	-

Notes:

$ Converted to Indian Rupees at the Exchange Rate, 1 USD = INR 59.9150

Converted to Indian Rupees at the Exchange Rate, 1 ARS = INR 7.5444

£ Converted to Indian Rupees at the Exchange Rate, 1 GBP = INR 99.765

€ Converted to Indian Rupees at the Exchange Rate, 1 EUR = INR 82.685

₹Converted to Indian Rupees at the Exchange Rate, 1 LKR = INR 0.4583

@ Held by Firstsource Business Process Service LLC

^ Held by Firstsource Advantage LLC

> Held by Firstsource Solutions UK Limited

◊ Held by Firstsource Group USA, Inc.

+ Held by MedAssist Holding, Inc.

Δ Held by Firstsource Solutions USA LLC

Firstsource Solutions S.A., Argentina a subsdiary of Firstsource Solutions UK Limited, has been restated during the year as option to exercise the sale has been expired.

Twin Lakes Property LLC-I and Twin Lakes Property LLC-II has been dissolved during the year on 27 March 2014.

INDEPENDENT AUDITOR'S 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 2014, 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") which, as per a clarification issued by the Ministry of Corporate Affairs, continues to apply under Section 133 of the Companies Act 2013 (which has superseded Section 211(3C) of the Companies Act 1956 w.e.f. 12 September 2013). Additionally, the Company has early adopted Accounting Standard (AS) 30, Financial Instruments: Recognition and Measurement, 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 but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 2014;

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 34 to the financial statements that describes the early adoption by the Company of AS 30, Financial Instruments: Recognition and Measurement, read with AS 31, Financial Instruments – Presentation, along with prescribed limited revisions to other Accounting Standards Prescribed under the Act, 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 and Reserves and Surplus at year end are higher by ₹ 208 million and by ₹ 2,754 million respectively.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2003 ('the Order') , as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the 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 and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of Section 211 of the Act. Additionally, the Company has early adopted AS 30, Financial Instruments: Recognition and Measurement, read with AS 31, Financial Instruments – Presentation, along with prescribed limited revisions to other Accounting Standards prescribed under the Act as stated in Emphasis of Matter paragraph above; and

e. on the basis of written representations received from directors of the Company as at 31 March 2014 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2014 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. LLP**
Chartered Accountants
Firm's Registration No: 101248W

Bhavesh Dhupelia
Partner
Membership No: 042070

Mumbai
2 May 2014

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT

(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 during the year.

   (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. The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Act.

4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and with regard to the sale of services. The activities of the Company do not involve purchase of inventory and sale of goods. We have not observed any major weakness in the internal control system during the course of our audit.

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 2014 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 AUDITOR'S REPORT

(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) read with Section 147	148	2006-07	Commissioner of Income Tax -Appeals
Income-tax Act, 1961	Assessment under Section 143 (3) read with section 147	19	2007-08	Commissioner of Income Tax -Appeals
Income-tax Act, 1961	Assessment under Section 143 (3) read with Section 147	2	2008-09	Income tax Appellate Tribunal
Income-tax Act, 1961	Assessment under Section 143 (3) read with Rule 92 CA (4)	49	2009-10	Commissioner of Income Tax –Appeals
Income-tax Act, 1961	Assessment under Section 143 (3) read with Section 144(3)	455	2009-10	Income tax Appellate Tribunal
Income-tax Act, 1961	Assessment under Section 201 (1) and 201 (1A)	289	2011-12	Commissioner of Income Tax –Appeals
Income-tax Act, 1961	Assessment under Section 201 (1) and 201 (1A)	112	2012-13	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 current financial year and in the immediately preceding financial year.

11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers. The Company did not have any dues to debentureholders or to any financial institutions during the year.

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

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

Bhavesh Dhupelia
Partner
Membership No: 042070

Mumbai
2 May 2014

BALANCE SHEET

as at 31 March 2014

(Currency: In millions of Indian rupees)

	Note	31 March 2014	31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	6,597.35	6,576.74
Reserves and surplus	4	7,204.60	5,748.17
		13,801.95	**12,324.91**
Share application money received under ESOP scheme		0.66	-
Non-current liabilities			
Long-term borrowings	5	1,217.72	1,127.64
Long-term provisions	6	62.57	95.59
		1,280.29	**1,223.23**
Current liabilities			
Short-term borrowings	7	661.26	-
Trade payables	8	305.94	443.61
Other current liabilities	9	1,599.69	2,162.31
Short-term provisions	10	41.66	49.92
		2,608.55	**2,655.84**
TOTAL		**17,691.45**	**16,203.98**
ASSETS			
Non-current assets			
Fixed assets	11		
- Tangible assets		447.13	538.96
- Intangible assets		408.90	425.17
- Capital work-in-progress		0.50	17.60
		856.53	**981.73**
Non-current investments	12	11,731.28	11,686.07
Deferred tax assets	13	406.64	406.64
Long-term loans and advances	14	951.53	868.79
Other non-current assets	15	899.41	650.67
		14,845.39	**14,593.90**
Current assets			
Trade receivables	16	1,852.43	827.18
Cash and bank balances	17	287.79	253.32
Short-term loans and advances	18	399.30	249.24
Other current assets	19	306.54	280.34
		2,846.06	**1,610.08**
TOTAL		**17,691.45**	**16,203.98**
Significant accounting policies	2		

The accompanying notes from 1 to 38 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. LLP
Chartered Accountants
Firm's Registration No. 101248W

Bhavesh Dhupelia
Partner
Membership No.: 042070

Sanjiv Goenka
Chairman

Ananda Mukerji
Vice Chairman

Rajesh Subramaniam
Managing Director & 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

Place: Mumbai
Date: 2 May 2014

Dinesh Jain
CFO

Sanjay Gupta
Company Secretary

STATEMENT OF PROFIT & LOSS

for the year ended 31 March 2014

(Currency: In millions of Indian rupees)

	Note	31 March 2014	31 March 2013
INCOME			
Revenue from operations	20	9,173.28	8,808.15
Other income	21	152.13	925.76
		9,325.41	**9,733.91**
EXPENSES			
Employee benefits expense	22	4,607.91	4,715.57
Finance costs	23	177.19	527.98
Depreciation and amortisation	11	527.19	576.58
Other expenses	24	2,668.42	2,739.89
		7,980.71	**8,560.02**
Profit before taxation		**1,344.70**	**1,173.89**
Less : Provision for taxation			
- Current tax including MAT		269.04	256.15
Less: MAT credit entitlement		(269.04)	(256.15)
Net current tax		-	-
-Deferred tax credit		-	-
Profit after taxation		**1,344.70**	**1,173.89**
Earnings per share	30		
Weighted average number of equity shares outstanding during the year			
- Basic		658,388,622	503,507,816
- Diluted		684,448,823	511,581,241
Earnings per share (₹)			
- Basic		2.04	2.33
- Diluted		1.96	2.29
Nominal value per share (₹)		10	10
Significant accounting policies	2		

The accompanying notes from 1 to 38 are an integral part of the financial statements.

As per our report of even date attached.

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

Bhavesh Dhupelia
Partner
Membership No.: 042070

Place: Mumbai
Date: 2 May 2014

For and on behalf of the Board of Directors

Sanjiv Goenka Chairman	Ananda Mukerji Vice Chairman	Rajesh Subramaniam Managing Director & 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

CASH FLOW STATEMENT

for the year ended 31 March 2014

(Currency: In millions of Indian rupees)

	31 March 2014	31 March 2013
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	1,344.70	1,173.89
Adjustments for		
Depreciation and amortisation	527.19	576.58
Provision for doubtful debts / (written back)	(2.40)	(4.41)
Gain on sale of fixed assets, net	(11.92)	(3.35)
Foreign exchange loss, net	101.87	423.89
Finance costs	90.15	159.91
Interest and dividend income	(26.55)	(411.19)
Provision for diminution in value of investments	67.50	-
Profit on sale / redemption of investments	(5.67)	(69.15)
Rent expense on account of adoption of AS 30	18.56	22.17
Operating cash flow before changes in working capital	**2,103.43**	**1,868.34**
Changes in working capital		
(Increase) / Decrease in trade receivables	(997.82)	844.37
(Increase) / Decrease in loans and advances and other assets	(27.02)	262.64
(Increase) / Decrease in liabilities and provisions	(861.68)	536.77
Net changes in working capital	**(1,886.52)**	**1,643.78**
Income taxes paid	(390.65)	(212.47)
Net cash (used in) / generated from operating activities (A)	**(173.74)**	**3,299.65**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investment in mutual funds / government securities	-	(9,076.61)
Sale of investment in mutual funds / government securities	5.67	9,899.20
Interest and dividend income received	8.03	419.97
Capital expenditure	(26.36)	(162.24)
Sale of fixed assets	16.57	-
Maturity of deposit having maturity more than three months but less than twelve months	-	4,903.86
Net cash generated from investing activities (B)	**3.91**	**5,984.18**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds / (Repayment) from unsecured loan – others	274.10	(380.76)
Repayment of secured loan	(6.12)	-
Proceeds from secured loan	-	1,085.70
Repayment of unsecured loan – FCCB, including expenses	-	(13,019.41)
Proceeds from issuance of equity shares and share application money (net of share issue expenses)	26.55	2,662.36
Interest paid	(92.23)	(49.60)
Net cash generated from / (used in) financing activities (C)	**202.30**	**(9,701.71)**
Net Increase / (Decrease) in Cash and cash equivalents at the end of the year (A+B+C)	32.47	(417.88)
Cash and cash equivalents at the beginning of the year	253.32	659.43
Balance of RevIT brought forward as of 31 March 2012, incorporated pursuant to the scheme of amalgamation	-	11.77
Cash and cash equivalents at the end of the year	**285.79**	**253.32**

CASH FLOW STATEMENT

for the year ended 31 March 2014

(Currency: In millions of Indian rupees)

Notes to the cash flow statement

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

	31 March 2014	31 March 2013
Balances with banks		
- in current accounts	285.72	253.10
- in deposit accounts (with original maturity of three months or less)	-	0.13
Cash on hand	0.07	0.09
	285.79	**253.32**

Note: The above cash flow statement has been prepared under the indirect method set out in Accounting Standard – 3.

As per our report of even date attached.

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

Bhavesh Dhupelia
Partner
Membership No.: 042070

Place: Mumbai
Date: 2 May 2014

For and on behalf of the Board of Directors

Sanjiv Goenka
Chairman

Ananda Mukerji
Vice Chairman

Rajesh Subramaniam
Managing Director & 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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

(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.

Effective 1 April 2013, the Company has changed the classification of its branch as non-integral foreign operations per criteria laid down in AS 11 (Revised) "Effects of changes in foreign exchange rates". However, the impact of this change in classification is not considered material.

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, incorporated under the laws of United Kingdom.	100%
Firstsource Solutions S.A. (FSL-Arg)	A subsidiary of FSL - UK, incorporated under the laws of Argentina. *	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 Lake 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, incorporated under the laws of the State of Delaware, USA	100%
Firstsource Solutions USA LLC (earlier known as MedAssist LLC)	A subsidiary of MedAssist Holding, Inc., incorporated in the State of Delaware, USA.	100%
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 (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%

* The option to exercise the sale with the buyer has lapsed and hence the investment has been restated in the books of account.

** Dissolved during the year

(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, the relevant provisions of the Companies Act, 2013, 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. 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 centre and transaction processing services comprises from both time / unit price and fixed fee based service contracts. Revenue from time / unit price based contracts is recognised as services are rendered and is billed in accordance with the contractual terms specified in the customer contracts. Revenue from fixed fee based service contracts is recognised on achievement of performance milestones specified in the customer contracts.

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

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

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 summarised 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, 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

(Currency: In millions of Indian rupees)

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 arerecognised 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 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.

(Currency: In millions of Indian rupees)

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.

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 realised 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 and 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 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 are translated at the year end exchange rates and the resulting net gain or loss is recognised in the statement of profit and loss.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

(Currency: In millions of Indian rupees)

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.

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 36 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 Foreign currency translation

The financial statements are reported in Indian rupees. The translation of the local currency of each integral foreign entity into Indian rupees is performed in respect

(Currency: In millions of Indian rupees)

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 non-integral entity, 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 year. The difference arising out of the translations are transferred to Exchange difference on consolidation of non-integral entities under Reserves and surplus.

2.12 Earnings per share

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

2.13 Provisions and contingencies

The Company creates a provision when there is 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.

2.14 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.

	31 March 2014	31 March 2013
3. SHARE CAPITAL		
Authorised		
872,000,000 (31 March 2013: 872,000,000) equity shares of ₹ 10 each	8,720.00	8,720.00
	8,720.00	**8,720.00**
Issued, subscribed and paid-up		
659,734,876 (31 March 2013: 657,673,751) equity shares of ₹ 10 each, fully paid-up	6,597.35	6,576.74
	6,597.35	**6,576.74**

NOTES TO THE FINANCIAL STATEMENTS

as at 31 March 2014

(Currency: In millions of Indian rupees)

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

	31 March 2014		31 March 2013	
	Number of shares	Amount	Number of shares	Amount
At the commencement of the year	657,673,751	6,576.74	430,776,307	4,307.76
Additional shares issued during the year- Preferential allotment	-	-	226,897,444	2,268.98
Shares issued during the year – Stock options	2,061,125	20.61	-	-
At the end of the year	659,734,876	6,597.35	657,673,751	6,576.74

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

	31 March 2014		31 March 2013	
	Number of shares	% of total shares	Number of shares	% of total shares
Spen Liq Private Limited	373,976,673	56.69	373,976,673	56.86

ICICI Bank Limited holds 4.87%, 32,138,966 shares (31 March 2013: 6.88% 45,266,823 shares)

Rahthen Investment Company Limited (formerly known as Metavante Investments (Mauritius) Limited) holds 3.01%, 18,860,425 shares (31 March 2013: 6.90% 45,382,175 shares)

c. Shares held by holding company

	31 March 2014		31 March 2013	
	Number of shares	% of total shares	Number of shares	% of total shares
Spen Liq Private Limited	373,976,673	3,739.76	373,976,673	3,739.76

d. Employees stock options

For stock options granted during the period to employees and non-executive directors – (refer note 26).

e. Shares reserved for issue under options

47,605,636 (31 March 2013: 48,008,532) number of shares are reserved for employees and non-executive directors for issue under the employee stock options plan (ESOP) amounting to ₹ 476.06 (31 March 2013: ₹ 480.20) - (refer note 26).

f. Rights, preferences and restrictions attached to equity shares

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shareholders are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder are in proportion to its share of the paid-up equity capital of the Company.

On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

(Currency: In millions of Indian rupees)

		31 March 2014	31 March 2013
4.	**RESERVES AND SURPLUS**		
	Securities premium account		
	At the commencement of the year	1,663.52	1,827.50
	Add : Premium on shares issued during the year	5.28	476.38
	Less: Amortisation during the year of premium payable on redemption of FCCB	-	(557.37)
	Share issue expenses	-	(82.99)
	At the end of the year	**1,668.80**	**1,663.52**
	Amalgamation deficit adjustment account	**(1,136.72)**	**(1,136.72)**
	General reserve		
	At the commencement of the year	30.68	668.21
	Add : Accumulated balance of RevIT brought forward, incorporated pursuant to the scheme of amalgamation	-	2.70
	Less: Adjustment of amalgamation deficit pursuant to the scheme of amalgamation	-	(640.23)
	At the end of the year	**30.68**	**30.68**
	Capital redemption reserve		
	At the commencement of the year	-	-
	Add : Accumulated balance of RevIT brought forward, incorporated pursuant to the scheme of amalgamation	-	24.98
	Less: Adjustment of amalgamation deficit pursuant to the scheme of amalgamation of RevIT	-	(24.98)
	At the end of the year	-	-
	Hedging reserve (refer note 34)		
	At the commencement of the year	(7.89)	(267.29)
	Add : Accumulated balance of RevIT brought forward and for 2012 , incorporated pursuant to the scheme of amalgamation of RevIT	-	(18.64)
	Movement during the year	(95.78)	278.04
	At the end of the year	**(103.67)**	**(7.89)**
	Foreign currency translation reserve		
	At the commencement of the year	-	-
	Movement during the year	202.23	-
	At the end of the year	**202.23**	-
	Surplus (profit and loss balance)		
	At the commencement of the year	5,198.58	3,401.52
	Add: Accumulated balance of RevIT brought forward, incorporated pursuant to the scheme of amalgamation of RevIT	-	623.17
	Add : Net profit for the year	1,344.70	1,173.89
	At the end of the year	**6,543.28**	**5,198.58**
	Total reserves and surplus	**7,204.60**	**5,748.17**

NOTES TO THE FINANCIAL STATEMENTS

as at 31 March 2014

(Currency: In millions of Indian rupees)

		31 March 2014	31 March 2013
5.	**LONG-TERM BORROWINGS**		
	Secured		
	Term loan - from banks		
	External commercial borrowings (ECB) - (refer note a)	1,180.33	1,080.27
	Long-term maturities of finance lease obligations - (refer note b and 25)	27.37	26.60
	Unsecured		
	Other loans and advances		
	Loan from non-banking financing companies - (refer note c)	10.02	20.77
		1,217.72	**1,127.64**

a. External commercial borrowing carries interest at the rate of LIBOR + 471 bps. The loan is repayable from December 2013 up to June 2019 in quarterly installments. The loan is secured against pari passu charge on all current assets, non-current assets and fixed assets of the Company and its subsidiaries except assets of Anunta, FDS.

b. Finance lease obligation carries interest in the range of 6% - 12.5% for the period of 3 - 5 years from January 2011 up to November 2016 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 July 2011 to August 2017 the date of its origination, repayable in quarterly installments from the date of its origination.

		31 March 2014	31 March 2013
6.	**LONG-TERM PROVISIONS**		
	Provision for employee benefits		
	Gratuity	39.94	63.87
	Compensated absences	22.63	31.72
		62.57	**95.59**
7.	**SHORT-TERM BORROWINGS**		
	Secured		
	Export finance from banks	661.26	-
		661.26	**-**

Export finance from banks including post-shipment and pre-shipment carries interest in the range of LIBOR + 230 bps to LIBOR + 270 bps. The same is repayable on demand / receipt from customers.

		31 March 2014	31 March 2013
8.	**TRADE PAYABLES**		
	Trade payables for services and goods	305.94	443.61
	For dues to micro and small suppliers, (refer note - 36)		
		305.94	**443.61**

NOTES TO THE FINANCIAL STATEMENTS

as at 31 March 2014

(Currency: In millions of Indian rupees)

	31 March 2014	31 March 2013
9. OTHER CURRENT LIABILITIES		
Current maturities of long-term borrowings		
External commercial borrowings - [refer note 5(a)]	11.98	5.43
Finance lease obligation - [refer note 5(b)]	29.41	20.74
Loan from non-banking financing companies - [refer note 5(c)]	19.51	37.47
Interest accrued but not due	2.68	4.76
Others		
Amount payable to subsidiary, including advance received for future services	892.60	1,515.81
Book credit in bank account	273.85	244.05
Creditors for capital goods	61.30	33.22
Tax deducted at source	23.77	29.67
Employee benefits payable	238.66	271.16
Exchange loss on derivative contracts	45.93	-
	1,599.69	**2,162.31**
10. SHORT-TERM PROVISIONS		
Compensated absences	41.66	49.92
	41.66	**49.92**

NOTES TO THE FINANCIAL STATEMENTS

as at 31 March 2014

(Currency: In millions of Indian rupees)

11. FIXED ASSETS

	Tangible assets							Intangible Assets					
	Leasehold improvements	Computers	Service equipment	Furniture & fixture	Office equipment	Vehicles	Total	Goodwill	Domain name	Software	Total	Grand total	Capital Work in Progress
Gross block (at cost)													
As at 1 April 2013	1,143.80	759.29	567.34	343.01	951.63	0.41	**3,765.48**	759.97	6.72	498.45	**1,265.14**	**5,030.62**	17.60
Additions/ adjustments during the year*	81.37	27.86	46.48	18.46	55.36	6.19	**235.72**	204.02	-	74.27	**278.29**	**514.01**	0.50
Deletions during the year	(209.98)	(17.27)	(114.16)	(27.82)	(5.06)	-	**(374.29)**	-	-	-	**-**	**(374.29)**	(17.60)
As at 31 March 2014	**1,015.19**	**769.88**	**499.66**	**333.65**	**1,001.93**	**6.60**	**3,626.91**	**963.99**	**6.72**	**572.72**	**1,543.43**	**5,170.34**	**0.50**
Accumulated depreciation / amortisation													
As at 1 April 2013	940.44	714.68	499.24	257.61	814.38	0.17	**3,226.52**	413.02	6.72	420.23	**839.97**	**4,066.49**	-
Charge for the year	112.38	30.00	30.40	26.66	78.50	1.10	**279.04**	200.31	-	47.84	**248.15**	**527.19**	-
On deletions/ adjustments during the year*	(180.72)	(11.92)	(102.74)	(25.76)	(4.81)	0.17	**(325.78)**	44.83	-	1.58	**46.41**	**(279.37)**	-
As at 31 March 2014	**872.10**	**732.76**	**426.90**	**258.51**	**888.07**	**1.44**	**3,179.78**	**658.16**	**6.72**	**469.65**	**1,134.53**	**4,314.31**	**-**
Net block as at 31 March 2014	**143.09**	**37.12**	**72.76**	**75.14**	**113.83**	**5.16**	**447.13**	**305.83**	**-**	**103.07**	**408.90**	**856.03**	**0.50**
As at 31 March 2013	203.36	44.61	68.10	9.36	213.29	0.24	**538.96**	346.95	-	78.22	**425.17**	**964.13**	17.60

* Includes adjustments relating to foreign exchange on account of translation of foreign entities.

	Tangible assets							Intangible Assets					
	Leasehold improvements	Computers	Service equipment	Furniture, fixture	Office equipment	Vehicles	Total	Goodwill	Domain name	Software	Total	Grand total	Capital Work in Progress
Gross block (at cost)													
As at 1 April 2012	1,190.13	699.23	545.58	378.03	899.16	2.97	**3,715.10**	759.97	6.72	371.75	**1,138.44**	**4,853.54**	18.73
Additions during the year	26.87	18.13	15.36	3.55	35.04	-	**98.95**	-	-	42.40	**42.40**	**141.35**	17.60
On merger of RevIT pursuant to scheme	20.42	97.72	6.40	0.87	28.03	-	**153.44**	-	-	85.12	**85.12**	**238.56**	-
Deletions during the year	(93.62)	(55.79)	-	(39.44)	(10.60)	(2.56)	**(202.01)**	-	-	(0.82)	**(0.82)**	**(202.83)**	(18.73)
As at 31 March 2013	**1,143.80**	**759.29**	**567.34**	**343.01**	**951.63**	**0.41**	**3,765.48**	**759.97**	**6.72**	**498.45**	**1,265.14**	**5,030.62**	**17.60**
Accumulated depreciation / amortisation													
As at 1 April 2012	896.62	640.09	459.01	266.68	693.38	0.89	**2,956.67**	223.93	6.72	300.99	**531.64**	**3,488.31**	-
Charge for the year	126.01	40.15	36.08	29.28	109.85	0.77	**342.14**	189.09	-	45.35	**234.44**	**576.58**	-
On merger of RevIT pursuant to scheme	7.50	88.78	4.15	0.58	21.40	-	**122.41**	-	-	74.71	**74.71**	**197.12**	-
On deletions during the year	(89.69)	(54.34)	-	(38.92)	(10.26)	(1.49)	**(194.70)**	-	-	(0.82)	**(0.82)**	**(195.52)**	-
As at 31 March 2013	**940.44**	**714.68**	**499.24**	**257.61**	**814.38**	**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**	**85.39**	**137.26**	**0.24**	**538.96**	**346.95**	**-**	**78.22**	**425.17**	**964.13**	**17.60**
As at 31 March 2012	293.51	59.14	86.57	111.35	205.78	2.08	**758.43**	536.04	-	70.76	**606.80**	**1,365.23**	18.73

(Currency: In millions of Indian rupees)

The above assets include assets taken on lease as follows:

	Tangible assets				Intangible assets	
	Leasehold improvements	Computers	Service equipment	Furniture, fixture and office equipment	Software	Total
Gross block (at cost)						
As at 1 April 2013	21.98	64.75	106.03	32.43	5.34	230.53
As at 31 March 2014	**21.98**	**63.71**	**103.20**	**32.43**	**38.90**	**260.22**
Accumulated depreciation/ amortisation						
As at 1 April 2013	7.06	62.58	99.93	10.33	2.88	182.78
As at 31 March 2014	**16.30**	**63.71**	**103.20**	**14.67**	**15.49**	**213.37**
Net block as at 31 March 2014	**5.68**	**-**	**-**	**17.76**	**23.41**	**46.85**
As at 31 March 2013	14.92	2.17	6.10	22.09	2.46	47.74

	Tangible assets				Intangible assets	
	Leasehold improvements	Computers	Service equipment	Furniture, 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	-	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 / amortisation						
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	-	0.99	2.69	-	-	3.68
As at 31 March 2013	**7.06**	**62.58**	**99.93**	**10.33**	**2.88**	**182.78**
Net block as at 31 March 2013	**14.92**	**2.17**	**6.10**	**22.10**	**2.46**	**47.74**
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 2014

(Currency: In millions of Indian rupees)

		31 March 2014	31 March 2013
12.	**NON-CURRENT INVESTMENTS**		
	Trade (Unquoted)		
	Investments in subsidiaries		
	2,834,672 (31 March 2013: 2,834,672) fully paid up equity shares of GBP 1 each of Firstsource Solutions UK Limited	18.35	18.35
	218,483 (31 March 2013: 218,483) fully paid-up common stock of USD 1 each of Firstsource Group USA Inc.	11,590.00	11,476.87
	1,050,000 (31 March 2013: 1,050,000) fully paid-up equity shares of ₹ 10 each of Anunta Tech Infrastructure Services Limited	100.50	100.50
	6,823,570 (31 March 2013: 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 2013: 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) *	26.39	26.81
		11,798.78	**11,686.07**
	Less : Provision for diminution in value of Investment	(67.50)	-
		11,731.28	**11,686.07**
	* 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	339.46
	Gratuity and compensated absences	67.18	67.18
		406.64	**406.64**
14.	**LONG-TERM LOANS AND ADVANCES**		
	(Unsecured, considered good)		
	To parties other than related parties	1.28	0.29
	Deposits (refer note 34)	308.16	
	Other loans and advances		350.47
	Prepaid expenses	23.05	22.60
	Lease rentals receivable, net	31.87	29.87
	Advance tax and tax deducted at source	587.17	465.56
		951.53	**868.79**
15.	**OTHER NON-CURRENT ASSETS**		
	(Unsecured, considered good unless otherwise stated)		
	Bank deposits- Due to mature after twelve months from reporting date*(refer note 17)	0.48	2.48
	Accrued interest	0.65	0.44
	Unamortised cost (refer note 34)	32.94	51.46
	Minimum alternate tax credit carried forward	865.34	596.29
		899.41	**650.67**
	* Under lien for bank guarantees to the Customs authorities		

NOTES TO THE FINANCIAL STATEMENTS

as at 31 March 2014

(Currency: In millions of Indian rupees)

		31 March 2014	31 March 2013
16.	**TRADE RECEIVABLES**		
	(Unsecured)		
	Receivables outstanding for a period exceeding six months from the date they became due for payment		
	- considered doubtful	-	2.40
		-	**2.40**
	Less: Provision for doubtful debts	-	2.40
		-	-
	Others receivables		
	- considered good	1,852.43	827.18
		1852.43	**827.18**
17.	**CASH AND BANK BALANCES**		
	Cash and cash equivalents		
	Balances with banks		
	- in current accounts	285.72	253.10
	- in deposit accounts (with original maturity of three months or less)	-	0.13
	Cash on hand	0.07	0.09
		285.79	**253.32**
	Other bank balances		
	- Bank deposits due to mature after twelve months from the reporting date	0.48	2.48
	- Bank deposits due to mature after three months but before twelve months from the reporting date	2.00	-
		288.27	**255.80**
	Less: Bank deposits due to mature after twelve months from the reporting date (refer note 15)	(0.48)	(2.48)
		287.79	**253.32**
18.	**SHORT-TERM LOANS AND ADVANCES**		
	(Unsecured, considered good)		
	To related parties		
	Advances to subsidiaries	240.99	127.34
	To parties other than related parties		
	Prepaid expenses	88.32	73.16
	Lease rentals receivable, net	20.04	20.13
	Others		
	Other advances	49.95	28.61
		399.30	**249.24**
19.	**OTHER CURRENT ASSETS**		
	(Unsecured, considered good, unless otherwise stated)		
	Unbilled receivables	254.52	204.94
	Unamortised costs (refer note 34)	18.68	25.45
	Recoverable on sale of subsidiary – Pipal	33.34	33.34
	Exchange gain on derivative contracts	-	16.61
		306.54	**280.34**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

(Currency: In millions of Indian rupees)

		31 March 2014	31 March 2013
20.	**REVENUE FROM OPERATIONS**		
	Sale of services	9,541.72	9,106.37
	Other operating income (refer note 29)	(368.44)	(298.22)
		9,173.28	**8,808.15**
21.	**OTHER INCOME**		
	Profit on sale / redemption of current investments, net	5.67	69.15
	Interest income	26.55	411.19
	Foreign exchange gain, net		
	- Exchange loss on ECB / FCCB	(26.09)	(518.04)
	- Exchange gain on translation of investments (refer note 34)	113.13	802.75
	- Others	(151.76)	28.84
	Gain on sale of fixed assets, net	11.92	3.35
	Miscellaneous income	172.71	128.52
		152.13	**925.76**
22.	**EMPLOYEE BENEFITS EXPENSE**		
	Salaries and wages	4,259.19	4,307.16
	Contribution to provident and other funds	318.27	351.34
	Staff welfare expenses	30.45	57.07
		4,607.91	**4,715.57**
23.	**FINANCE COSTS**		
	Interest expense		
	- on external commercial borrowings	70.52	32.92
	- on working capital demand loan and others	14.28	11.58
	Finance charges on leased assets	4.38	3.72
	Bank guarantee commission	0.97	5.29
	Amortised cost on fair value of FCCB	-	106.39
	Net loss on foreign currency transactions and translation to the extent regarded as borrowing cost	87.04	368.08
		177.19	**527.98**

(Currency: In millions of Indian rupees)

	31 March 2014	31 March 2013
24. OTHER EXPENSES		
Rent	692.01	687.09
Rates and taxes	1.98	4.39
Legal and professional fees	170.45	187.98
Car and other hire charges	421.43	407.89
Connectivity charges	124.30	234.42
Maintenance and upkeep	313.66	338.63
Recruitment and training expenses	116.70	101.30
Electricity, water and power consumption	307.46	332.24
Travel and conveyance	102.11	150.61
Computer expenses	109.06	79.54
Communication expenses	86.59	74.08
Insurance	90.77	62.49
Printing and stationery	18.76	20.18
Payment to auditors		
- Statutory audit	14.50	14.44
- Other services	-	0.25
- Reimbursement of expenses	0.20	0.10
Meeting and seminar expenses	3.13	3.46
Directors' sitting fees	1.22	1.72
Provision for doubtful debts / (written-back) / written-off, net	(2.40)	(4.41)
Bank administration charges	3.92	3.92
Miscellaneous expenses	25.07	39.57
Provision for diminution in value of Investment	67.50	-
	2,668.42	**2,739.89**

25. 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 2014 aggregated ₹ 405.27 (31 March 2013: ₹ 428.90).

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

	As at 31 March 2014	As at 31 March 2013
Amount due within one year from the balance sheet date	316.60	335.46
Amount due in the period between one year and five years	281.82	398.28
Amount due in the period beyond 5 years	-	-
	598.42	**733.74**

The Company also leased 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 2014 is ₹ 164.89 (31 March 2013: ₹ 324.47)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

(Currency: In millions of Indian rupees)

Finance lease

The Company has acquired certain capital assets under finance lease. Future minimum lease payments under finance lease as at 31 March 2014 are as follows:

	Minimum lease payments	Finance charges	Present value of minimum lease payments
As at 31 March 2014			
Amount due within one year from the balance sheet date	33.21	3.80	29.41
Amount due between one year and five years	29.02	1.65	27.37
	62.23	**5.45**	**56.78**
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**

The Company has given vehicles on finance lease to its employees as per policy. As at 31 March 2014, the future minimum lease rentals receivable are as follows:

	Minimum lease payments	Finance charges	Present value of minimum lease payments
As at 31 March 2014			
Amount receivable within one year from the balance sheet date	24.70	4.66	20.04
Amount receivable in the period between one year and five years	36.02	4.15	31.87
	60.72	**8.81**	**51.91**
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**

26. 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

(Currency: In millions of Indian rupees)

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 2014		31 March 2013	
	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	60,000	9	86,875	10
Granted during the year	-	-	-	-
Forfeited during the year	30,000	-	26,875	-
Exercised during the year	30,000	-	-	-
Outstanding at the end of the year	-	-	60,000	9
Exercisable at the end of the year	-	-	60,000	9

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);
- 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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

(Currency: In millions of Indian rupees)

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	Exercise Range (in ₹)	31 March 2014 Shares arising out of options	31 March 2014 Weighted average remaining contractual term (in months)	31 March 2013 Shares arising out of options	31 March 2013 Weighted average remaining contractual term (in months)
Outstanding at the beginning 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	3,979,262	55.99	3,979,262	67.52
		47,948,532		**53,959,720**	
Granted during the year	00.00 - 30.00	11,075,000	-	12,675,000	-
	30.01 - 60.00	-	-	-	-
	60.01 - 90.00	-	-	-	-
Forfeited during the year	00.00 - 30.00	6,299,897	-	10,174,625	-
	30.01 - 60.00	2,859,375	-	7,611,563	-
	60.01 - 90.00	135,000	-	900,000	-
		9,294,272		**18,686,188**	
Exercised during the year	00.00 - 30.00	2,123,625	-	-	-
	30.01 - 60.00	-	-	-	-
	60.01 - 90.00	-	-	-	-
		2,123,625	**-**	**-**	
Outstanding at the end of the year	00.00 - 30.00	34,076,127	91.96	31,424,649	95.83
	30.01 - 60.00	10,585,246	49.61	13,444,621	49.61
	60.01 - 90.00	2,944,262	55.99	3,079,262	55.99
		47,605,635		**47,948,532**	
Exercisable at the end of the year	00.00 - 30.00	15,468,002	80.88	14,502,774	80.88
	30.01 - 60.00	10,560,246	49.38	13,357,121	49.38
	60.01 - 90.00	2,944,262	55.99	3,079,262	55.99
		28,972,510		**30,939,157**	

Outstanding options as at 31 March 2014 out of Scheme 2002 is Nil and Scheme 2003 is 47,605,635 i.e. total outstanding is 47,605,635.

- The aggregate stock option pool under Employee Stock Option Scheme 2002 and Employee Stock Option Scheme 2003 is 55% fully diluted equity shares as of 31 March 2014.

(Currency: In millions of Indian rupees)

- 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 2014	31 March 2013
Net income as reported	1,344.70	1,173.89
Less: Stock-based employee compensation expense (fair value method)	(21.30)	(32.35)
Proforma net income	1,366.00	1,206.24
Basic earnings per share as reported (₹)	2.04	2.33
Proforma basic earnings per share (₹)	2.07	2.40
Diluted earnings per share as reported (₹)	1.96	2.29
Proforma diluted earnings per share (₹)	2.00	2.36

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%

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

(Currency: In millions of Indian rupees)

27. RELATED PARTY TRANSACTIONS

Details of related parties including summary of transactions entered into during the year ended 31 March 2014 are summarised below:

Ultimate Holding Company	• CESC Limited
Holding Company	• Spen Liq Private limited
Fellow Subsidiary	• Spencer Retail Limited
Subsidiaries wherein control exists	The related parties where control exists are subsidiaries as referred below :- • Firstsource Solutions UK Limited (FSL UK) • 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 • Firstsource Solution S.A. (FSL Arg)
Key Managerial Personnel	• Rajesh Subramaniam • Dinesh Jain
Non Executive Directors	• Sanjiv Goenka • Ananda Mukerji • Charles Miller Smith • Shailesh Mehta • K.P.Balaraj • Y.H.Malegam • Pradip Roy • Subrata Talukdar • Shashwat Goenka • Haigreve Khaitan • Donald W. Layden, Jr.

* Dissolved during year.

(Currency: In millions of Indian rupees)

27. RELATED PARTY TRANSACTIONS

Name of the related party	Description	Transaction value during the year ended		Receivable / (Payable) at	
		31 March 2014	31 March 2013	31 March 2014	31 March 2013
FSL UK	Income from services	2,855.06	2,549.09	415.79	135.90
	Reimbursement of expenses	28.84	28.47	(5.92)	-
	Recovery of expense	155.92	104.31	111.49	50.73
	Investment in equity	-	-	18.35	18.35
	Goodwill on asset purchase	-	-	(339.50)	(515.45)
	Receipt of services	908.00	1,769.30	(636.13)	(349.81)
	Parental guarantee	71.62	27.94	71.62	27.94
	Advance received	1,772.50	1,333.87	-	543.33
FAL	Income from services	340.67	407.23	177.66	21.41
	Reimbursement of expenses	1.61	3.44	-	-
	Recovery of expense	40.99	36.38	36.28	33.19
	Advance received	-	0.73	-	(0.71)
Med assist	Income from services	65.03	85.26	44.94	52.84
	Reimbursement of expenses	3.00	0.06	(2.49)	-
	Recovery of expense	36.46	30.78	28.57	24.43
FG US	Income from services	795.05	879.41	366.71	25.59
	Reimbursement of expenses	14.31	7.35	-	-
	Recovery of expense	46.13	13.32	35.30	11.49
	Investment in equity	-	-	11,590.00	11,477.27
	Loan repaid	-	-		
	Parental guarantee	79.09	78.02	79.09	78.02
	Advance received	-	252.03	-	(144.23)
Anunta Tech	Recovery of expenses	-	14.61	-	13.28
	Reimbursement of expenses	0.23	0.21	-	-
	Intercompany advance	-	80.01	-	(76.10)
	Investment in equity	-	-	100.50	100.50
FDS	Recovery of expenses	2.50	6.00	1.23	0.60
	Investment in equity	-	-	46.18	46.18
FTS	Income from services	790.48	517.23	307.74	(42.66)
	Reimbursement of expenses	0.63	0.32	0.18	-
	Recovery of expenses	43.44	29.58	36.70	25.52
FSL BPO Ireland Limited	Investment in equity	-	-	17.36	17.36
	Loan to Ireland	-	251.11	-	-
	Interest income	-	7.40	-	-
	Recovery of expense	2.22	2.42	1.68	0.11
	Parental guarantee	19.84	16.68	19.84	16.68
CESC Limited	Income from services	6.04	-	0.64	-
Spencer Retail Ltd.	Employee benefits	0.21	-	-	-
Spen Liq Pvt. Ltd.	Issue of shares (including premium)	-	(2,745.36)	2,745.36	(2,745.36)
Non-executive directors	Sitting fees paid	1.22	1.72	-	-
Key managerial Personnel	Remuneration*	44.99	43.48	-	-

*excluding ESOP, gratuity and compensated absences.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

(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 2014	31 March 2013
Rajesh Subramaniam	33.86	28.99
Dinesh Jain	11.13	8.49
Deep Babur	-	4.78

28. EMPLOYEE BENEFITS

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 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010
Change in present value of obligations					
Obligations at beginning of the year *	114.57	110.58	86.84	78.22	66.10
Service cost	25.65	33.37	31.65	23.85	53.73
Interest cost	8.19	8.49	6.41	5.68	4.95
Actuarial gain	(34.14)	(14.17)	(8.99)	(6.58)	(40.36)
Benefits paid	(25.69)	(23.71)	(19.19)	(14.33)	(6.20)
Obligations at the end of the year	88.58	114.56	96.72	86.84	78.22
Change in plan assets					
Fair value of plan assets at beginning of the year	50.69	68.43	70.88	44.44	46.11
Expected return on plan assets	3.45	5.13	5.99	5.02	3.87
Actuarial gain	0.18	0.02	0.75	(1.22)	0.66
Contributions	20.00	0.82	10.00	36.98	0.00
Benefits paid	(25.68)	(23.71)	(19.19)	(14.34)	(6.20)
Fair value of plan assets at end of the year	48.64	50.69	68.43	70.88	44.44
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	88.58	114.56	96.72	86.84	78.22
Fair value of plan assets at the end of year	(48.64)	(50.69)	(68.43)	(70.88)	(44.44)
Funded status being amount of liability recognised in the balance sheet	39.94	63.87	28.29	15.96	33.78
Gratuity cost for the year					
Service cost	25.64	33.37	31.65	23.85	53.73
Interest cost	8.19	8.49	6.41	5.68	4.95
Expected return on plan assets	(3.45)	(5.13)	(5.99)	(5.02)	(3.87)
Actuarial (gain) / loss	(34.31)	(14.19)	(9.74)	(5.36)	(41.02)
Net gratuity cost	(3.93)	22.54	22.33	19.15	13.79
Actual return on plan assets	13.13	5.15	6.74	3.80	4.53
Assumptions					
Interest rate	9.10%	8.05%	8.60%	8.30%	8.00%
Estimated rate of return on plan assets	9.00%	9.00%	9.00%	9.00%	8.00%
Rate of growth in salary levels	5.00%	8.00%	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 year of service

* Inclusive of Rev IT

(Currency: In millions of Indian rupees)

Experience adjustments	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010
On plan liabilities (gain) / loss	(19.19)	0.89	(8.99)	(5.45)	(10.64)
On plan assets (gain) / loss	(9.67)	0.02	(0.46)	1.22	(0.66)

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 ₹ 209.51 (31 March 2013: ₹ 183.12).

c) Compensated absences

Actuarial assumptions	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010
Interest rate	9.10%	8.05%	8.60%	8.30%	8.00%
Rate of growth in salary levels	5.00%	8.00%	10.00%	10.00%	10.00%

29. 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.

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

	31 March 2014	31 March 2013
Number of shares considered as basic weighted average shares outstanding	658,388,622	503,507,816
Add: Effect of potential issue of shares/ stock options	26,060,201	8,073,425
Number of shares considered as weighted average shares and potential shares outstanding	684,448,823	511,581,241
Net profit after tax attributable to shareholders	1,344.70	1,173.89*
Net profit after tax for diluted earnings per share	1,344.70	1,173.89*

* The EPS for the year ended 31st March 2013 has been recalculated after excluding from the earnings, the profit of Rev IT merged with the company for the year ended 31st March 2012 previously included therein. Accordingly, for the previous year, the basic EPS is revised from ₹ 2.70 to ₹ 2.33 and the diluted EPS from ₹ 2.66 to ₹ 2.29 per share. The EPS for the previous year is not strictly comparable since in the previous year,amortisation of premium payable on redemption of FCCB amounting to ₹ 557.37 million had been charged to the Securities Premium Account.

31. CAPITAL AND OTHER COMMITMENTS AND CONTINGENT LIABILITIES

	31 March 2014	31 March 2013
The estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	57.12	62.74
Claims not acknowledge as debt	1.35	1.35
Guarantees and letters of credit given	16,504.10	14,155.52

Direct tax matters

Income tax demands amounting to ₹ 1,240.27 (31 March 2013: ₹ 442.39) 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 2013: ₹ 10.38) tax under protest against the demand raised for the assessment year 2004-05 , ₹ 12.50 (31 March 2013: Nil) tax under protest against the demand raised for the assessment year 2009-10 and ₹ 50.00 (31 March 2013: Nil) tax under protest against the demand raised for the assessment year 2011-12.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

(Currency: In millions of Indian rupees)

Indirect tax matters

The Service tax demands amounting to ₹ 125.52 (31 March 2013: ₹ 125.52) 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.

32. SUPPLEMENTARY STATUTORY INFORMATION (ACCRUAL BASIS)

		31 March 2014	31 March 2013
(i).	**Value of imports calculated on CIF basis**		
	Capital goods	302.22	156.77
(ii).	**Earnings in foreign exchange**		
	Income from services	4,462.54	5,722.31
	Interest income	-	7.40
	Other income	170.55	122.65
(iii).	**Expenditure in foreign currency**		
	Marketing and support services	3.48	0.21
	Travel and conveyance	24.68	24.67
	Repairs and maintenance	5.56	2.21
	Interest	60.87	126.72
	Connectivity charges	23.73	53.22
	Legal and professional fees	16.61	19.67
	Other expenses (including expenses on FCCB buy back)	-	0.51

33. 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 31 of the consolidated financial statements).

34. 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.

(Currency: In millions of Indian rupees)

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.

The Company has also designated forward contracts and payable on asset acquisition 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 ₹ 208 (31 March 2013: higher by ₹ 1,099) and ₹ 2,754 (31 March 2013: higher by ₹ 2,134) respectively The increase in Reserve and Surplus includes translation gain on the investment in non-integral foreign operation used as hedge against translation loss on ECB, which is currently credited to Reserve and Surplus, would be realised upon disposal of non-integral foreign operation.

35. DERIVATIVES

As at 31 March 2014, the Company has derivative financial instruments to sell USD 30,597,632 (31 March 2013: USD 20,673,912) having fair value gain of ₹ 45.84 (31 March 2013: loss of ₹ 9.61), GBP 51,429,893 (31 March 2013: GBP 22,827,009) having fair value loss of ₹ 125.53 (31 March 2013: gain of ₹ 57.24) and AUD 2,902,890 (31 March 2013: AUD 7,950,000) having fair value gain of ₹ 10.18 (31 March 2013: loss of ₹ 23.95) relating to highly probable forecasted transactions.

Foreign currency exposures on loans and receivables that are not hedged by derivative instruments or otherwise are ₹ 249.43 (equivalent to USD 2.41 million, EUR 0.25 million and GBP 0.85 million) (31 March 2013: ₹ 346.04 (equivalent to USD 2.73 million, EUR 0.24 million and LKR 1.40 million)).

36. 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 2014	31 March 2013
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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

(Currency: In millions of Indian rupees)

37. Others matter specified in Revised Schedule VI to the Companies Act, 1956 are either Nil or not applicable to the Company for the year.

38. PRIOR PERIOD COMPARATIVES

Figures for the current period are not strictly comparable to those of previous period, which comprises effect of scheme of amalgamation.

As per our report of even date

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

Bhavesh Dhupelia
Partner
Membership No.: 042070

Place: Mumbai
Date: 2 May 2014

For and on behalf of the Board of Directors

Sanjiv Goenka
Chairman

Ananda Mukerji
Vice Chairman

Rajesh Subramaniam
Managing Director & 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

NOTICE

NOTICE is hereby given that the Thirteenth Annual General Meeting of the Members of Firstsource Solutions Limited will be held on Friday, August 1, 2014 at 3.00 p.m. at Manik Sabhagriha, 'Vishwakarma' M. D. Lotlikar Vidya Sankul, Opp. Lilavati Hospital, Bandra Reclamation, Mumbai 400 050 to transact the following businesses:

ORDINARY BUSINESS

1. To consider and adopt the audited financial statements of the Company for the financial year ended March 31, 2014 including the Balance Sheet, the statement of Profit & Loss, Cash Flow Statement and the reports of the Board of Directors and Auditors thereon; and

2. To appoint **Mr. Ananda Mukerji** (DIN 00015304), as a Director of the Company, who retires by rotation and being eligible, offers himself for re-appointment.

3. To appoint **Mr. Shashwat Goenka** (DIN 03486121), as a Director of the Company, who retires by rotation and being eligible, offers himself for re-appointment.

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

   "RESOLVED THAT M/s. B S R & Co. LLP, 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 next Annual General Meeting, at a remuneration to be fixed by the Audit Committee of the Board of Directors of the Company."

SPECIAL BUSINESS

5. **APPOINTMENT OF MR. Y. H. MALEGAM AS AN INDEPENDENT DIRECTOR OF THE COMPANY**

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

   "**RESOLVED THAT** pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 ("the Act") and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, **Mr. Y. H. Malegam** (DIN 00092017), a Director of the Company, from whom a notice has been received under Section 160(1) of the Act proposing his candidature for the office of Director of the Company, be and is hereby appointed as an Independent Director on the Board of Directors of the Company for 5 (five) consecutive years upto March 31, 2019, not liable to retire by rotation."

6. **APPOINTMENT OF DR. SHAILESH J. MEHTA AS AN INDEPENDENT DIRECTOR OF THE COMPANY**

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

   "RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 ("the Act") and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, **Dr. Shailesh J. Mehta** (DIN 01633893), a Director of the Company, from whom a notice has been received under Section 160(1) of the Act, proposing his candidature for the office of Director of the Company, be and is hereby appointed as an Independent Director on the Board of Directors of the Company for 5 (five) consecutive years upto March 31, 2019, not liable to retire by rotation."

7. **APPOINTMENT OF MR. CHARLES MILLER SMITH AS AN INDEPENDENT DIRECTOR OF THE COMPANY**

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

   "RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 ("the Act") and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, **Mr. Charles Miller Smith** (DIN 00950635), a Director of the Company, from whom a notice has been received under Section 160(1) of the Act, proposing his candidature for the office of Director of the Company, be and is hereby appointed as an Independent Director on the Board of Directors of the Company for 5 (five) consecutive years upto March 31, 2019, not liable to retire by rotation."

8. **APPOINTMENT OF MR. DONALD W. LAYDEN JR. AS AN INDEPENDENT DIRECTOR OF THE COMPANY**

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

   "RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 ("the Act") and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, **Mr. Donald W. Layden Jr.** (DIN 01268078), a Director of the Company, from whom a notice has been received under Section 160(1) of the Act, proposing his candidature for the office of Director of the

Company, be and is hereby appointed as an Independent Director on the Board of Directors of the Company for 5 (five) consecutive years upto March 31, 2019, not liable to retire by rotation."

9. **APPOINTMENT OF MR. PRADIP ROY AS AN INDEPENDENT DIRECTOR OF THE COMPANY**

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

"RESOLVED THAT pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 ("the Act") and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, **Mr. Pradip Roy** (DIN 00026457), a Director of the Company, from whom a notice has been received under Section 160(1) of the Act, proposing his candidature for the office of Director of the Company, be and is hereby appointed as an Independent Director on the Board of Directors of the Company upto the conclusion of the Seventeenth Annual General Meeting of the Company to be held for the financial year 2017-18, not liable to retire by rotation."

10. **TO APPROVE BORROWING POWERS OF THE BOARD OF DIRECTORS OF THE COMPANY**

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

"RESOLVED THAT in supersession of the resolution passed under Section 293(1)(d) of the Companies Act, 1956 at the Annual General Meeting of the Company held on July 29, 2009 and pursuant to Section 180(1)(c) of the Companies Act, 2013 (hereinafter referred to as the "Act") and all other applicable provisions, if any, of the the Act (including any statutory modification or re-enactment thereof, for the time being in force), consent of the Company be and is hereby given to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof), to borrow any sum or sums of money for the purpose of the business of the Company including by issue of securities in Indian or International Market(s) or from one or more Lending Financial Institutions/ Banks/ Bodies Corporate/ Firms/ Foreign Investors or other Persons by way of fund based/ non-fund based term loans/ Letter of Credit/ working capital loans or financial facilities in any other form, upto an aggregate amount of ₹ 25,00,00,00,000 (Rupees Two Thousand Five Hundred Crores), or equivalent amount in any other foreign currency, notwithstanding that the monies to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may, at any time, exceed the aggregate of the paid up capital of the Company and its free reserves (that is to say reserves not set apart for any specific purpose) and that the Board be and is hereby empowered and authorised to arrange or fix the terms and conditions of all such monies to be borrowed from time to time as to interest, repayment, security or otherwise as they may, at their absolute discretion, think fit.

RESOLVED FURTHER THAT the Board be and is hereby authorised to settle any question, difficulty or doubt that may arise in respect of the aforesaid borrowing(s), do all such acts, deeds, matters and things as it may at its absolute discretion deem necessary, execute all documents and writings as may be necessary, proper, desirable or expedient to give effect to this resolution."

11. **CREATION OF MORTGAGE/ CHARGES ON THE MOVABLE AND IMMOVABLE PROPERTIES OF THE COMPANY, BOTH PRESENT AND FUTURE, IN RESPECT OF BORROWINGS**

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

"RESOLVED THAT in supersession of the resolution passed under Section 293(1)(a) of the Companies Act, 1956 at the Extra-Ordinary General Meeting of the Company held on November 22, 2007 and pursuant to Section 180(1)(a) and all other applicable provisions, if any, of the Companies Act, 2013 (hereinafter referred to as the "Act") (including any statutory modification or reenactment thereof, for the time being in force), consent of the Company be and is hereby given to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof) to mortgage and/ or charge, in addition to the mortgages and/ or charges created/ to be created by the Company, in such form and manner and with such ranking as to priority and for such time and on such terms as the Board may determine, all or any of the movable and/ or immovable, tangible and/ or intangible properties of the Company, both present and future, in favour of Lending Financial Institutions/ Banks/ Bodies Corporate/ Firms/ Foreign Investors or Persons, lender(s), agent(s), trustee(s) for securing the borrowings of the Company availed/ to be availed by way of loan(s) (in foreign currency and/or Indian currency) and securities (comprising fully/ partly convertible debentures and/ or non-convertible debentures with or without detachable or non detachable warrants and/or secured premium notes and/or floating rates notes/ bonds or other debt instruments), Commercial papers, issued/ to be issued by the Company whether in India or abroad, term loans/ fund based or non fund based working capital loans/short term loans/ long term loans/ temporary loans/ Letter of credit/

Guarantees/ and to secure any other form of borrowing made from time to time upto an aggregate amount not exceeding ₹ 25,00,00,00,000 (Rupees Two Thousand Five Hundred Crores), or equivalent amount in any other foreign currency, at any point of time, together with interest at the respective agreed rates, additional interest, compound interest in case of default, accumulated interest, liquidated damages, commitment charges, premia on pre-payment, remuneration of agent(s) trustee(s), premium (if any) on redemption, all other costs, charges and expenses, including any increase as a result of devaluation/ revaluation /evaluation/ fluctuation in the rates of exchange and all other monies payable by the Company in terms of loan agreement(s), heads of agreement(s), debenture trust deed or any other document entered into/ to be entered into between Company and the lender(s)/ agent(s)/ trustee(s), in respect of the said loans/borrowings/debentures/ other securities and containing such specific terms and conditions and covenants in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Board thereof and the lender(s)/ agent(s)/ trustee(s).

RESOLVED FURTHER THAT the Board be and is hereby authorised to settle any question, difficulty or doubt that may arise in respect of the aforesaid creation of mortgage/ charges, do all such acts, deeds, matters and things as it may at its absolute discretion deem necessary, execute all documents and writings as may be necessary, proper, desirable or expedient to give effect to this resolution."

12. AMENDMENT OF ARTICLES OF ASSOCIATION OF THE COMPANY

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

"RESOLVED THAT pursuant to Section 14 of the Companies Act 2013 (hereinafter referred to as the "Act") and all other applicable provisions, if any, of the Act (including any statutory modification or reenactment thereof, for the time being in force), consent of the Company be and is hereby given to amend Articles of Association of the Company by substitution of existing Articles of by a new set of Articles of Association.

RESOLVED FURTHER THAT the Board be and is hereby authorised to settle any question, difficulty or doubt that may arise to give effect to the above resolution, do all such acts, deeds, matters and things as it may at its absolute discretion, deem necessary, execute all documents and writings as may be necessary, proper, desirable or expedient to give effect to this resolution."

By Order of the Board of Directors

Sanjay Gupta
Vice President – Corporate Affairs and
Company Secretary

June 27, 2014

Firstsource Solutions Limited
CIN: L64202MH2001PLC134147
Registered Office:
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Mindspace, Link Road,
Malad (West),
Mumbai - 400 064
Tel : +91-22-66660888
Fax: +91-22-66660887
www.firstsource.com
Email: complianceofficer@firstsource.com

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND, ON A POLL, TO VOTE ON HIS BEHALF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY.** A person can act as a proxy on behalf of members not exceeding 50 and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. In case a proxy is proposed to be appointed by a member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder.

2. Corporate members intending to send their authorised representatives to attend the Annual General Meeting ("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 Register of Members and Share Transfer Books of the Company will be closed from Friday, July 25, 2014 to Friday, August 1, 2014 (both days inclusive).

4. 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.

5. Members are requested to bring their duly filled Attendance Slip along with the copy of Annual Report at the AGM.

6. 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.

7. Members holding shares in electronic (dematerialised) form are advised to send the requests for change of address, bank particulars, 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. Members holding shares in physical from are advised to send such requests to the Registrar & Transfer Agent of the Company.

8. 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.

9. 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.

10. Unclaimed share application money aggregating to ₹ 945,280 in respect of the Company's Initial Public Offer in 2007, has been transferred to the Investor Education and Protection Fund (IEPF) on March 4, 2014.

11. The Notice of the AGM along with the Annual Report 2013-14 is being sent by electronic mode to those Members whose e-mail addresses are registered with the Company/ Depository Participants unless any Member has requested for a physical copy of the same. For Members who have not registered their e-mail addresses, physical copies are being sent by the permitted mode. To support the 'Green Initiative', the Members who have not registered their e-mail addresses, are requested to register the same with your Depository Participants. Members holding shares in physical mode are requested to register their email-id with the Registrar & Tranfer Agent of the Company.

12. Voting through Electronic means:

    (i) In compliance with the provisions of section 108 of the Act and the Rules framed thereunder, the businesses as mentioned in this Notice of AGM may be transacted through electronic voting system. Accordingly, the Members are being provided with the facility to cast their vote electronically, through the e-voting services provided by NSDL, on all resolutions set forth in this Notice.

    (ii) The voting through electronic means will commence on Saturday, July 26, 2014 at 10.00 a.m. and will end on Monday, July 28, 2014 at 7.00 p.m. The Members will not be able to cast their vote electronically beyond the date and time mentioned above.

    (iii) The Company has appointed Ms. Amrita Nautiyal, a Company Secretary in whole time practice (email: amrita.nautiyal@gmail.com), to act as the Scrutinizer for conducting the electronic voting process in a fair and transparent manner.

    (iv) The procedure and instructions for the voting through electronic means are as follows:

    a. Launch the internet browser by typing the following URL:https://www.evoting.nsdl.com.

    b. Click on "Shareholder-Login" to cast your vote.

    c. Put your user Id and password mentioned at the bottom of the Proxy form being sent alongwith this Notice. Members, whose e-mail addresses are registered with the Company/ Depository Participants, are being informed their user Id and password details by email. Please use this password as the initial password. Click login. If you are already registered with NSDL for e-voting then you can use your existing user Id and password for login.

    d. If you are logging in for the first time, Password Change Menu appears. Change the password of your choice with minimum 8 digits/ characters or a combination thereof. Please note the new password for all the future e-voting cycles offered on NSDL e-voting Platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

    e. Home page of "e-voting" opens. Click on "e-voting": Active Voting Cycles.

    f. Select "EVEN (E-Voting Event Number)" of FIRSTSOURCE SOLUTIONS LIMITED which is 100411. For an EVEN, you can login any number of times on e-voting platform of NSDL till you have voted on the resolution during the voting period.

    g. Now you are ready for "e-voting" as "Cast Vote" Page opens.

    h. Cast your vote by selecting appropriate option and click "Submit" and also "Confirm" when prompted. Kindly note that vote once cast cannot be modified.

    i. Institutional members (i.e. members other than individuals, HUF, NRIs, etc.) are also required to send scanned copy (PDF/JPG format) of the relevant Board Resolution/ Authority Letter etc. together with the attested specimen signature(s) of the duly authorised signatory(ies) who are authorised to vote, to the Scrutinizer Ms. Amrita Nautiyal through email at: amrita.nautiyal@gmail.com with a copy marked to evoting@nsdl.co.in.

    j. Once the vote on a resolution is cast by a member, he shall not be allowed to change it subsequently.

    k. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for members and e-voting user manual for members available at the "downloads" section of https://www.evoting.nsdl.com or contact NSDL by email at evoting@nsdl.co.in.

l. Members have an option to vote either through e-voting or casting a vote at the Meeting. If a Member has opted for e-voting, then he should not cast his vote at the Meeting also and vice-a-versa. However, in case, a Member has cast his vote at the Meeting and also by e-voting, then voting done through e-voting shall prevail and voting done at the Meeting shall be treated as invalid.

m. The Scrutinizer will submit his report to the Chairman after completion of the scrutiny. The result of the voting on the Resolutions at the Meeting shall be announced by the Chairman or any other person authorized by him on or before Monday, August 4, 2014 and will also be posted on the Company's website and on NSDL's website alongwith the Scrutinizer's report.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 5, 6,7,8 & 9

Mr. Y. H. Malegam, Dr. Shailesh J. Mehta, Mr. Charles Miller Smith, Mr. Donald W. Layden Jr. and Mr. Pradip Roy were appointed as Independent Directors by the Board of Directors of the Company. Their appointment/ re- appointment was also approved by the shareholders of the Company at the Annual General Meetings of the Company held earlier. According to the provisions of Section 149(10) of the Companies Act, 2013, ("the Act"), an Independent Directors shall hold office for a term upto five(5) consecutive years on the Board, but shall be eligible for re-appointment on passing a special resolution by the Company. However, Clause 49 of the Listing Agreement of Stock Exchange, as amended with effect from October 1, 2014, provides that an Independent Director, who has already completed a term of 5 years on the Board of a Company, shall be eligible for re-appointment as an Independent Director for one term of upto 5 years only. All the above-named Independent Directors of the Company, except Mr. Pradip Roy, have already completed a term of more than 5 years on the Board of the Company. Further Section 149(13) stipulates that the Independent Director so appointed shall not be liable to be retire by rotation under Section 152 of the Companies Act, 2013.

In view of the aforesaid provisions, the Compensation cum Board Governance Committee (renamed as Nomination and Remuneration Committee) of the Board and the Board of Directors of the Company have recommended the appointment of Mr. Y. H. Malegam, Dr. Shailesh J. Mehta, Mr. Charles Miller Smith and Mr. Donald W. Layden Jr. as Independent Directors upto March 31, 2019 and appointment of the Pradip Roy for a term upto the conclusion of the Seventeenth Annual General Meeting of the Company to be held for the financial year 2017-18, not liable to retire by rotation. Their brief resumes are given in the Annexure to this Notice.

All the above-named Independent Directors have given a declaration to the Board that they meet the criteria of independence as provided under section 149(6) of the Act. In the opinion of the Board, all these Directors fulfill the conditions specified in the Act and the Rules framed thereunder for appointment as Independent Directors and are independent of the management. Notices have also been received from above-named Independent Directors of the Company pursuant to Section 160(1) of the Act, signifying their intention to propose their candidature for appointment as Independent Directors of the Company, alongwith prescribed deposit of ₹ 100,000/- (or an equivalent amount in foreign currency) with each notice.

Copies of the draft letters of appointment of above-named Independent Directors, setting out the terms and conditions of appointment is available for inspection by members at the registered office of the Company.

This statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement.

All the above-named Independent Directors may be deemed to be concerned or interested in the respective resolutions for their appointments. None of the other Directors and Key Managerial Personnel of the Company or their relatives is concerned or interested in the respective Resolutions in the accompanying Notice. In compliance with the provisions of Section 149 read with Schedule IV of the Act, the appointment of the as above named Directors as Independent Directors is now being placed before the Members for their approval. The Board recommends the appointment of all the above-named Directors as Independent Directors on the Board of the Company as set out at Item Nos. 5, 6, 7, 8 and 9 respectively of the Notice for approval by the Members.

Item No. 10

At the Annual General Meeting of the Company held on July 29, 2009, the members of the Company had, by way of Ordinary Resolution and in pursuance of the provisions of Section 293(1)(d) of the Companies Act, 1956, enhanced the borrowing powers of the Board of Directors of the Company upto ₹ 2,500 crores (Rupees Two Thousand Five Hundred Crores only).

Under section 180(1)(c) of the Companies Act, 2013 ("the Act'), the Board of Directors of the Company requires the approval of the members by way of a special resolution to borrow money, where the money to be borrowed, together with the money already borrowed by the Company, exceeds the aggregate of paid- up share capital and free reserves of the Company apart from temporary loans obtained from banks.

Further the Ministry of Corporate Affairs ("MCA") has, vide its General Circular No 4/2014 dated March 25, 2014, clarified that the Ordinary Resolution passed under Sections 293(1)(d) of the Companies Act, 1956, would be valid for a period of one year after commencement of section 180 of the Act, i.e. upto September 11, 2014.

Accordingly, the approval of the Members for the said borrowings is therefore now being sought, by way of a Special Resolution, pursuant to Section 180(1)(c) of the Act. The member may kindly note that the Board is not proposing any increase in the existing borrowing powers for approval of members.

The Board recommends the Resolution at Item No. 10 of the accompanying Notice for the approval of the Members of the Company.

None of the Directors and Key Managerial Personnel of the Company or their relatives is concerned or interested in the Resolution at Item No. 10 of the accompanying Notice.

Item No. 11

At the Extra Ordinary General Meeting of the Company held on November 22, 2007, the members of the Company had, by way of Ordinary Resolution and in pursuance of the provisions of Section 293(1)(a) of the Companies Act, 1956, approved creation of a mortgage or charge for the borrowings, as security by way of mortgage / hypothecation on the Company's assets in favour of lending agencies and trustees for the amounts borrowed upto ₹1,500 crores (Rupees One Thousand Five Hundred Crores) only.

Under section 180(1)(a) of the Companies Act, 2013 ("the Act), the Board of Directors of the Company requires the approval of the members by way of a special resolution to sell, lease or dispose of the whole or substantially the whole of the undertaking of the company or where there are more than one undertaking, than the whole or substantially the whole of any of such undertakings.

Further the Ministry of Corporate Affairs ("MCA") has, vide its General Circular No 4/2014 dated March 25, 2014, clarified that the Ordinary Resolution passed under Sections 293(1)(a) of the Companies Act, 1956, would be valid for a period of one year after commencement of section 180 i.e. upto September 11, 2014.

Accordingly, the approval of the Members for mortgaging movable and immovable properties of the Company for creation of mortgage/ charge as security against the borrowings of the Company, is therefore now being sought, by way of a Special Resolution, pursuant to Section 180(1)(a) of the Act. The said limits are also proposed to be increased to ₹ 2,500 crores (Rupees Two Thousand Five Hundred Crores) to be in line with the borrowing powers of the Board.

The Board recommends the Resolution at Item No. 11 of the accompanying Notice for the approval of the Members of the Company.

None of the Directors and Key Managerial Personnel of the Company or their relatives is concerned or interested in the Resolution at Item No. 11 of the accompanying Notice.

Item No. 12

In view of the enactment of new Companies Act, 2013 (the Act), most of the provisions of which have come into effect on or before 1st April, 2014, various clauses contained in the existing Articles of the Company are required to be modified/ amended/ deleted to give effect to the provisions of the new Act. Further, various new clauses are also required to be inserted in the existing Articles for the similar reason.

It is therefore proposed to substitute the existing Articles of Association of the Company by a new set of Articles of Association to give effect to the provisions of the Act. As per Section 14 of the Act, the Company may alter its Articles by a special resolution passed by its members.

The approval of the Members for alteration of Articles by substitution of existing Articles of Association of the Company by a new set of Articles of Association, is being sought, by way of a Special Resolution, pursuant to Section 14 of the Act.

The Board recommends the Resolution at Item No. 12 of the accompanying Notice for the approval of the Members of the Company.

None of the Directors and Key Managerial Personnel of the Company or their relatives is concerned or interested in the Resolution at Item No. 12 of the accompanying Notice.

By Order of the Board of Directors

Sanjay Gupta
Vice President – Corporate Affairs and
Company Secretary

June 27, 2014

Firstsource Solutions Limited
CIN: L64202MH2001PLC134147

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Mumbai - 400 064
Tel : +91-22-66660888
Fax: +91-22-66660887
www.firstsource.com
Email: complianceofficer@firstsource.com

ANNEXURE TO THE NOTICE

Mr. Ananda Mukerji, 55 years, has a Post Graduate Diploma in Management (PGDM) from Indian Institute of Management (IIM), Kolkata and a graduate degree from Indian Institute of Technology (IIT), Kharagpur.

Mr. Mukerji is founder and Chairman of Anunta Technology Management Services Limited, a new generation IT Infrastructure Management company. Prior to this, he was the founding CEO of the Company viz. Firstsource Solutions Limited and headed the Company from its inception till July 2010. He has over

25 years experience in Board and senior management positions with particular experience in establishing new businesses and scaling them. He had an association with the ICICI Group for over a decade during which he set up and managed a number of new businesses for the group including the infrastructure, structured finance and advisory businesses. He has also had stints with Bharti Enterprises Limited, Enron India Limited and BPL Communications Limited.

Mr. Mukerji is a member of the Nomination and Remuneration Committee of the Board of the Company. He holds 214,300 shares and 8,821,910 Stock Options in the Company. He is not related to any Director of the Company.

Mr. Shashwat Goenka, 23 years, graduated from the Wharton School, University of Pennsylvania with a Bachelor of Science in Economics, specialising 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 Retail Limited.

Mr. Goenka is also Director on the Board of Spencer International Hotels Limited and Retailers Association of India. He is also Executive Committee Member of Indian Chamber of Commerce. He does not hold any shares or Stock Options in the Company. He is related to Mr. Sanjiv Goenka, Chairman of the Company.

Mr. Y. H. Malegam, 80 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 is a Director on the Boards of several Companies namely The Clearing Corporation of India Limited, National Stock Exchange of India Limited, Siemens Limited, Western India Plywoods Limited, Clariant Chemicals (India) Limited and Bhartiya Reserve Bank - Note Mudran (P) Limited.

Mr. Malegam is Chairman of the Audit Committee of the Board 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 Nomination and Remuneration Committee of the Board of the Company and Audit Committee of the Board of Clariant Chemicals (India) Limited. He holds 62,500 shares and 687,500 Stock Options in the Company. He is not related to any Director of the Company.

Dr. Shailesh J. Mehta, 65 years, is B. Tech. - Mechanical Engineering from Indian Institute of Technology, Mumbai, M.S. - Operations Research and Ph.D. in Operations Research and Computer Science from Case Western Reserve University in Cleveland, USA. He also has honorary Ph.D. from California State University. His areas of expertise include Financial Services, Banking, Insurance, Investments and Advisory. He is Managing General Partner of Granite Hill Capital Partners LLC, Private Equity Fund. He was previously Chairman of the Board and CEO of Providian Financial Corporation (a Fortune 300 Company). He also served as President and COO of Capital Holding which was the 10th largest shareholder-owned insurance Company in USA. Prior to that, he was Executive Vice President at the Ohio-based Ameritrust Corporation (now Key Corp.) He has been a general partner with Invesco Funds and WestBridge Capital. He has been Director of US Board of MasterCard International, Hanover Direct, Providian Corp. and many other companies. He has also served as an Advisory Board member for Arcot Systems, OSI Inc.

Dr. Mehta served as a Trustee of the California State University System. He was also advisor to India Studies Chair at University of California, Berkley. He is founder and is on the Advisory Board of Shailesh J Mehta School of Management at IIT, Mumbai. He serves on the Board of Heritage Fund of IIT Alumni in USA. He is a member of IIT Bombay Advisory Council. He is Chairman on the Board of PANIIT USA Alumni Association.

Dr. Mehta is a Director on the Boards of Manappuram Finance and Leasing Limited, Safari Industries (India) Limited, Aptus Value Housing Finance India Limited, Seed Infotech Limited, All Services Global Private Limited, G H Infotech Services Private Limited, ABP Realty Advisors Private Limited, Netafim Agricultural Financing Agency and Account Now Corp. USA.

Dr. Mehta is Chairman of Stakeholders Relationship Committee & Nomination and Remuneration Committee and a member of Audit Committee of the Board of the Company. He is also a member of Audit Committee of the Board of Safari Industries (India) Limited and a member of Audit Committee & Governance and Remuneration Committee of the Board of Manappuram Finance and Leasing Limited. He holds 400,000 shares and 790,000 Stock Options in the Company. He is not related to any Director of the Company.

Mr. Charles Miller Smith, 75 years, is M.A. (Hons.) 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 its 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 Inc, 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. Presently, he is senior Advisor to Warburg Pincus and Advisor to Edge Investments.

Mr. Smith is Chairman of the Board of Firstsource Solutions

UK Limited, a wholly-owned subsidiary of the Company and a Director on the Boards of Premier Foods and Prescience Media 1 LLP, U.K.

Mr. Smith is a member of Audit Committee and Nomination and Remuneration Committee of the Board of the Company. He does not hold any shares in the Company. He holds 900,000 Stock Options in the Company. He is not related to any Director of the Company.

Mr. Donald W. Layden Jr., 56 years, has Bachelor's Degree in Economics and Political Science and also has Juris Doctorate Degree with Honours from Marquette University Law School. He is currently an Operating Partner with Baird Venture Partners and Baird Capital Partners. He is also a partner in corporate services practice in Quarles & Brady LLC, a leading national law firm in US, headquarters in Milwaukee.

In the past, Mr. Layden has been Senior Executive Vice President, General Counsel and Secretary and President, International Group of Metavante Technologies, Inc. (NYSE:MV) and its principal operating subsidiary, Metavante Corporation. He directed Metavante's enterprise risk management, compliance, internal audit, legal and corporate development activities, including mergers & acquisitions and its international business. He also served as an Advisor to Warburg Pincus, a US based leading global private equity firm. He has held senior management positions with Fiserv (President, Lending Systems Division), Marshall & Ilsley Corporation (Senior Vice President and Chief Executive Officer, Trust and Investment Management Group). He began his career practicing law as a partner in the Quarles & Brady LLP law firm, where he concentrated his practice in corporate law and mergers and acquisitions. He is a Director on the Boards of Firstsource Solutions Group, USA, Inc., a wholly owned subsidiary of the Company, USA, Catholic Financial Life Insurance Company, SafetyPay, ZipMark Inc., Snowshoe, Harqen, Micronotes, Seven Marine, Solomo Technologies and Catalyze and several non-profit entities.

Mr. Layden does not hold any shares in the Company. He holds 750,000 Stock Options in the Company. He is not related to any Director of the Company.

Mr. Pradip Roy, 65 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 did his engineering from Indian School of Mines, Dhanbad. He has undergone training in investment appraisal and management from Harvard University, Cambridge, USA. After working as an officer in Bank of India for 6 and half years, Mr. Roy joined IDBI in 1979 and after working in various capacities over a span of 29 years, he retired from IDBI Bank Limited as Executive Director in 2008. Thereafter, he worked with UTI AMC Limited as a full time Advisor for about 3 and half years. 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, Government of India in August 2010. His paper on power sector was selected for personal presentation by the World Energy Congress held in Buenos Aires, Argentina in October, 2001.

Mr. Roy is a Director on the Boards of various companies namely Phillips Carbon Black Limited, Precision Wires India Limited, Noida Power Company Limited, GVK Industries Limited, IL&FS Infra Asset Management Limited, GVK Gautami Power Limited and Mumbai International Airport (P) Limited.

Mr. Roy is a member of Corporate Social Responsibility Committee of the Board of the Company and a member of Audit Committee of the Boards of Precision Wires India Limited, GVK Industries Limited, IL&FS Infra Asset Management Limited, GVK Gautami Power Limited and Mumbai International Airport (P) Limited. He is also a member of Nomination and Remuneration Committee of the Boards of GVK Gautami Power Limited, Mumbai International Airport (P) Limited and Precision Wires India Limited.

Mr. Roy does not hold any shares or Stock Options in the Company. He is not related to any Director of the Company.

FIRSTSOURCE SOLUTIONS LIMITED

RP - Sanjiv Goenka Group
Growing Legacies

CIN: L64202MH2001PLC134147
Registered Office: 5th Floor, Paradigm 'B' Wing, Mindspace, Link Road,
Malad (West), Mumbai - 400 064. India.
Tel: + 91 22 6666 0888 Fax: + 91 22 6666 0887
Email: complianceofficer@firstsource.com Website::www.firstsource.com

THIRTEENTH ANNUAL GENERAL MEETING
Friday, August 1, 2014 at 3.00 p.m.

firstsource

ATTENDANCE SLIP

I hereby record my presence at the Thirteenth Annual General Meeting of the Company held at Manik Sabhagriha, 'Vishwakarma' M. D. Lotlikar Vidya Sankul, Opp. Lilavati Hospital, Bandra Reclamation, Mumbai 400 050

....	....	....
Member's Folio/DP ID & Client ID No.	Member's/Proxy's name in Block Letters	Member's/ Proxy's Signature

Notes : Members are requested to bring this Attendance Slip along with them as duplicate slips will not be issued at the venue of the Meeting.

Note: Please complete and sign this Attendance Slip and hand it over at the Entrance of the Meeting Hall

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Email: complianceofficer@firstsource.com Website::www.firstsource.com

THIRTEENTH ANNUAL GENERAL MEETING
Friday, August 1, 2014 at 3.00 p.m.

firstsource

PROXY FORM

I/We, being the member(s), holding..............................shares of Firstsource Solutions Limited, hereby appoint:

(1) Name.............................. Address..............................
Email Id:.............................. Signature.............................. or failing him/her;

(2) Name.............................. Address..............................
Email-Id: .... Signature..............................or failing him/her;

(3) Name.............................. Address..............................
Email-Id: .... Signature..............................

as my/our proxy to attend and vote (on a poll) for me/ us and our behalf at the Thirteenth Annual General Meeting of the Company to be held on Friday, August 1, 2014 at 3.00 p.m. at Manik Sabhagriha, Vishwakarma' M. D. Lotlikar Vidya Sankul, Opp. Lilavati Hospital, Bandra Reclamation, Mumbai 400 050 and at any adjournment thereof in respect of such resolutions as are indicated below:

	Resolutions	**Optional***	
		For	**Against**
Ordinary Business			
1.	Adoption of audited financial statement including the Balance Sheet, Statement of Profit & Loss, Reports of Board of Directors and Auditors thereon, for the year ended March, 31 2014		
2.	Re-appointment of Mr. Ananda Mukerji, as a Director of the Company, who retires by rotation		
3.	Re-appointment of Mr. Shashwat Goenka, as a Director of the Company, who retires by rotation		
4.	Appointment of Statutory Auditors and fixing their remuneration		
Special Business			
5.	Appointment of Mr. Y. H. Malegam as an Independent Director of the Company		
6.	Appointment of Dr. Shailesh J. Mehta as an Independent Director of the Company		
7.	Appointment of Mr. Charles Miller Smith as an Independent Director of the Company		
8.	Appointment of Mr. Donald W Layden Jr. as an Independent Director of the Company		
9.	Appointment of Mr. Pradip Roy as an Independent Director of the Company		
10.	Approval for borrowing powers of the Board of Directors of the Company		
11.	Approval for creation of mortgage/ charges on the movable and immovable properties of the Company, both present and future, in respect of borrowings		
12.	Approval for amendment of Articles of Association of the Company		

Member's Folio/DP ID & Client ID No............................. Signature of Shareholder(s)........................ ....

Affix
Revenue
Stamp
Re. 1/-

P.T.O.

Notes :

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not later than 48 hours before the commencement of the Meeting.

2. A proxy need not be a member of the Company.

3. A person can act as a proxy on behalf of members not exceeding 50 and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. In case a proxy is proposed to be appointed by a member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder.

4. For the Resolutions, Explanatory Statement and Notes, please refer to the Notice of the Thirteenth Annual General Meeting.

5. It is Optional to put 'X' in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all resolutions, your Proxy will be entitled to vote in the manner as he/ she thinks appropriate.

6. Appointing a proxy does not prevent a member from attending the meeting in person if he so wishes.

CORPORATE INFORMATION

REGISTERED OFFICE

CIN: L64202MH2001PLC134147
5th Floor, Paradigm 'B' Wing,
Mindspace, Link Road, Malad (West),
Mumbai 400 064.
www.firstsource.com

STATUTORY AUDITORS

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

BANKERS

1. ICICI Bank
2. DBS Bank
3. Citi bank
4. Axis Bank
5. Ratnakar Bank
6. SBI Bank
7. Yes Bank
8. Barclays Bank
9. Deutsche Bank AG
10. Standard Chartered Bank
11. BPI
12. Bank of America
13. The PNC Financial Servies Group
14. Key Bank
15. J P Morgan Bank
16. Capital One
17. Canara bank
18. GE Capital
19. Indian overseas bank

COMMITTEE DETAILS

Audit Committee

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

Nomination and Remuneration Committee

Dr. Shailesh J. Mehta, Chairman
Mr. Ananda Mukerji
Mr. Y. H. Malegam
Mr. Charles Miller Smith
Mr. Subrata Talukdar

Stakeholders Relationship Committee

Dr. Shailesh J. Mehta, Chairman
Mr. Rajesh Subramaniam
Mr. Subrata Talukdar

Corporate Social Responsibility Committee

Mr. Shashwat Goenka, Chairman
Mr. Rajesh Subramaniam
Mr Haigreve Khaitan
Mr Pradip Roy
Mr. Subrata Talukdar

COMPANY SECRETARY & COMPLIANCE OFFICER

Sanjay Gupta

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concept, content and design at aicl [info@aicl.in]